PRIVACY AND RECORDS MANAGEMENT OFFICE

UNITED STATES POSTAL SERVICE

RECEIVED
SEP 01 2020
BY: DW-Prod

August 21, 2020

Austin Evers
American Oversight
1030 15th Street NW, Suite B255
Washington, DC 20005

RE: FOIA Case No. 2020-FPRO-01103

Dear Mr. Evers:

This responds to your Freedom of Information Act (FOIA) request dated May 12, 2020, in which you seek access to Postal Service records. Specifically, you requested:

> All email communications (email messages, complete email chains email attachments, calendar invitations, and attachments thereto) sent by USPS Postmaster General Megan Brennan or General Counsel Thomas Marshall containing any of the following key terms:
>
> i. POTUS
> ii. "White House"
> iii. "the WH"
> iv. Amazon
> v. Bezos
> vi. "CARES Act"
> vii. Mnuchin
> viii. "vote-by-mail"
> ix. "vote by mail"
> x. VBM
> xi. "mail-in voting"
> xii. ballots
>
> In an effort to accommodate USPS and reduce the number of potentially responsive records, American Oversight agrees that the search for responsive email communications may be limited to emails sent by the specified officials. Despite this search accommodation, American Oversight still requests that complete email chains be produced, displaying both sent and received messages. For example, if Postmaster General Brennan responded to an email sent to her from another individual, both the response Postmaster General Brennan sent and the message she responded to should be produced.
>
> Please provide all responsive records from March 1, 2020, through the date the search is conducted.

The FOIA generally requires federal agencies to disclose to the public reasonably described records within their possession, the FOIA contains several exemptions that permit agencies to withhold certain records. Additionally, an agency may refuse to either confirm or deny that it has relevant records when disclosing the existence or nonexistence of responsive records would itself cause a harm protected under the FOIA statute.

475 L'Enfant Plaza SW, Rm. 1P830
Washington DC 20260-1101
(202) 268-2608
FAX: (202) 268-5353

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In this instance, the Postal Service asserts Exemption 3 in conjunction with 39 U.S.C § 410(c)(2), as a basis for declining to acknowledge whether responsive records exist related to search term "Amazon" because we find that the records that you requested qualifies as "information of a commercial nature including trade secrets, whether or not obtained from a person outside the Postal Service, which under good business practice would not be publicly disclosed". Thus, the Postal Service declines to conduct a search for the records requested and will neither confirm nor deny whether responsive records exist.

A search was done by our Information Catalog Program (ICP) Office with the other search terms and a total of 3,039 responsive records were located for your request. However, some of the information your request are being withheld under Exemption 3 in conjunction with 39 U.S.C § 410(c)(2), Exemption 5 and 6.

Please find the information enclosed in 2 CDs. The first CD contains 2538 pages of records and the second CD contains 501 pages of records.

Also visit the CARES Act link at https://www.congress.gov/bill/116th-congress/senate-bill/3548/text since the General Counsel and Executive Vice President, Thomas Marshall received a copy of the 1200+ page final bill from Sen. McConnell's office.

Exemption 3 provides that agencies may withhold records that are exempted from disclosure by another statute that "establishes particular criteria for withholding or refers to particular types of matters to be withheld." 5 U.S.C. § 552(b)(3). We consider that 39 U.S.C. §410(c)(1) and §410(c)(2) operates independently as an exempting statute within the scope of Exemption 3.

Section 410(c)(2) of Title 39, U.S. Code, provides that "information of a commercial nature, including trade secrets, whether or not obtained from a person outside the Postal Service, which under good business practice would not be publicly disclosed" is exempt from the disclosure requirements of the FOIA. This section was enacted as part of the Postal Reorganization Act, 39 U.S.C. § 101 et seq., (1970), which established the Postal Service as an independent establishment of the executive branch and generally directed it to conduct its operations in accordance with sound business principles.

To determine what constitutes "good business practice" under § 410(c)(2), courts consider the customs of the commercial world, management techniques, and business law, as well as the standards of practice adhered to by large corporations. The Postal Service may withhold information of a commercial nature if large businesses would do the same. It would not be good business practice to release the requested information, and private businesses would not release information of this nature to the public.

Exemption 5 permits withholding inter-agency or intra-agency letters or memorandums that would not be available by law to a party other than an agency in litigation with the U.S. Postal Service. The purpose of this exemption is to encourage open, frank discussion on matters of policy between agency personnel; to protect against premature disclosure of proposed policies before they are finally adopted and to protect against public confusion that might result from disclosure of reasons and rationales that were not in fact ultimately the grounds for an agency's action. Other information withheld under Exemption 5 are documents and other memoranda prepared by agency attorneys that contain confidential communications encompassing opinions given by an attorney, and communications between attorneys that reflect client-supplied information.

In this instance, the withheld information consists, in part, of communications prepared by, or at the direction of, agency attorneys that contain confidential communications encompassing opinions given by an attorney, and communications between attorneys that reflect client-supplied information. Accordingly, such information qualifies for Exemption 5 protection.

Also, some information is being withheld under Exemption 6. Exemption 6 permits withholding documents where release of personnel and similar files would constitute a clearly unwarranted

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invasion of personal privacy. Any records which contain information concerning particular individuals, may qualify for the exemption's protection. In this instance, email addresses and cell phone numbers of postal employees have been withheld under Exemption 6.

In determining whether to release records that may be protected by Exemption 6, the agency must balance the privacy interests of the individuals involved against the public interest, if any , that would be served by disclosure. We do not consider that there is a public interest in the disclosure of the requested information sufficient to outweigh the privacy interests of the individuals involved. For the purposes of FOIA Exemption 6, the only public interest to be weighed is the extent to which disclosure would service the "core purpose" of the FOIA, which is to contribute significantly to public understanding of the operations or activities of the government, or, in other words, to shed light on the conduct of government agencies.

If you are not satisfied with the response to this request, you may file an administrative appeal within 90 days of the date of this response letter by writing to the General Counsel U.S. Postal Service 475 L'Enfant Plaza SW Washington, DC 20260 or via email at FOIAAppeal@usps.gov. Your appeal must be postmarked or electronically transmitted within 90 days of the date of the response to your request. The letter of appeal should include, as applicable:

(1) A copy of the request, of any notification of denial or other action, and of any other related correspondence;
(2) The FOIA tracking number assigned to the request;
(3) A statement of the action, or failure to act, from which the appeal is taken;
(4) A statement identifying the specific redactions to responsive records that the requester is challenging;
(5) A statement of the relief sought; and
(6) A statement of the reasons why the requester believes the action or failure to act is erroneous.

For further assistance and to discuss any aspect of your request, you may contact any of the *FOIA Public Liaison listed below*:

PRIVACY & RECORDS OFFICE
US POSTAL SERVICE
475 L'ENFANT PLAZA SW RM 1P830
WASHINGTON DC 20260-1101
Phone: (202) 268-2608
Fax: (202) 268-5353
FOIA Public Liaison: Nancy Chavannes-Battle

Additionally, you may contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA mediation services they offer. The contact information for OGIS is as follows: Office of Government Information Services, National Archives and Records Administration, 8601 Adelphi Road-OGIS, College Park, Maryland 20740-6001, e-mail at ogis@nara.gov; telephone at 202-741-5770; toll free at 1-877-684-6448; or facsimile at 202-741-5769.

Sincerely,

Nancy P. Chavannes-Battle

Nancy P. Chavannes-Battle
Deputy Chief FOIA Officer

Enclosure

475 L'Enfant Plaza SW, Rm. 1P830
Washington DC 20260-1101
(202) 268-2608
FAX: (202) 268-5353

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Monday, April 6, 2020 3:59 PM
To: Elston, Michael J - Washington, DC
Subject: Fwd: Members Letter to Treasury Secretary
[redacted] [redacted] (b)(5)

Soft copy

Thanks,

Megan

Begin forwarded message:

From: "Stroman, Ronald A - Washington, DC" [redacted] (b)(6)
Date: April 6, 2020 at 3:58:35 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted] (b)(6)
"Marshall, Thomas J - Washington, DC" [redacted] (b)(6)
Subject: Members Letter to Treasury Secretary

Megan,

Attached is the Members letter to the Treasury Secretary that we discussed.

Thanks
Ron

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Congress of the United States

Washington, DC 20510

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the $10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.[1] The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will (b)(3), 410(c)(2) . During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.[2]

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

[1] Pub. L. No. 116-136 (2020).

[2] See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usus.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

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mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a $1.4 trillion mailing industry that employs more than 7.5 million people.[3]

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional $10 billion from the Department of the Treasury (Treasury) "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The terms of this loan are to be "mutually agreed upon by the Secretary and the Postal Service."[4] In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made "at the Treasury rate." This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of "the power of the Postal Service,"[5] appoint or remove the Postmaster General, and "direct and control the expenditures and review the practices and policies of the Postal Service."[6] We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service's statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

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[3] U.S. Postal Service, *Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

[4] Pub. L. 116-136 (2020).

[5] 39 U.S.C. § 202(a)(1).

[6] 39 U.S.C. § 202(c); 39 U.S.C. §205(a).

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- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all "term sheets" and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,

Gary C. Peters
Ranking Member
Senate Committee on Homeland Security and Governmental Affairs

Carolyn B. Maloney
Chairwoman
House Committee on Oversight and Reform

Thomas R. Carper
Tom Carper
Ranking Member
Senate Permanent Subcommittee on Investigations

Gerald E. Connolly
Chairman
House Subcommittee on Government Operations

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Monday, April 6, 2020 12:04 PM
To: Stavely, Rhonda J - Washington, DC
Cc: Latham, Sandra R - Washington, DC
Subject: Fwd: Request for Data from House and Senate Committee Democrats
[redacted]
(b)(5)

Please print & bring in

Thanks,

Megan

Begin forwarded message:

From: "Stroman, Ronald A - Washington, DC" [redacted] (b)(6)
Date: April 6, 2020 at 11:54:38 AM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted], "Corbett, Joseph - Washington, DC" [redacted] "Marshall, Thomas J - (b)(6) Washington, DC" <[redacted]
Subject: Request for Data from House and Senate Committee Democrats

Megan,

Attached is the letter we discussed from House and Senate Committee Democrats requesting a data on the Postal Service's financial condition. We (b)(5)

Thanks
Ron

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Congress of the United States
Washington, DC 20515

April 3, 2020

Ms. Megan J. Brennan
Postmaster General and Chief Executive Officer
United States Postal Service
475 L'Enfant Plaza, S.W.
Room 4012
Washington, D.C. 20260

Dear Ms. Brennan:

We write with urgent concern about the immediate financial condition and needs of the U.S. Postal Service in light of the coronavirus emergency and resulting decline in economic activity. This crisis has jeopardized the Postal Service's ability to continue providing essential service to every American. We ask that you provide information as soon as possible to ensure that Congress and the public are fully informed about this matter.

On March 20, the Postal Service notified our Committees that due to the coronavirus crisis, [redacted] (b)(5) [redacted]. Meanwhile, the Postal Service continues to provide universal service in every community across the country, delivering medications, emergency information, home supplies, and more.

On March 27, Congress passed the CARES Act (P.L. 116-136), which authorizes the Department of the Treasury to provide a $10 billion loan to the Postal Service "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The Secretary of the Treasury retains the discretion to make that loan and set terms, which must be mutually agreed upon by the Postal Service.

We strongly urge the Postal Service to assert its proper authorities with regard to the finances and management of the Postal Service and ensure that this loan is made in a timely manner and under conditions acceptable to the Postal Service.

Given the urgent need to fully understand the Postal Service's financial condition, we ask that you produce the following information by April 6, 2020:

1. The most recent financial estimates regarding the Postal Service's finances through the end of the fiscal year, under expected economic conditions, including: projected revenue, expenses, emergency expenses, and cash-on-hand. Such

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estimates should include information about the attendant economic assumptions. We request that you send a copy of the estimates that will be used in discussions with the Treasury Department about borrowing, and continue to send updated estimates as necessary;

2. A clear public statement from the Postal Service regarding its expected financial condition, to inform its customers about its revenues, expenses, and expected solvency; and

3. A statement of the amount of funds the Postal Service intends to request from the Treasury Department under the CARES Act, including the terms requested by the Postal Service for the authorized loan.

Thank you for your attention to this urgent matter. Please direct all questions and correspondence to our staffs at [redacted], (b)(6)

Sincerely,

Carolyn B. Maloney
Chairwoman
House Committee on Oversight and Reform

Gary C. Peters
Ranking Member
Senate Committee on Homeland Security and Governmental Affairs

Gerald E. Connolly
Chairman
House Subcommittee on Government Operations

Tom Carper
Ranking Member
Permanent Subcommittee on Investigations

Stephen F. Lynch
Chairman
House Subcommittee National Security

Brenda Lawrence
Member
House Committee on Oversight and Reform

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Enclosure

cc: The Honorable Ron Johnson, Chairman
Senate Committee on Homeland Security and Governmental Affairs

The Honorable Rob Portman, Chairman
Senate Permanent Subcommittee on Investigations

The Honorable Jody B. Hice, Ranking Member
House Subcommittee on National Security

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Responding to Committee Document Requests

1. In complying with this request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. Produce all documents that you have a legal right to obtain, that you have a right to copy, or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party.

2. Requested documents, and all documents reasonably related to the requested documents, should not be destroyed, altered, removed, transferred, or otherwise made inaccessible to the Committees.

3. In the event that any entity, organization, or individual denoted in this request is or has been known by any name other than that herein denoted, the request shall be read also to include that alternative identification.

4. The Committees' preference is to receive documents in electronic form (i.e., CD, memory stick, thumb drive, or secure file transfer) in lieu of paper productions.

5. Documents produced in electronic format should be organized, identified, and indexed electronically.

6. Electronic document productions should be prepared according to the following standards:

    a. The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.

    b. Document numbers in the load file should match document Bates numbers and TIF file names.

    c. If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.

    d. All electronic documents produced to the Committees should include the following fields of metadata specific to each document, and no modifications should be made to the original metadata:

        BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH, PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE, SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM, CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,

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INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION, BEGATTACH.

7. Documents produced to the Committees should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, zip file, box, or folder is produced, each should contain an index describing its contents.

8. Documents produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.

9. When you produce documents, you should identify the paragraph(s) or request(s) in the Committees' letter to which the documents respond.

10. The fact that any other person or entity also possesses non-identical or identical copies of the same documents shall not be a basis to withhold any information.

11. The pendency of or potential for litigation shall not be a basis to withhold any information.

12. In accordance with 5 U.S.C.§ 552(d), the Freedom of Information Act (FOIA) and any statutory exemptions to FOIA shall not be a basis for withholding any information.

13. Pursuant to 5 U.S.C. § 552a(b)(9), the Privacy Act shall not be a basis for withholding information.

14. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.

15. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) every privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author, addressee, and any other recipient(s); (e) the relationship of the author and addressee to each other; and (f) the basis for the privilege(s) asserted.

16. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (by date, author, subject, and recipients), and explain the circumstances under which the document ceased to be in your possession, custody, or control.

17. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, produce all documents that would be responsive as if the date or other descriptive detail were correct.

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18. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data, or information not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.

19. All documents shall be Bates-stamped sequentially and produced sequentially.

20. Two sets of each production shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee on Oversight and Reform, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2105 of the Rayburn House Office Building. When documents are produced to the Committee on Financial Services, production sets shall be delivered to the Majority Staff in Room 2129 of the Rayburn House Office Building and the Minority Staff in Room 4340 of the O'Neill House Office Building. When documents are produced to the Permanent Select Committee on Intelligence, production sets shall be delivered to Majority and Minority Staff in Room HVC-304 of the Capital Visitor Center.

21. Upon completion of the production, submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control that reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term "document" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, data, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone call, meeting or other inter-office or intra-office communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape, or otherwise. A document bearing any notation not a

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part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.

2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, mail, releases, electronic message including email (desktop or mobile device), text message, instant message, MMS or SMS message, message application, or otherwise.

3. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neutral genders.

4. The term "including" shall be construed broadly to mean "including, but not limited to."

5. The term "Company" means the named legal entity as well as any units, firms, partnerships, associations, corporations, limited liability companies, trusts, subsidiaries, affiliates, divisions, departments, branches, joint ventures, proprietorships, syndicates, or other legal, business or government entities over which the named legal entity exercises control or in which the named entity has any ownership whatsoever.

6. The term "identify," when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; (b) the individual's business or personal address and phone number; and (c) any and all known aliases.

7. The term "related to" or "referring or relating to," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is pertinent to that subject in any manner whatsoever.

8. The term "employee" means any past or present agent, borrowed employee, casual employee, consultant, contractor, de facto employee, detailee, fellow, independent contractor, intern, joint adventurer, loaned employee, officer, part-time employee, permanent employee, provisional employee, special government employee, subcontractor, or any other type of service provider.

9. The term "individual" means all natural persons and all persons or entities acting on their behalf.

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted] (b)(6)
Sent: Thursday, April 30, 2020 1:02 PM
To: Krage Strako, Jakki - Washington, DC
Subject: Fwd: Business Letter in Support of Emergency Relief for USPS
[redacted] (b)(5) [redacted]

Thanks,

Megan

Begin forwarded message:

From: "Elston, Michael J - Washington, DC" [redacted] (b)(6)
Date: April 30, 2020 at 12:06:33 PM EDT
To: "Elston, Michael J - Washington, DC" <[redacted] (b)(6)
Subject: Business Letter in Support of Emergency Relief for USPS

Members of the Board of Governors,

Please find attached a letter sent this morning to Congressional leaders regarding the Postal Service. It is signed by more than 1200 businesses, trade associations and consumer groups from around the country.

Best regards,
Michael

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
[redacted] (b)(6)

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The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates $1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS[1], often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

[1] Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/

AMERICAN OVERSIGHT

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ

AMERICAN OVERSIGHT

Colorado River Real Estate Magazine	Bullhead City	AZ
Entertainer	Bullhead City	AZ
Mohave Valley Daily News	Bullhead City	AZ
Runbeck Election Services, Inc.	Phoenix	AZ
The Bullhead City Booster	Bullhead City	AZ
The Laughlin Times	Bullhead City	AZ
The Wickenburg Sun	Wickenburg	AZ
Western States Printing Alliance	Queen Creek	AZ
Wickenburg Shopper News	Wickenburg	AZ

Arkansas

Arkansas Mailing Services	N. Little Rock	AR
Arkansas Press Association	Little Rock	AR
Dayspring Cards	Siloam Springs	AR
Harrison Daily Times	Harrison	AR
Johnson County Graphic	Clarksville	AR
Newton County Times	Jasper	AR

California

Auburn Direct	Auburn	CA
Auburn Journal	Auburn	CA
Big Bear Grizzly	Big Bear Lake	CA
Brentwood Press	Brentwood	CA
California News Publishers Association	Sacramento	CA
Chino Champion	Chino	CA
CohereOne	San Rafael	CA
Colfax Record	Colfax	CA
Desert Entertainer	Yucca Valley	CA
Desert Mobile Home News	Yucca Valley	CA
eBay Inc.	San Jose	CA
Folsom Lake Entertainer	Folsom	CA
Granite Bay View	Roseville	CA
Grizzly Weekender	Big Bear Lake	CA
Gustine Press-Standard	Newman	CA
Hi-Desert Star	Yucca Valley	CA
Idyllwild Town Crier	Idyllwild	CA
India West	San Leandro	CA
Lincoln News Messenger	Lincoln	CA
Major Mailers Assn.	El Dorado Hills	CA
Mountain News	Lake Arrowhead	CA
Mountain Shopper	Lake Arrowhead	CA
Needles Desert Star (1987)*	Needles	CA
Nevada & Placer County Entertainer	Auburn	CA
Ojai Valley News	Ojai	CA
PacSun, LLC	Anaheim	CA
Patterson Irrigator	Patterson	CA
PLD Group	Thousand Palms	CA
Point Reyes Light	Inverness	CA
Press Banner	Scotts Valley	CA
Printing Industries Assn. of San Diego, Inc.	San Diego	CA

AMERICAN OVERSIGHT

Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

AMERICAN OVERSIGHT

The Chronicle	Willimantic	CT
Trumbull Printing, LLC	Trumbull	CT
Wasco Tribune	Wasco	CT

Delaware

Cape Gazette	Lewes	DE
Greater Dover Extra	Dover	DE
Smyrna Extra	Smyrna	DE
Sussex Post	Seaford	DE
The Chronicle	Milford	DE

Florida

Access Mail Processing Services, Inc..	Clearwater	FL
Cedar Key Beacon	Chiefland	FL
Chiefland Citizen	Chiefland	FL
Citrus County Chronicle	Crystal River	FL
Consolidated Mailing Services	Tampa	FL
Direct Mail Impressions	Boca Raton	FL
Florida Graphics Alliance	Orlando	FL
Florida Mail & Print	Ft. Myers	FL
Florida Media Association	Ocala	FL
Florida Press Association	Tallahassee	FL
Gadsden County Times, The	Quincy	FL
Heritage Florida Jewish News	Orlando	FL
Kessler Creative	Jacksonville	FL
Key West Citizen and Free Press	Key West	FL
Lake City Reporter	Lake City	FL
Mail, Print & Packaging Solutions, Inc.	Lutz	FL
Nona Connect	Orlando	FL
Nonahood News	Orlando	FL
North Jax Monthly	Jacksonville	FL
Perry News Herald	Perry	FL
Print Reach, Inc.	Jacksonville Beach	FL
Publishers' Auxiliary	Pensacola	FL
Riverland News	Dunnellon	FL
South Marion Citizen	Dunnellon	FL
St. Augustine Observer	St. Augustine	FL
Sumter County Times	Bushnell	FL
Taco Times	Perry	FL
TC Delivers Mail Solutions & Savings	Jacksonville	FL
Textile Care Allied Trades Assn.	Wesley Chapel	FL
The West Volusia Beacon	DeLand	FL
Valpak	St. Petersburg	FL
Wakulla News, The	Crawfordville	FL
Westside Journal	Callahan	FL
Williston Pioneer Sun-News	Williston	FL
W.S. Badcock Corporation	Mulberry	FL

Georgia

Banks County News	Jefferson	GA

AMERICAN OVERSIGHT

Barrow News-Journal	Winder	GA
Charlton County Herald	Folkston	GA
Datamatx	Atlanta	GA
Early County News	Blakely	GA
Envelopes & Forms, Inc./SureBill	Duluth	GA
Fayette County News	Fayetteville	GA
Jackson Herald, The	Jefferson	GA
Madison County Journal, The	Jefferson	GA
Mature Living in the South	Baxley	GA
Mature Living in the Southeast	Baxley	GA
Monroe County Reporter	Forsyth	GA
North Georgia News	Blairsville	GA
Printing & Imaging Association of Georgia	Smyrna	GA
The Advance	Vidalia	GA
The Atlanta Voice	Atlanta	GA
The Baxley News-Banner	Baxley	GA
The Lincoln Journal	Lincolnton	GA
The Newnan Times-Herald	Newnan	GA
The News Observer	Blue Ridge	GA
The News-Reporter	Washington	GA
The Post-Searchlight	Bainbridge	GA
The Press-Sentinel	Jesup	GA
The Telfair Enterprise	McRae-Helena	GA
Times-Courier	Ellijay	GA
Towns County Herald	Hiawassee	GA
TSYS Inc.	Columbus	GA
Waycross Journal-Herald	Waycross	GA

Hawaii

Lahaina News	Maui	HI

Idaho

American Mailing Products, Inc.	Meridian	ID
Clearwater Tribune	Orofino	ID
The Arco Advertiser	Arco	ID
The Challis Messenger	Challis	ID
Weekly Mailer	Burley	ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)	Lake Villa	IL
Barco Products	Batavia	IL
Bunker Hill Gazette- News	Bunker Hill	IL
Carmi Chronicle	Carmi	IL
Carroll County Mirror-Democrat	Mt. Carroll	IL
Design Toscano	Elk Grove Village	IL
Fluence Automation, LLC	Arlington Heights	IL
Franklin County Gazette	Benton	IL
Gazette-Democrat, The	Anna	IL
Hardin County Independent	Elizabethtown	IL
InnerWorkings	Chicago	IL

AMERICAN OVERSIGHT

Journal-News, The	Hillsboro	IL
KirbyBuilt Products	Batavia	IL
K-Log	Zion	IL
Leader-Union, The	Vandalia	IL
Madison County Chronicle	Worden	IL
McLeansboro Gazette	McLeansboro	IL
Midland Paper Packaging and Supplies	Wheeling	IL
Mt. Olive Herald, The	Mount Olive	IL
Navigator and Journal Register, The	Albion	IL
North American Assn of Food Equipment Mfrs	Chicago	IL
Olney Gazette	Olney	IL
OSM Worldwide	Glendale Heights	IL
Quicksilver Mailing Services	Springfield	IL
Raymond News, The	Raymond	IL
Republic-Times Group, LLC	Waterloo	IL
R.R. Donnelley	Chicago	IL
Southwestern Journal News, The	Brighton	IL
The Carroll County Review	Thomson	IL
The Galena Gazette	Galena	IL
The Prairie News	Toulon	IL
The Sidell Reporter	Sidell	IL
The Vienna Times	Vienna	IL
The Weekly Post	Elmwood	IL
The Woodstock Independent	Woodstock	IL
TreeTop Products	Batavia	IL
Unison	Chicago	IL
Vienna Times, The	Vienna	IL
Weekly Press, The	Pinckneyville	IL

Indiana

Carroll County Comet	Delphi	IN
Crothersville Times	Crothersville	IN
Data Mail, Inc.	Evansville	IN
Engineering Innovation, Inc.	Lafayette	IN
Ferdinand News	Ferdinand	IN
Indiana Minority Business Magazine	Indianapolis	IN
Journal Review	Crawfordsville	IN
LaGrange News	LaGrange	IN
LaGrange Standard	LaGrange	IN
LSC Communications	Indianapolis	IN
Middlebury Independent	Middlebury	IN
Montpelier Weekly	Montpelier	IN
Mount Vernon Democrat	Mount Vernon	IN
Nat'l Assn of Mutual Insurance Companies	Indianapolis	IN
North Vernon Plain Dealer	North Vernon	IN
Online Data	South Bend	IN
Paper of Montgomery County	Crawfordsville	IN
Parke County Sentinel	Rockville	IN
Perry County News	Tell City	IN
Spencer County Journal-Democrat, The	Rockport	IN
Sullivan Daily Times	Sullivan	IN

AMERICAN OVERSIGHT

The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometowner	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

AMERICAN OVERSIGHT

The Carlisle Citizen	Carlisle	IA
The Charles City Press	Charles City	IA
The Columbus Gazette	Columbus Junction	IA
The Daily Iowan	Iowa City	IA
The Gowrie News	Gowrie	IA
The Manilla Times	Manilla	IA
The Observer	Westside	IA
The Ocheyedan Press-Melvin News	Ocheyedan	IA
The Seymour Herald	Seymour	IA
The Sun News	Lowden	IA
The Times Republican	Corydon	IA
The Tipton Conservative	Tipton	IA
Times-Republican	Marshalltown	IA
Toledo Chronicle	Toledo	IA
T-R Plus	Marshalltown	IA
Traer Star-Clipper	Traer	IA
West Branch Times	West Branch	IA
West Liberty Index	West Liberty	IA
Wilton-Durant Advocate News	Wilton	IA
Woolverton	Des Moines	IA

Kansas

Coffeyville Journal	Coffeyville	KS
Colby Free Press	Colby	KS
Ellsworth County Independent-Reporter	Ellsworth	KS
Eudora Times	Eudora	KS
Good News Press	Caney	KS
Independence Daily Reporter	Independence	KS
Kansas Press Association	Topeka	KS
Labette Avenue	Oswego	KS
Lineage	Lenexa	KS
Mail Works	Kansas City	KS
Marquette Tribune	Marquette	KS
Montgomery County Chronicle	Caney	KS
Mulvane News	Mulvane	KS
Prairie Star	Sedan	KS
Rawlins County Square Deal	Atwood	KS
Rose Hill Reporter	Rose Hill	KS
The Anthony Republican	Anthony	KS
The Cedar Vale Lookout	Cedar Vale	KS
The Cowley Courier Traveler	Arkansas City	KS
The Eureka Herald	Eureka	KS
The Goodland Star-News	Goodland	KS
The Holton Recorder	Holton	KS
The Marysville Advocate	Marysville	KS
The Monitor Journal	Little River	KS
The Norton Telegram	Norton	KS
The Oberlin Herald	Oberlin	KS
The Saint Francis Herald & Bird City Times	Saint Francis	KS
The Wabaunsee County Signal-Enterprise	Alma	KS
Universal Engraving, Inc.	Overland Park	KS

AMERICAN OVERSIGHT

Kentucky

Anderson News, The	Lawrenceburg	KY
Casey County News, The	Liberty	KY
Central Kentucky News-Journal	Campbellsville	KY
ElToro.com	Louisville	KY
Georgetown News-Graphic	Georgetown	KY
Henry County Local	Eminence	KY
Kentucky New Era	Hopkinsville	KY
Kentucky Standard, The	Bardstown	KY
LaRue County Herald News, The	Hodgenville	KY
Lebanon Enterprise, The	Lebanon	KY
News-Enterprise	Elizabethtown	KY
Oldham Era, The	La Grange	KY
Pioneer News, The	Shepherdsville	KY
Record, The	Leitchfield	KY
Record-Herald	Greensburg	KY
Sentinel-News, The	Shelbyville	KY
Spencer Magnet, The	Taylorsville	KY
Springfield Sun, The	Springfield	KY
The Cadiz Record	Cadiz	KY
The Cynthiana Democrat	Cynthiana	KY
The Eagle Post	Oak Grove	KY
The Grant County News	Williamstown	KY
The Harrison Shopper	Cynthiana	KY
The Licking Valley Courier	West Liberty	KY
The News-Democrat	Carrollton	KY
The News-Herald	Owenton	KY
The River City Trading Post	Carrollton	KY
The State Journal	Frankfort	KY
The Trimble Banner	Bedford	KY
Troublesome Creek Times	Hindman	KY
Vtility.com	Louisville	KY

Louisiana

American Press	Lake Charles	LA
Bogalusa Daily News	Bogalusa	LA
Bossier Press Tribune	Bossier City	LA
Cameron Parish Pilot	Cameron	LA
Catahoula News Booster	Jonesville	LA
Central Speaks Newspaper	Central	LA
DeQuincy News	DeQuincy	LA
DMS Mail Management, Inc.	Baton Rouge	LA
Jennings Daily News	Jennings	LA
LaPlace L'Observateur	LaPlace	LA
Ruston Daily Leader	Ruston	LA
Southwest Daily News	Sulphur	LA
The Avoyelles Journal	Avoyelles	LA
The Bienville Democrat	Arcadia	LA
The Bunkie Record	Bunkie	LA

AMERICAN OVERSIGHT

The Louisiana Weekly	New Orleans	LA
The Marksville News	Marksville	LA

Maine

Calyx Flowers, Inc.	Yarmouth	ME
Cuddledown	Yarmouth	ME
Ellsworth American	Ellsworth	ME
J.S. McCarthy	Augusta	ME
Mount Desert Islander	Bar Harbor	ME
Snowman Group	Hermon	ME

Maryland

Country Casual Teak	Gaithersburg	MD
Healthy Directions	Bethesda	MD
Ocean City Digest	Ocean City	MD
Ocean City Today	Ocean City	MD
Pet Industry Distributors Association	Abingdon	MD
Printing and Graphics Association MidAtlantic	Columbia	MD
Tire Industry Association	Bowie	MD
USAE Weekly Newspaper	Bethesda	MD

Massachusetts

Christianbook, LLC	Peabody	MA
Coldwater Creek	Hingham	MA
Daily Times Chronicle	Woburn	MA
Healy List Marketing	Beverly	MA
Integrated Systems Associates, Inc.	Swansea	MA
Legacy Publishing Group	Clinton	MA
Potpourri Group, Inc.	North Billerica	MA
Printing Industries of New England	Southborough	MA
The Manchester Cricket	Manchester-by-the-Sea	MA
Trainer's Warehouse	Natick	MA
Window Book, Inc.	Cambridge	MA

Michigan

Alcona County Review	Harrisville	MI
Ann Arbor Observer	Ann Arbor	MI
Assn. for Mail Electronic Enhancement	Newaygo	MI
Battle Creek Shopper News	Battle Creek	MI
Baudville Brands	Grand Rapids	MI
Bronner's Christmas Wonderland	Frankenmuth	MI
Cadillac News	Cadillac	MI
Clare County Cleaver	Harrison	MI
Clarkston News	Clarkston	MI
Community Papers of Michigan	Potterville	MI
Detroit Legal News	Detroit	MI
Extend Your Reach	Lansing	MI
Great American Media Services	Sparta	MI
Grosse Pointe News	Grosse Pointe	MI
Hastings Banner	Hastings	MI

AMERICAN OVERSIGHT

Hastings Reminder	Hastings	MI
Houghton Lake Resorter	Houghton Lake	MI
Kent Communications, Inc.	Grand Rapids	MI
Koeze Company	Grand Rapids	MI
Lake Orion Review	Lake Orion	MI
Lakewood News	Hastings	MI
Leelanau Enterprise	Lake Leelanau	MI
Lett Direct, Inc.	Williamsburg	MI
Lowell Buyers Guide	Lowell	MI
Lowell Ledger	Lowell	MI
Mail Room Service Center, Inc.	Saginaw	MI
Maple Valley News	Hastings	MI
Marshall/Chronicle	Marshall	MI
Oxford Leader	Oxford	MI
Save on Everything, LLC	Troy	MI
TGI Direct, Inc.	Flint	MI
The Citizen	Ortonville	MI
The Climax Crescent Newspaper	Climax	MI
The Clinton Local	Clinton	MI
The Independent	Dundee	MI
The Pinconning Journal	Pinconning	MI
The Record	Washington	MI
The Saginaw News	Saginaw	MI
The Tecumseh Herald	Tecumseh	MI
The Yale Expositor	Yale	MI

Minnesota

Belle Plaine Herald	Belle Plaine	MN
Benton County News	Foley	MN
Bloodwood Forum	Proctor	MN
Cardsource	Minneapolis	MN
Citizen Publishing Co., Inc	Windom	MN
Clara City Herald	Clara City	MN
Clifton Larson Allen	Minneapolis	MN
Comfrey Times	Comfrey	MN
Country Acres	Sauk Centre	MN
Crosby-Ironton Courier, Inc.	Crosby	MN
Dairy Star	Sauk Centre	MN
Eden Valley-Watkins Voice	Eden Valley	MN
Ely Echo	Ely	MN
Exponent, TheEast	Grand Forks	MN
Fergus Falls Daily Journal	Fergus Falls	MN
Floodwood Forum	Floodwood	MN
Graphic Finishing	Minneapolis	MN
Hanska Herald	Madelia	MN
Hermantown Star	Hermantown	MN
IdealPrinters	St. Paul	MN
Inkjet Insight, LLC	Minneapolis	MN
Jackson County Pilot	Jackson	MN
Japs-Olson	St. Louis Park	MN
Lafayette Nicollet Ledger	Lafayette	MN

AMERICAN OVERSIGHT

Madelia Times-Messenger	Madelia	MN
Meyers Printing	Minneapolis	MN
Minnesota Newspaper Association	Minneapolis	MN
Minnesota Women's Press	Minneapolis	MN
Nahan Printing	St. Cloud	MN
National Checking	Minneapolis	MN
New Babbitt Weekly News	Babbitt	MN
Northeaster	Minneapolis	MN
Northern Light Region, The	Baudette	MN
On-Trac International	Brighton	MN
Page 1 Publications, Inc.	East Grand Forks	MN
Paynesville Press	Paynesville	MN
Pelican Press	Pelican Rapids	MN
Pope County Tribune	Glenwood	MN
Printing Industry Midwest	Minneapolis	MN
Proctor Journal	Proctor	MN
Proprint	Duluth	MN
Pure Gold	Madelia	MN
Rock County Star Herald	Luverne	MN
Sartell-St. Stephen Newsleader	St. Joseph	MN
Saturation Mailers Coalition	Minneapolis	MN
Sauk Centre Herald	Sauk Centre	MN
Sauk Rapids Herald	Sauk Rapids	MN
Spicer - Lakes Area Review	New London	MN
St. Joseph Newsleader	St. Joseph	MN
St. Paul Voice	St. Paul	MN
Standard Dynamics	Minneapolis	MN
Star Publications, LLC	Sauk Centre	MN
Star Shopper	Sauk Centre	MN
The Appleton Press	Appleton	MN
The Battle Lake Review	Battle Lake	MN
The Kerkhoven Banner	Kerkhoven	MN
The Middle River Honker	Middle River	MN
The Observer	Belgrade	MN
The Star Post	Albany	MN
Timberjay	Tower	MN
Tracy Area Headlight Herald	Tracy	MN
Valley News	Browns Valley	MN
Wheaton Gazette	Wheaton	MN

Mississippi

Emmerich Newspapers	Jackson	MS
Jacobs Properties	Brookhaven	MS
The Charleston Sun-Sentinel	Charleston	MS
The Franklin Advocate	Meadville	MS
The Star-Herald	Kosciusko	MS
The Wayne County News	Waynesboro	MS

Missouri

Advertiser-Courier	Hermann	MO

AMERICAN OVERSIGHT

Arnold-Imperial Leader	Festus	MO
Bowling Green Times	Bowling Green	MO
Buffalo Reflex	Buffalo	MO
Cabool Enterprise	Cabool	MO
Centralia Fireside Guard	Centralia	MO
Christian County Headliner-News	Ozark	MO
Elsberry Democrat	Elsberry	MO
Eureka Leader	Festus	MO
Excelsior Springs Standard	Excelsior Springs	MO
Gasconade County Republican	Owensville	MO
Hallmark	Kansas City	MO
Hathaway & Lane Direct, LLC	O'Fallon	MO
Houston Herald	Houston	MO
Jefferson County Leader	Festus	MO
Lake Gazette, The	Monroe City	MO
Lincoln County Journal	Troy	MO
Louisiana Press-Journal	Louisiana	MO
Maginating	Kirkwood	MO
Maries County Advocate	Vienna	MO
Marshfield Mail, The	Marshfield	MO
MCH Strategic Data	Sweet Springs	MO
Midwest Mailing Service	Columbia	MO
Montgomery Standard	Montgomery City	MO
Newstime	Lake Saint Louis	MO
Nixa Xpress	Nixa	MO
Ozark County Times	Gainesville	MO
Ozark Mailing Service	Springfield	MO
Peruvian Connection, LLC	Kansas City	MO
Phelps County Focus	Rolla	MO
Presort, Inc.	St. Louis	MO
Print Media Association	Chesterfield	MO
Sage Information Services	Jefferson City	MO
Sedalia Democrat, The	Sedalia	MO
Stockton Cedar County Republican	Stockton	MO
The Labor Tribune	St. Louis	MO
The Laclede County Record	Lebanon	MO
The Mansfield Mirror	Mansfield	MO
The Mountain Grove News Journal	Mountain Grove	MO
The Richmond News	Richmond	MO
The Salem News	Salem	MO
Town and Country Leader	Excelsior Springs	MO
Troy Free Press	Troy	MO
Unterrified Democrat	Linn	MO
US Toy Company	Grandview	MO
Vandalia Leader, The	Vandalia	MO
Warren County Record	Warrenton	MO
Washington Missourian	Washington	MO
West Plains Daily Quill	West Plains	MO
West Side Leader, The	Festus	MO

Montana

AMERICAN OVERSIGHT

Cut Bank Pioneer Press	Cut Bank	MT
Daniels County Leader	Scobey	MT
Glacier Reporter	Browning	MT
Mailing Technical Services, Inc.	Billings	MT
Shelby Promoter	Shelby	MT
The Laurel Outlook	Laurel	MT
The Valierian	Valier	MT
Tobacco Valley News	Eureka	MT

Nebraska

Ainsworth Star-Journal	Ainsworth	NE
Albion News	Albion	NE
Barnhart Press	Omaha	NE
Blair Pilot-Tribune	Blair	NE
Business Farmer	Scottsbluff	NE
CapStone Technologies, LLC	Lincoln	NE
Cedar County News	Hartington	NE
Citizen	Arlington	NE
Crete News	Crete	NE
Douglas County Post-Gazette	Elkhorn	NE
Friend Sentinel, The	Friend	NE
Grant County News	Hyannis	NE
Grant Tribune-Sentinel, The	Grant	NE
Gretna Guide and News	Gretna	NE
Hastings Tribune	Hastings	NE
Hooker County Tribune	Mullen	NE
Humphrey Democrat	Humphrey	NE
Imperial Republican, The	Imperial	NE
Lyons Mirror-Sun	Lyons	NE
McPherson County News	Tryon	NE
Milford Times	Milford	NE
Nebraska Press Association	Lincoln	NE
North Bend Eagle	North Bend	NE
Oakland Independent	Oakland	NE
Petersburg Press	Petersburg	NE
Pierce County Leader	Pierce	NE
Seward County Independent	Seward	NE
Springview Herald	Springview	NE
St. Edward Advance	St Edward	NE
Summerland Advocate-Messenger	Clearwater	NE
The Arnold Sentinel	Arnold	NE
The Clay County News	Sutton	NE
The Elgin Review	Elgin	NE
The Stapleton Enterprise	Stapleton	NE
The Voice News	Hickman	NE
The Voice of Western Nebraska	Morrill	NE
Thomas County Herald	Thedford	NE
Valentine Midland News	Valentine	NE
Washington County Enterprise	Blair	NE
Wauneta Breeze	Wauneta	NE
Wilber Republican, The	Wilber	NE

AMERICAN OVERSIGHT

Nevada

Battle Mountain Bugle	Battle Mountain	NV
Gardnerville Record Courier	Gardnerville	NV
Humboldt Sun	Winnemucca	NV
Lahontan Valley News	Fallon	NV
Las Vegas Review Journal	Las Vegas	NV
Lovelock Review Miner	Lovelock	NV
Moapa Valley Progress	Overton	NV
Nevada Appeal	Carson City	NV
Nevada Press Association	Carson City	NV
Nevada Rancher	Winnemucca	NV
Northern Nevada Business Weekly	Reno	NV

New Hampshire

Eastern Marketing Services	Portsmouth	NH
InterTown Record	North Sutton	NH
Littleton Coin Company, Inc.	Littleton	NH
Valley News	West Lebanon	NH

New Jersey

A Smyth Co.	Haddon Township	NJ
Community News Service	Lawrence	NJ
Edmund Optics	Barrington	NJ
Maljon LLC	Flanders	NJ
OSG Billing	Ridgefield Park	NJ
Page Three Consulting	Haddonfield	NJ
The Advertiser-News	Vernon	NJ
The Sentinel of Gloucester County	Malaga	NJ
The Sparta Independent	Sparta	NJ
The Township Journal	Newton	NJ
The West Milford Messenger	West Milford	NJ
West Essex Tribune	Livingston	NJ

New Mexico

Cibola Citizen	Grants	NM
Hobbs News Sun	Hobbs	NM
Las Vegas Optic	Las Vegas	NM
Los Alamos Monitor	Los Alamos	NM

New York

Adirondack Daily Enterprise	Saranac Lake	NY
All Island Media Inc.	Edgewood	NY
Bee Group Newspapers	Buffalo	NY
Belardi Wong, ALC, LLC	New York City	NY
Charleston Gardens	New York City	NY
Chelsea Clinton News	New York City	NY
Chelsea News	New York City	NY
Cross Country Computer	East Islip	NY
FPH Communications	New York City	NY

AMERICAN OVERSIGHT

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

AMERICAN OVERSIGHT

Carson Press	Elgin	ND
Center Republican	Washburn	ND
Central McLean News Journal	Underwood	ND
Emmons County Record	Linton	ND
Enderlin Independent	Enderlin	ND
Golden Valley Beach News	Beach	ND
Grant County News	Elgin	ND
Hazen Star, The	Hazen	ND
Kulm Messenger	Kulm	ND
Lamoure Chronicle	Lamoure	ND
Larimore Leader/Tribune	Larimore	ND
Litchville Bulletin	Litchville	ND
McClusky Gazette	McClusky	ND
McKenzie County Farmer	Watford City	ND
McLean County Independent	Garrison	ND
Mountrail County Record	New Town	ND
Napoleon Homestead	Napoleon	ND
New Town News	New Town	ND
North Dakota Newspaper Association	Bismarck	ND
Presort Plus	Bismarck	ND
Recreation Supply Company	Bismarck	ND
The Forum of Fargo-Moorhead	Fargo	ND
The Herald	New England	ND
The Jamestown Sun	Jamestown	ND
The Journal	Crosby	ND
The Walsh County Record	Grafton	ND
Tioga Tribune	Tioga	ND
Tri-County News	Gackle	ND
Valley News & Views	Drayton	ND
Washburn Leader-News	Washburn	ND
Wishek Star	Wishek	ND

Ohio

American Greetings	Cleveland	OH
Archbold Buckeye	Archbold	OH
Bluestone Perennials	Madison	OH
Chagrin Valley Times	Chagrin Falls	OH
Farm and Dairy	Salem	OH
Farmland News	Archbold	OH
Gardens Alive!	Tipp City	OH
Geauga Times Courier	Chardon	OH
Graphic Media Alliance	Westerville	OH
Mail Automation, Inc.	Baltimore	OH
Midwest Direct	Cleveland	OH
Millers Print and Mail, Inc.	Akron	OH
Nationwide Insurance	Columbus	OH
Ohio News Media Association	Columbus	OH
Solon Times	Solon	OH
Sporty's/Sportsman's Market, Inc.	Batavia	OH
Summit Racing Equipment	Tallmadge	OH
The Crestline Advocate	Crestline	OH

AMERICAN OVERSIGHT

The Good News	Middlefield	OH
The Progressor-Times/Mohawk Leader	Carey	OH
Town Money Saver	Lucas	OH
Up With Paper	Mason	OH
Vermilion Photojournal	Vermilion	OH
Westlife	Westlake	OH

Oklahoma

Beckham County Record	Sayre	OK
Blanchard News	Blanchard	OK
Bristow News	Bristow	OK
Buffalo Weekly News	Buffalo	OK
Cheyenne Star	Cheyenne	OK
Clinton Daily News	Clinton	OK
Cordell Beacon	Cordell	OK
Country Connection News	Eakly	OK
Cushing Citizen	Cushing	OK
Drumright Gusher	Drumright	OK
Eastern Times Register, The	Vian	OK
Elk City News	Elk City	OK
Eufaula Indian Journal, The	Eufaula	OK
Garvin County News Star	Maysville	OK
Geary Star	Geary	OK
Harper County Leader	Laverne	OK
Henryetta Free-Lance	Henryetta	OK
Hinton Record	Hinton	OK
Johnston County Sentinel	Tishomingo	OK
Kiowa County Democrat	Snyder	OK
Lincoln County News	Chandler	OK
Madill Record	Madill	OK
McIntosh County Democrat	Eufaula	OK
Okarche Warrior	Okarche	OK
Okmulgee Times	Okmulgee	OK
Piedmont Gazette	Piedmont	OK
Ponca City News, The	Ponca City	OK
Presort First Class	Oklahoma City	OK
Sequoyah County Times	Sallisaw	OK
Southwest Ledger	Lawton	OK
Stilwell Democrat Journal	Stilwell	OK
Stroud American	Stroud	OK
Tahlequah Daily Press	Tahlequah	OK
Target Marketing Print and Mail Solutions	Broken Arrow	OK
The Apache News	Apache	OK
The Comanche Times	Comanche	OK
The Examiner	Hugo	OK
The Fairfax Chief	Fairfax	OK
The Hooker Advance	Hooker	OK
The Newcastle Pacer	Newcastle	OK
The Newkirk Herald Journal	Newkirk	OK
The Purcell Register	Purcell	OK
The Walters Herald	Walters	OK

AMERICAN OVERSIGHT

The Wynnewood Gazette	Wynnewood	OK
Tonkawa News, The	Tonkawa	OK
Tri-County Herald	Meeker	OK
Vian Tenkiller News	Vian	OK
Vici Vision	Vici	OK
Walters Herald	Walters	OK
Watonga Republican	Watonga	OK
Weatherford Daily News	Weatherford	OK
Wylie Communications, Inc.	Oologah	OK
Yukon Progress	Yukon	OK

Oregon

Baker City Herald	Baker City	OR
Blue Mountain Eagle	John Day	OR
Boundaryless Enterprises, LLC	Medford	OR
Burns Times-Herald	Burns	OR
Capital Press	Salem	OR
Columbia Gorge News	Columbia River Gorge	OR
East Oregonian	Pendleton	OR
Hermiston Herald	Hermiston	OR
Hood River News	Hood River	OR
Keizertimes	Keizer	OR
La Grande Observer	La Grande	OR
Lake County Examiner	Lakeview	OR
Mailbox Merchants	Portland	OR
News-Register	McMinnville	OR
Pacific Printing Industries Association	Portland	OR
Redmond Spokesman	Redmond	OR
Seaside Signal	Seaside	OR
Signature Graphics	Portland	OR
The Astorian	Astoria	OR
The Bulletin	Bend	OR
The Chronicle	Creswell	OR
The Dalles Chronicle	Dalles	OR
TOO Magazine	Pendleton	OR
Wallowa County Chieftain	Enterprise	OR
White Salmon Enterprise	White Salmon	OR

Pennsylvania

Asendia	Folcraft	PA
Crayola	Easton	PA
Graphic Arts Association	Trevose	PA
Philadelphia Gay News	Philadelphia	PA
Printing Industries of America	Warrendale	PA
The New Republic	Meyersdale	PA
The Pike County Courier	Milford	PA
The Savings Guide	Mechanicsburg	PA
The Spirit	Glenolden	PA

Rhode Island

AMERICAN OVERSIGHT

Calypso Cards	Providence	RI
Cathedral Corporation	Lincoln	RI
The Block Island Times	Block Island	RI

South Carolina

Carolina Gateway	Lancaster	SC
Domtar	Fort Mill	SC
Island News	Beaufort	SC
Lancaster News, The	Lancaster	SC
Lexington County Chronicle & The Dispatch-News	Lexington	SC
News & Reporter, The	Chester	SC
Pageland Progressive-Journal	Pageland	SC
The Catholic Miscellany	Charleston	SC
The Gaffney Ledger	Gaffney	SC
The Twin-City News	Batesburg	SC
The Voice of Blythewood & Fairfield County	Blythewood	SC

South Dakota

Clear Lake Courier	Clear Lake	SD
Custer County Chronicle	Custer	SD
Dakota Dunes/North Sioux City Times	North Sioux City	SD
Highmore Herald	Highmore	SD
Hill City Prevailer New	Hill City	SD
Lakota Times	Martin	SD
Prairie Pioneer	Pollock	SD
Qualified Presort Service, LLC	Sioux Falls	SD
Sisseton Courier	Sisseton	SD
South Dakota Newspaper Association	Brookings	SD
Southern Union County Leader Courier	Elk Point	SD
Times-Advocate	Gregory	SD
True Dakotan	Wessington Springs	SD
Winner Advocate	Winner	SD

Tennessee

Action Mail Presort, Inc.	Chattanooga	TN
Carroll County News Leader	Huntingdon	TN
Citizen Tribune	Morristown	TN
Elk Valley Times, The	Fayetteville	TN
Exchange media Group	Fayetteville	TN
Grundy County Herald	Tracy City	TN
Herald Chronicle, The	Winchester	TN
International Paper	Memphis	TN
LaFollette Press	La Follette	TN
Manchester Times	Manchester	TN
Moore County News, The	Lynchburg	TN
Morgan County News	Wartburg	TN
Printing Industry Association of the South, Inc.	Nashville	TN
Roane County News	Kingston	TN
The Paris Post-Intelligencer	Paris	TN
The Standard Banner	Jefferson City	TN

AMERICAN OVERSIGHT

Tullahoma News	Tullahoma	TN

Texas

Ad Pages Solutions	Plano	TX
Alpine Avalanche	Alpine	TX
Aransas Pass Progress	Aransas Pass	TX
Atlanta Citizens Journal	Atlanta	TX
Bay City Tribune	Bay City	TX
Big Bend Sentinel	Marfa	TX
Big Sandy-Hawkins Journal	Big Sandy	TX
Blanco County News	Blanco	TX
Brady Standard-Herald	Brady	TX
Breckenridge American	Breckenridge	TX
Brenham Banner	Brenham	TX
Burnet Bulletin	Burnet	TX
Carrizo Springs Javelin	Carrizo Springs	TX
Centerville News	Centerville	TX
Cleburne Times Review	Cleburne	TX
Clifton Record	Clifton	TX
Coleman Chronicle and Democrat Voice	Coleman	TX
Copperas Cove Leader-Press	Copperas Cove	TX
Dalhart Texan	Dalhart	TX
Direct Merchandising, Inc.	Carrollton	TX
Double Mountain Chronicle	Rotan	TX
Dripping Springs Century News	Dripping Springs	TX
Dublin Citizen	Dublin	TX
El Campo Leader-News	El Campo	TX
Ennis News	Ennis	TX
Fairfield Recorder	Fairfield	TX
Focus Daily News	DeSoto	TX
Fort Stockton Pioneer	Fort Stockton	TX
Fredericksburg Standard-Radio Post	Fredericksburg	TX
Frio-Nueces Current	Pearsall	TX
Gainesville Daily Register	Gainesville	TX
Gatesville Messenger	Gatesville	TX
Gladewater Mirror	Gladewater	TX
Gonzales Inquirer	Gonzales	TX
Great American Business Products	Houston	TX
Groesbeck Journal	Groesbeck	TX
Half Price Books	Dallas	TX
Hays Free Press	Kyle	TX
Herald-Banner	Greenville	TX
Hill Country News	Cedar Park	TX
Horseshoe Bay	Horseshoe Bay	TX
Ingleside Index	Aransas Pass	TX
Jacksboro Herald-Gazette	Jacksboro	TX
Jackson County Herald-Tribune	Edna	TX
J.C. Penney Corporation, Inc.	Plano	TX
Johnson City Record-Courier	Johnson City	TX
Journal-Spectator	Wharton	TX
Kaufman Herald	Kaufman	TX

AMERICAN OVERSIGHT

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

AMERICAN OVERSIGHT

The Community News	Aledo	TX
The Cuero Record	Cuero	TX
The Daily Sentinel	Nacogdoches	TX
The Devil's River News	Sonora	TX
The Eldorado Success	Eldorado	TX
The Farmersville Times	Farmesville	TX
The Fayette County Record	La Grange	TX
The Fort Bend Herald	Rosenberg	TX
The Galveston County Daily News	Galveston	TX
The Graham Leader	Graham	TX
The Hansford County Reporter-Statesman	Spearman	TX
The Henderson News	Henderson	TX
The Highlander	Marble Falls	TX
The Katy Times	Katy	TX
The Liberty Hill Independent	Liberty Hill	TX
The Light and Champion	Center	TX
The Lufkin Daily News	Lufkin	TX
The Marlin Democrat	Marlin	TX
The Marshall News Messenger	Marshall	TX
The Meridian Tribune	Meridian	TX
The Mexia News	Mexia	TX
The Normangee Star	Normangee	TX
The Panola Watchman	Carthage	TX
The Paris News	Paris	TX
The Picayune	Marble Falls	TX
The Pittsburg Gazette	Pittsburg	TX
The Port Lavaca Wave	Port Lavaca	TX
The Princeton Herald	Princeton	TX
The Rockport Pilot	Rockport	TX
The Rosebud News	Rosebud	TX
The Sachse News	Sachse	TX
The Snyder News	Snyder	TX
The Thorndale Champion	Thorndale	TX
The Whitewright Sun	Whitewright	TX
The Wylie News	Wylie	TX
Uvalde Leader-News	Uvalde	TX
VariVerge, LLC	Dallas	TX
Vernon Record	Vernon	TX
Wallis News-Review	Wallis	TX
Weatherford Democrat	Weatherford	TX
White Oak Independent	White Oak	TX
Whitesboro News-Record	Whitesboro	TX
Wimberley View	Wimberley	TX
Wise County Messenger	Decatur	TX
Yorktown-News View	Yorktown	TX

Utah

Basin Nickel Ads	Vernal	UT
Beaver County Journal	Beaver	UT
Chronicle Progress	Delta	UT
Cottonwood Heights Journal	Cottonwood Heights	UT

AMERICAN OVERSIGHT

Davis Clipper	Bountiful	UT
Draper Journal	Draper	UT
ETV News	Price	UT
Herriman Journal	Herriman	UT
Holladay Journal	Holladay	UT
Intermountain Catholic	Salt Lake City	UT
International Bridge Inc.	Provo	UT
Midvale Journal	Midvale	UT
Millcreek Journal	Millcreek	UT
Murray Journal	Murray	UT
Olive & Cocoa, LLC	Salt Lake City	UT
Presort Essentials	Salt Lake City	UT
Riverton Journal	Riverton	UT
Sandy Journal	Sandy	UT
South Jordan Journal	South Jordan	UT
South Salt Lake Journal	Salt Lake City	UT
Southern Utah News	Kanab	UT
Sugar House Journal	Salt Lake City	UT
Taylorsville Journal	Taylorsville	UT
The Intermountain Commercial Record and the Salt Lake Times	Salt Lake City	UT
The Pyramid	Mt. Pleasant	UT
The Reaper Extra	Richfield	UT
The Richfield Reaper	Richfield	UT
The Times-Independent	Moab	UT
The Wayne & Garfield County Insider	Escalante	UT
Uintah Basin	Roosevelt	UT
Utah Press Association	West Jordan	UT
Vernal Express	Vernal	UT
West Jordan Journal	West Jordan	UT
West Valley City Journal	West Valley City	UT

Vermont

Colchester Sun	Colchester	VT
Essex Reporter	Colchester	VT
International Coins & Currency	Montpelier	VT
Lane Press	South Burlington	VT
Milton Independent	Milton	VT
News & Citizen	Morrisville	VT
Saint Albans Messenger	Saint Albans	VT
Shelburne News	Shelburne	VT
Shine Strategy, LLC	Manchester Center	VT
South Burlington Other Paper	South Burlington	VT
Stowe Reporter	Stowe	VT
The Citizen	Charlotte	VT
The Valley Reporter	Waitsfield	VT
The Vermont Teddy Bear Company, Inc.	Shelburne	VT
The White River Valley Herald	Randolph	VT
Vermont Country Store	Manchester Center	VT
Vermont Press Association	Colchester	VT

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Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV

Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

AMERICAN OVERSIGHT

Elmwood Sun-Argus	Spring Valley	WI
Great Lakes Graphics Association	Pewaukee	WI
Kewaskum Statesman	Campbellsport	WI
L&M Mail and Courier	Eau Claire	WI
MadMen3, LLC	DeForest	WI
National Business Furniture	Milwaukee	WI
North Woods Trader	Eagle River	WI
Nueske's Applewood Smoked Meats	Wittenberg	WI
Ozaukee Press	Port Washington	WI
Quad, Inc.	Sussex	WI
Record Review	Edgar	WI
Silver Star Brands	Oshkosh	WI
Star Journal	Rhinelander	WI
Star News	Medford	WI
The Democrat Tribune	Mineral Point	WI
The Dodgeville Chronicle	Dodgeville	WI
The Pecatonica Valley River	Argyle	WI
The Plymouth Review	Plymouth	WI
The Sheboygan Falls News	Sheboygan Falls	WI
The Sounder	Random Lake	WI
The Star News	Medford	WI
The Three Lakes News	Three Lakes	WI
The Woodville Leader	Woodville	WI
Tomahawk Leader	Tomahawk	WI
Tribune Phonograph	Abbottsford	WI
Tribune Record Gleaner	Loyal	WI
Vilas County News-Review	Eagle River	WI
Walsworth/Ripon	Ripon	WI
Waupaca County Post-East	Waupaca	WI
Waupaca County Post-West	Waupaca	WI
Wisconsin Community Papers	Fond du Lac	WI

Wyoming

Bridger Valley Pioneer	Lyman	WY
Cheyenne Minuteman	Cheyenne	WY
Cody Enterprise	Cody	WY
Douglas Budget	Douglas	WY
Gillette News-Record	Gillette	WY
Glenrock Independent	Glenrock	WY
Guernsey Gazette	Guernsey	WY
Jackson Hole News & Guide	Jackson	WY
Kemmerer Gazette	Kemmerer	WY
Lingle Guide	Lingle	WY
Lusk Herald	Lusk	WY
Moorcroft Leader	Moorcroft	WY
Pinedale Roundup	Pinedale	WY
Pirate Ship	Jackson	WY
Platte County Record-Times	Wheatland	WY
Powell Tribune	Powell	WY
Sublette Examiner	Pinedale	WY
Sundance Times	Sundance	WY

AMERICAN OVERSIGHT

Thermopolis Independent Record	Thermopolis	WY
Torrington Telegram	Torrington	WY
Uinta County Herald	Evanston	WY
Wyoming Livestock Roundup	Casper	WY
Wyoming Pioneer	Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted] (b)(6)
Sent: Tuesday, April 28, 2020 3:38 PM
To: Marshall, Thomas J - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Subject: FW: Letter of Support from New York Delegation
[redacted] (b)(5) [redacted]

Thank you.

Megan

From: Stroman, Ronald A - Washington, DC
Sent: Tuesday, April 28, 2020 2:54 PM (b)(6)
To: Brennan, Megan J - Washington, DC [redacted]; Elston, Michael J - Washington, DC
[redacted] (b)(6)
Subject: Letter of Support from New York Delegation

Megan,

Attached is a letter signed by 23 of the 26 House Members of New York's Congressional delegation to Senate Majority Leader McConnell, Minority Leader Schumer, House Speaker Pelolsi and Minority Leader McCarthy, supporting an infusion of liquidity for the Postal Service. The letter specifically references the short term legislative requests of the Board of Governors. Of note, three Republican's signed the letter: Rep. Peter King, Rep. Elise Stefanik and Rep. John Katko.

I also expect that, (b)(5)

Thanks
Ron

AMERICAN OVERSIGHT

Congress of the United States
Washington, DC 20515

April 28, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
U.S. Capitol H-232
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
U.S. Capitol S-230
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
U.S. Capitol H-204
Washington, DC 20515

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
U.S. Capitol S-221
Washington, DC 20515

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

The coronavirus crisis is wreaking havoc on the U.S. Postal Service. Without immediate help, the Postal Service — a vital staple of American society since 1775 — could cease to function by this summer. This crisis is also affecting the State of New York more than any other. There were 287 confirmed cases of coronavirus and 14 deaths among postal workers in New York as of April 20, 2020.[1]

As a direct result of the coronavirus crisis, first class and business mail volume across the country has dropped at an alarming rate. Mail volume is down by more than 30% from the same period last year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus crisis would be $54 billion.[2]

This is a national emergency. The American people rely on the Postal Service to deliver crucial goods and services every day, including more than a billion life-saving medications last year alone, millions of economic stimulus checks and unemployment benefits to help during this crisis, and 2020 Census forms for every household in America.

In New York, the Postal Service delivers to 7.7 million addresses and has more than 1,800 Post Offices. In our state, the Postal Service employed 44,675 people and paid close to $3

[1] Email from the Office of Congressional and Intergovernmental Affairs, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 20, 2020).

[2] Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

AMERICAN OVERSIGHT

billion in wages in 2018.[3] New York also will rely heavily on the Postal Service to conduct its primary on June 23, 2020, during which no-excuse absentee ballots will be accepted.[4]

The Postal Service is a fundamental component of America's economic infrastructure, providing affordable, universal delivery of mail and e-commerce packages to more than 160 million households and businesses. The Postal Service propels a $1.6 trillion mailing industry that employs 7.3 million people. It does all of this while operating as a business and receiving next to nothing in taxpayer dollars.[5]

Both Democrats and Republicans supported large infusions of liquidity for other industries and companies that are critical to our nation's economy, and we must do the same now to save the Postal Service.

The Postal Board of Governors has asked for a package that includes $25 billion in emergency appropriations to offset coronavirus-related losses, $25 billion for "shovel-ready" projects to modernize the Postal Service, and access to $25 billion in unrestricted borrowing authority from the Treasury.[6]

To be clear, these requests were put forth unanimously by a Board of Governors with a Republican majority—all of whom were appointed by President Trump.

The Postal Service is an indispensable component of America's critical infrastructure, and its workers are on the frontlines every single day delivering information and packages to the American people. We strongly support emergency funding for the Postal Service and urge you to do the same.

Sincerely,

Carolyn B. Maloney

Peter T. King

[3] U.S. Postal Service, *The United States Postal Service Economic Impact: The State of New York* (July 2019).

[4] New York Governor Andrew Cuomo, *Executive Order No. 202.15: Continuing Temporary Suspension and Modification of Laws Relating to the Disaster Emergency* (Apr. 9. 2020) (online at: www.governor.ny.gov/news/no-20215-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency).

[5] U.S. Postal Service, *Sizing It Up* (online at https://facts.usps.com/size-and-scope).

[6] Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

AMERICAN OVERSIGHT

Anthony Brindisi

Yvette D. Clarke M.C.

Antonio Delgado

Eliot L. Engel

Adriano Espaillat

Brian Higgins

Hakeem Jeffries

John Katko

Sean Patrick Maloney

Gregory W. Meeks

Grace Meng

Joseph D. Morelle

Jerrold Nadler

Alexandria Ocasio-Cortez

Kathleen M. Rice

Max Rose

José E. Serrano

Thomas R. Suozzi

AMERICAN OVERSIGHT

Elise M. Stefanik

Paul D. Tonko

Nydia M. Velázquez

cc: The Honorable Nita Lowey, Chairwoman of the House Committee on Appropriations;
The Honorable Kay Granger, Ranking Member of the House Committee on Appropriations

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted]> on behalf of (b)(6)
Brennan, Megan J - Washington, DC <[redacted]> (b)(6)
Sent: Monday, May 11, 2020 1:15 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Mail and package delivery

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted] (b)(6)

-----Original Message-----
From: [redacted] (b)(5)
Sent: Monday, May 11, 2020 1:14 PM
To: (b)(6), (b)(3), 410(c)(2)
Cc: Brennan, Megan J - Washington, DC <[redacted]> (b)(6)
Subject: [EXTERNAL] Mail and package delivery

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Katherine A. Agodorny,

Unfortunately, my family and I have come to find out that the USPS locally will no longer deliver our parcels to our home. Our address is on file at the post office to deliver our parcels to our home without a signature. We currently have two parcels being held at the post office despite a previous understanding that they were to be home delivered. Although an explanation is given that subdivision roads (b)(6) are under construction, residents continue to have full access to the roadways and ALL other commercial businesses and delivery services (including UPS, FedEx, and Amazon) are completing their routes and services/deliveries without incident, delay, or interruption.

In this current pandemic, particularly with the state mandated "Stay at Home" Order except for mandatory services to sustain or prolong life as well as the unnecessary increased exposure to me as an individual of an increased risk for COVID-19 by visiting a post office facility, this current policy of avoiding home delivery is insensitive and potentially dangerous to health.

The USPS current advertisements include "Priority is Serving You", "We Will Never Stop Delivering to Every Person in this Country", "Every Day, All Across America, We Deliver for You".

I find your current policy of not delivering our parcels to our home in direct opposition to the ongoing policies promoted by the USPS. Please resume home delivery of ALL US Mail to our home immediately.

Thank you very much. Please reply at your earliest convenience.
--

AMERICAN OVERSIGHT

(b)(6)

[redacted] (b)(5)
(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]> (b)(6)
Sent: Monday, May 11, 2020 12:20 PM
To: Elston, Michael J - Washington, DC
Subject: Fwd: [EXTERNAL] FW: [redacted] (b)(5)

Is he going to forward every [redacted] (b)(5)

Thanks,

Megan

Begin forwarded message:

From: Rick Hohlt [redacted]> (b)(6)
Date: May 11, 2020 at 11:23:18 AM EDT (b)(6)
To: "Brennan, Megan J - Washington, DC" [redacted]>, "Marshall, Thomas J - Washington, DC" [redacted] (b)(6)
Cc: "Passantino, Stefan (59582)" <[redacted]>, "[redacted]> (b)(6)
"[redacted] (b)(6)
Subject: [EXTERNAL] FW: [redacted] (b)(6)

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

From: Michelle Obama Update [mailto:[redacted]] (b)(6)
Sent: Monday, May 11, 2020 11:22 AM
To: [redacted] (b)(5)
Subject: On vote-by-mail

RICHARD – even during this pandemic, Trump and his Republican allies are opposing vote-by-mail, because they believe it will hurt their chances at reelection.

This is indefensible. No American should have to choose between voting and staying healthy – which is why Michelle Obama is getting involved and advocating for vote-by-mail:

[https://als-totem.s3.amazonaws.com/emailimages/11172/DGA-6425_Top.png]<http://links.dga.mkt6018.com/ctt?ms=MTczMjQwMDAS1&kn=5&r=NDQyMDMwMDg0OTE0S0&b=0&j=MTg4MDY5OTA0MAS2&mt=1&rt=0>

AMERICAN OVERSIGHT

[https://als-totem.s3.amazonaws.com/emailimages/11172/DGA-6425_Mid2.png]<http://links.dga.mkt6018.com/ctt?ms=MTczMjQwMDAS1&kn=2&r=NDQyMDMwMDg0OTE0S0&b=0&j=MTg4MDY5OTA0MAS2&mt=1&rt=0>

[https://als-totem.s3.amazonaws.com/emailimages/11172/DGA-6425_Bottom2.png]<http://links.dga.mkt6018.com/ctt?ms=MTczMjQwMDAS1&kn=7&r=NDQyMDMwMDg0OTE0S0&b=0&j=MTg4MDY5OTA0MAS2&mt=1&rt=0>

Michelle Obama is demanding we expand mail-in voting, but she needs your help! We need 100,000 signatures on our vote-by-mail petition, but right now, we're 2,512 signatures short – and we're still missing your name. Please, RICHARD, Michelle Obama is counting on you to add your name before midnight:

Sign the petition to support universal vote-by-mail!<http://links.dga.mkt6018.com/ctt?ms=MTczMjQwMDAS1&kn=6&r=NDQyMDMwMDg0OTE0S0&b=0&j=MTg4MDY5OTA0MAS2&mt=1&rt=0>

This email was sent to [redacted]. (b)(6)
To unsubscribe from the DGA email list, click here<https://www.pages02.net/democraticgovernorsassoc/unsubscribe/Unsubscribe?spMailingID=17324000&spUserID=NDQyMDMwMDg0OTE0S0&spJobID=MTg4MDY5OTA0MAS2&spReportId=MTg4MDY5OTA0MAS2>.

Paid for by Democratic Governors Association.

Contributions or gifts to the Democratic Governors Association are not tax deductible.

[http://links.dga.mkt6018.com/open/log/17324000/NDQyMDMwMDg0OTE0S0/0/MTg4MDY5OTA0MAS2/1/0]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted] (b)(6) If of Brennan, Megan J - Washington, DC <[redacted] >(b)(6)
Sent: Monday, May 11, 2020 10:30 AM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Fwd: Mail
Attachments: image001.png; image001.png

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted] (b)(6)

From: DJ T [mailto:(b)(6)]
Sent: Monday, May 11, 2020 10:20 AM
To: Grayson, Cornell R - Merrifield, VA <[redacted] (b)(6) >; Brennan, Megan J - Washington, DC <[redacted] >; Vaccarella, Gary J - Washington, DC <[redacted] >(b)(6)
(b)(6)
Subject: Re: [EXTERNAL] Fwd: Mail

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
This email shall re-confirm that it took USPS nearly twelve (12) month to successfully executive a change of address verified request the last time I moved (see previous emails). I can now confirm, that USPS has, once again, failed to execute the most recent confirmed change of address request. On March 6th, my mother suffered a massive stroke and I have been attending to her ever since. As a result, I "successfully" changed my address through the USPS website on March 30th, 2020 see confirmation pic. It is now May 11th and I can confirm a total of zero (0) pieces of mail have been forward to me. While I did receive digital confirmation (see below) and did receive the customary coupons that accompany the traditional initial 5x7 mail from USPS confirming the change, no mail has arrived. Furthermore, I can confirm, from my house sitters, that mail continues to arrive at my house in (b)(6) . It's been 6 weeks.

[IMG_2902.png]

Kindly, fix this. I lost money, dozens of hours of my time and a client last time USPS failed to recognize it's responsibility. I beg you in hopes of avoiding the same fate this time.

Thanks.

(b)(6)

On Thu, Mar 21, 2019 at 10:48 AM DJ T [redacted] (b)(6) >> wrote:

AMERICAN OVERSIGHT

As mail continues not to be forwarded to my current address per the agreement I entered into with USPS in May of 2018, USPS is still in breach. Additionally, I received confirmation in November that my multiple mail forwarded requests were still "not in the system". Lastly, I am attaching a letter that I was forced to write in February to USPS employee (b)(6) . It is self-explanatory and I afforded her 6 weeks to respond. The attached is an accurate snapshot of USPS information systems, internal process and ability to handle customer service.

To date, I have spent 23.5 hours in connection to USPS' breach.

Regards,

(b)(6)

On Mon, Dec 17, 2018 at 8:26 PM DJ T <[redacted] (b)(6) >> wrote:
Mr. Grayson,

I really appreciate yours and any response.

Please know, if this matter has been referred to Mr. (b)(6) , he has already sent me multiple form letters over the past 6 months. These form letters were filled with platitudes and condition responses. Therefore, this matter should be addressed by someone willing to properly engage.

I thank you in advance for your understanding.

On Mon, Dec 17, 2018 at 8:08 PM Grayson, Cornell R - Merrifield, V[redacted] (b)(6)
<[redacted] >> wrote:
Dear Mr. Talbot:

This is to acknowledge your recent inquiry to the Office of the Postmaster General.

Please accept my apology on behalf of the Postal Service for the situation you describe in your message. Your (b)(5) [redacted] inquiry has been escalated to the Los Angeles District Manager's office for investigation, documentation and resolution. You will hear from your District office directly regarding this inquiry.

Thank you for contacting the Postal Service and bringing this matter to our attention.

Sincerely,

Cornell Grayson
USPS Headquarters
Office of Consumer Advocate
Consumer Relations Specialist

From: DJ T [(b)(6)]
Sent: Thursday, December 13, 2018 11:13 PM
To: Brennan, Megan J - Washington, DC <[redacted] >>(b)(6)

AMERICAN OVERSIGHT

Subject: Fwd: [EXTERNAL] Fwd: Mail

Ms. Brenan,

As USPS' breach has not be resolved, I send this update for your records.

Although it has become clear that USPS is either unwilling or incapable of addressing this ongoing issue, perhaps you can instruct someone from your staff to at least attempt to answer the questions below. To date, I have received no answers, no explanations and little engagement. Considering the stage we are at, the questions below should be answered in writing.

Happy Holidays.

Best,

(b)(6)
---------- Forwarded message ---------
From: DJ T <[redacted]>>(b)(6)
Date: Thu, Dec 13, 2018 at 8:08 PM
Subject: Re: [EXTERNAL] Fwd: Mail
To: Vaccarella, Gary J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Cc: Coleman, Michael C - Los Angeles, CA <(b)(6), (b)(3), 410(c)(2) >,
McAdams, Kevin L - Merrifield, VA <(b)(6), (b)(3), 410(c)(2) >>

In the furtherance of trying to resolve USPS continual breach as it approaches it's 7th month, below please find some updates from the past three weeks.

* On November 29th, 2018 while I was at the (b)(6) Post office off (b)(6) drive, USPS employee (b)(6) notified me that there is no record of ANY change of address in connection to my move. She checked the system twice. Despite this ongoing issue and no less than four (4) completed and submitted change of address forms, she was certain there was no variation of my name nor my business. This is beyond any belief. Even though it has been six (6) month and USPS continually refuses to provide me with an explanation, I will simply ask again. How is this possible? I have a recording of her explanation. Lastly, I want to note that Ms. (b)(6) was awesome. She was professional, attentive and apologetic. In no way should USPS reprimand her for being honest.

* Over the past few weeks two (2) pieces of mail were successfully forwarded to my new, current address. With the exception of one other piece of mail, I can confirm these are the only pieces of mail that have been properly forwarded with the customary yellow sticker. Both of these pieces, the sender had the address "printed" on the envelope.

* I can confirm that a minimum of four (4) pieces of mail in the past three weeks have not not been forwarded to my new, current address. Their whereabouts are unknown. All these pieces had clearly "hand-written" addresses. These bring the total of known, documented pieces of mail missing, improperly delivered to old address and/or returned to sending (all breaches of our agreement from May 28th 2018) now stands at least 20.

(b)(6) [redacted]. This is either 5th or 6th time I have attempted to address this specific package. All previous attempts have been ignored by USPS. As previously stated in earlier emails, in early October I was alerted to

AMERICAN OVERSIGHT

a piece of mail en route to my previous address. Because on this long-standing, well-documented usps failure, as a courtesy, I alerted the USPS including both Mr. (b)(6) and Mr. M(b)(6) multiple times while the package was in USPS possession. Zero response and no action was taken. I was notified by Ms. (b)(6) the individual who lives at my previous address, the day the carrier mis-delivered the package. Once again, I alerted USPS. Zero response and no action taken. As a direct result of USPS mistake and lack of response to my courtesy alerts, this package was returned to sender by USPS. I notified USPS and asked multiple times for a solution to get the package resent and properly delivered. Once again, zero response and no action was taken. As a direct result of USPS mistake and inaction, the sender was forced to resend the package via fedex. As I have written previously, once again attached is copy of the bill, I had to pay for the direct mistakes of USPS which could have been averted with minimal response by USPS. I have a secondary paper trail that confirms this saga. Is it or is it not the position of USPS that they are not responsible for the costs incurred in connection to the this package??
[Screen Shot 2018-12-13 at 7.29.12 PM.png]

* I recently received a certified letter from the country of (b)(6) threatening me with sanctions as a result of me not showing up for Jury Duty. I never received the summons. Based upon the dates they claim they sent me multiple summons, it appears that their summons reached the same fate that dozens of other pieces of mail have experienced. Showed I incur any costs or sanctions as result, USPS will be held responsible.
unrelated USPS issues:

* On November 27th, while at the (b)(6) Post office, I sent a 2-3 day Priority Mail envelope (which contained a cashier's check) to (b)(6) . I did this with the help and approval of an USPS employee. As of December 7th, the vendor/recipient had not received the envelope. As a result, and since this payment needed to be made in order for a gift to be manufactured in time for Christmas, I was forced to go back to the post office and send another check to the vendor overnight. The first attempt finally arrived on December 10th. Why would a 2-3 day priority envelope take 13 days? Lastly, I did incur additional costs of having to stop payment on one of the checks.

* On the same day 11/27, on the same trip stated above, I dropped a piece of mail off at the Post Office. It was a standard envelope (9x4in) with first class postage. This envelope also possessed a check. It was being sent to 90025 (about a 2 miles away as the crow flies). This envelope did not arrive until December 8th. 11 days. I was threatened with late charges, but was able to explain and show proof of my previous issues with USPS.

USPS is responsible for at least $50 of fees incurred as a direct result of their failures. This does not include lost interest (%) and lost wages as a result of these ongoing issues.

I have now spent 19.6 hours dealing with USPS breach. This includes the 30 minutes it took to write this email

(b)(6)

> From: Dorothy Friedlander
<[redacted]>(b)(6)
> Date: November 12, 2018 at 12:37:28 PM PST
> To: (b)(6)
<[redacted](b)(6)
>
> Subject: Re: Mail
>
> Mailman just stopped by my house with a package from Amazon. Says he was at your apartment and no one was home.
> Told him I was alerting you, given your history with the USPS. Hopefully it will be there for you.

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>
> Sent from my iPhone
>
> On Nov 11, 2018, at 10:11 AM, (b)(6) [redacted] >>
> wrote:
>
> Thank you. Thank you.
>
> It has been unreal my problems with the USPS.
>
> I will stop by and pick it up.
>
> I really appreciate you taking the time.
>
> On Nov 11, 2018, at 8:13 AM, Dorothy Friedlander [redacted] > (b)(6)
wrote:
>
> Hi: Have an envelope for you: return address 11/7(#17)
> Will leave in mailbox. Please tell me that you got this email. Also, think another envelope may come, as I get delivery notices from the post office. Dorothy
>
> Sent from my iPhone

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Sunday, May 10, 2020 10:02 PM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Postal Worker Falsifying Government Records

Thanks,

Megan

Begin forwarded message:

From: [redacted] (b)(6)
Date: May 10, 2020 at 9:07:56 PM EDT
To: "Brennan, Megan J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] Postal Worker Falsifying Government Records
Reply-To: RG [redacted] > (b)(6)

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

For several years the postal workers and postmaster at the (b)(6) California post office have been falsifying their records. They claimcl that they have been trying to deliver packages from Amazon and other businesses. I have had to travel to the post office at least 100 times to retrieve packages that they have never even tried to deliver. Your employees are committing a federal crime by falsifying records and by claiming that they attempted delivery when they just scan the package and leave it at the post office. This is very easy to confirm because their scan time and attempted deliver times are within minutes of each other and when I pointed that out to the local post master, she screamed at me to "get out of her post office". These employees enter false information into your database willingly. Nonetheless, many, many federal crimes have been committed and continue to be committed on your watch. I hope you choose to abide by the law now that you have been informed.

(b)(6)
[redacted] (b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted] on behalf o (b)(6)
Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Sunday, May 10, 2020 3:50 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Wet mail as always
[redacted] (b)(5) [redacted]

-----Original Message-----
From: michelle m koals [redacted] (b)(6)
Sent: Friday, May 8, 2020 5:47 PM
To: (b)(6), (b)(3), 410(c)(2)
Cc: Brennan, Megan J - Washington, DC <[redacted] (b)(6)
Subject: [EXTERNAL] Wet mail as always

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

To whom it may concern,

My packages, despite me having asked several times that they be delivered to my house, are left propped on my mailbox on 625. I bought the largest mailbox I could to keep this from happening. Sometimes it's almost comical how bad the delivery is here and there's a whole discussion string of 162 posts on (b)(6) online where we trade our ridiculous and awful stories about mail delivery in this area.

Today I arrived home to a medium sized Amazon envelope propped in the rain on top of my EMPTY mailbox. It would have easily fit in the box. C'mon. Usually, when it rains, my box is just left open so all of my mail is wet. This was just bizarre. I am including two photos, one of how I found it and one showing it would have easily fit in the box.

At times I don't get mail for days then seem to get several days worth at once. At one time, it took 42 days for a envelope to reach me from Service Access Management in ((b)(6) , 10 miles away. I regularly am missing packages and have to write to companies that say they have delivered already, and as regularly, my neighbors and I are trading our mis-delivered mail.

It's so bad that for years I have been dropping my mail off in (b)(6) because I do not trust the service at the (b)(6) branch.

Once again, I am asking that my packages be dropped off at my house, not left propped on top of my mail box on a busy road which is out of sight of my house.

Thank you,
(b)(6)
[redacted] (b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]> (b)(6)
Sent: Sunday, May 10, 2020 2:01 PM
To: Graves, Greg G - Denver, CO
Subject: Fwd: [EXTERNAL] Please Help

Thank you.

Megan

Begin forwarded message:

From: Kate Evans <[redacted]> (b)(6)
Date: May 10, 2020 at 1:41:42 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted]> (b)(6)
Subject: [EXTERNAL] Please Help

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Good Morning, I want to start off with my appreciation to you for keeping the mail moving forward during this crisis.

My reason for writing you is I am at my wits end with the USPS here in (b)(6) Alaska. I have had to contact our state senator (b)(6) to straighten out my mail carrier. I could not get a hold of our local post master. He will never answer the phone and when I go into see him he is gone. I even tried to make an appointment.

Mind you my significant other was a contract mail carrier for 30 years by air in remote areas based out of (b)(6) Alaska. So I understand how contract mail is provided.

Here are my issues, Mail carrier sends my mail back as un -deliverable, I believe I am allowed 10 business days. My pay checks and jury duty notice were sent back. . She removes the mail after 5 days and then refuses to deliver at all. I am missing several packages. She, the mail carrier told Amazon my box was too full. There was one envelope. The tracking number on this package is [redacted] I use informed delivery, this package does not show up on it.
(b)(6)
I would contact my local USPS, but I can't. They never answer the phone and the post master is never there. (b)(6) has been going on for 5 plus years.

I know you are very busy and will probably never even see this but maybe someone will. I am not the only person suffering at the hands of this carrier. My address is : (b)(6) , [redacted]
(b)(6)

Thank you for your service and good luck in your new adventures.
Sincerely,
(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]> (b)(6)
Sent: Saturday, May 9, 2020 9:01 AM
To: Marshall, Thomas J - Washington, DC
Subject: RE: [EXTERNAL] Re: Follow Up

[redacted]. (b)(5)

Thanks,

Megan

-------- Original message --------
From: "Marshall, Thomas J - Washington, DC" <[redacted]> (b)(6)
Date: 5/8/20 9:45 PM (GMT-05:00)
To: "Brennan, Megan J - Washington, DC" <[redacted]> (b)(6)
Subject: Re: [EXTERNAL] Re: Follow Up

[redacted] (b)(5)

Sent from my iPhone (b)(6)

On May 8, 2020, at 9:13 PM, Brennan, Megan J - Washington, DC <[redacted]> wrote:

[redacted] (b)(5)

[redacted]

Thank you.

Megan

Begin forwarded message:

From: "Clark (Seattle), Dave" <[redacted]> (b)(6)
Date: May 8, 2020 at 6:24:26 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted]> (b)(6)
Subject: [EXTERNAL] Re: Follow Up

?

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

AMERICAN OVERSIGHT

Thank you Megan and congratulations on your term as PMG and all the best with whatever is next on your journey. I [redacted] (b)(5)

Thanks
Dave

On May 8, 2020, at 10:37 AM, Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]> wrote:

?

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you can confirm the sender and know the content is safe.

Dave,

It was good to touch base with you the other day, and to hear that you and the Amazon team are doing well during the COVID [redacted]. (b)(5)

(b)(5) [redacted]

(b)(5) [redacted]

(b)(5) [redacted]

I look forward to [redacted] (b)(5) [redacted]

Take care.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC (b)(6) [redacted] >
Sent: Friday, May 8, 2020 9:37 PM
To: Curtis, Angela H - Eastern Area, PA
Subject: Fwd: [EXTERNAL] Wet mail as always
[redacted] (b)(5) [redacted]

Thank you.

Megan

Begin forwarded message:

From: michelle m koals <[redacted] (b)(6) [redacted]
Date: May 8, 2020 at 5:47:03 PM EDT
To: (b)(6) <[redacted] (b)(6) [redacted] >
Cc: "Brennan, Megan J - Washington, DC" <(b)(6) [redacted] >
Subject: [EXTERNAL] Wet mail as always

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

To whom it may concern,

My packages, despite me having asked several times that they be delivered to my house, are left propped on my mailbox on 625. I bought the largest mailbox I could to keep this from happening. Sometimes it's almost comical how bad the delivery is here and there's a whole discussion string of 162 posts on (b)(6) online where we trade our ridiculous and awful stories about mail delivery in this area.

Today I arrived home to a medium sized Amazon envelope propped in the rain on top of my EMPTY mailbox. It would have easily fit in the box. C'mon. Usually, when it rains, my box is just left open so all of my mail is wet. This was just bizarre. I am including two photos, one of how I found it and one showing it would have easily fit in the box.

At times I don't get mail for days then seem to get several days worth at once. At one time, it took 42 days for a envelope to reach me from Service Access Management in (b)(6), 10 miles away. I regularly am missing packages and have to write to companies that say they have delivered already, and as regularly, my neighbors and I are trading our mis-delivered mail.

It's so bad that for years I have been dropping my mail off in (b)(6) because I do not trust the service at the (b)(6) branch.

Once again, I am asking that my packages be dropped off at my house, not left propped on top of my mail box on a busy road which is out of sight of my house.

Thank you,
(b)(6)

AMERICAN OVERSIGHT

(b)(6)

[cid:C7C2775B-3DFD-4188-8652-2FBAC8706283-L0-001][cid:E9615E0A-0D85-421C-A6A8-35A62CDBCC0E-L0-001]
Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC (b)(6) [redacted]
Sent: Friday, May 8, 2020 1:33 PM
To: Marshall, Thomas J - Washington, DC
Subject: PMG May 2020 Open Session Script
Attachments: DRAFT - PMG May 2020 Open Session Script v6.docx

AMERICAN OVERSIGHT

Thank you, Chairman Duncan

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

The 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages throughout this country.

We deliver supplies that sustain us, prescription medications, benefit checks and other critical materials such as medical information, financial statements, absentee ballots, and Census surveys.

This fundamental service which our employees provide is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

AMERICAN OVERSIGHT

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the nation with prompt, secure, and affordable mail and package delivery services--a mission proudly accepted each and every day.

This mission has never been more important, and it is clearer than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

A recent survey by the Pew Research Center shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

This is a credit to the men and women of the Postal Service who go to work every day to serve their communities.

As Chairman Duncan mentioned, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do to deliver for America.

We are deeply grateful to the public for these many uplifting messages of support –It makes clear to us that the Postal Service matters to the American people.

AMERICAN OVERSIGHT

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Committee on Oversight and Government Reform, and separately to the Chairman and Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs, on our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term.

In our briefings, based upon the data that was available to us at the time, we described the significant impacts that we believe the pandemic will have on our business.

The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We also provided Congress with our immediate legislative request, to help the Postal Service deal with the direct impacts of the pandemic. The request was unanimously approved by our Board of Governors.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

AMERICAN OVERSIGHT

We also request modernization funding so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

(PAUSE)

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

AMERICAN OVERSIGHT

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current crisis, it is a situation which policy makers will need to confront in the immediate future.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us.

We are prohibited from reducing these costs, and yet we also lack the autonomy to diversify our products or to control pricing for products that generate the majority of our revenue.

To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress, along with continued management initiatives to drive greater efficiency and increase profitable revenue, will provide the Postal Service with positive cash flow over the next ten years.

AMERICAN OVERSIGHT

As the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service and enable us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.

[PAUSE]

I join the Chairman in thanking David Williams for his service on the Board and wish him the best.

Also, I would like to send my heartfelt congratulations to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the business acumen and insights that he has acquired over a successful 35-year professional career.

I can assure you that I will do everything I can to support Louis and ensure a seamless transition.

I also know postal employees throughout the organization will support Louis in his efforts to uphold and preserve the Postal Service's cherished role in our nation.

(PAUSE)

AMERICAN OVERSIGHT

I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public.

It has been my privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

I thank you for all of the support you have provided me during my postal career.

And with that, I'll turn it back over to Chairman Duncan.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted] >
Sent: Friday, May 8, 2020 1:00 PM
To: Marshall, Thomas J - Washington, DC; Elston, Michael J - Washington, DC
Subject: Fwd: [EXTERNAL] Fwd: Next PMG: Louis Dejoy

Thanks,

Megan

Begin forwarded message:

From: "Krage Strako, Jakki - Washington, DC" [redacted](b)(6) [redacted] >
Date: May 8, 2020 at 12:19:28 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6) [redacted]>, "Walker, Janice D - Washington, DC" <[redacted]>
Subject: FW: [EXTERNAL] Fwd: Next PMG: Louis Dejoy

(b)(5)

From: Owens, Sharon - Merrifield, VA
Sent: Friday, May 8, 2020 12:04 PM
To: Krage Strako, Jakki - Washington, DC <j[redacted](b)(6)
Subject: FW: [EXTERNAL] Fwd: Next PMG: Louis Dejoy

(b)(5)

From: Art Sackler [mailto:[redacted](b)(6) [redacted]]
Sent: Wednesday, May 6, 2020 4:27 PM
To: Alan Macleod ([redacted])
<[redacted]>; Angelo Anagnostopoulos
[redacted]; Ashley Shillingsburg
[redacted]>>; Ben Gielow
[redacted]>>;
Blume, Michael <[redacted](b)(6)
[redacted] Cheryl Chapman
[redacted]>; Dan Moll
[redacted]>; Minott, Darrell
[redacted]; Dylan Jeon
[redacted] Harry Stephens

AMERICAN OVERSIGHT

[redacted] Haycock, Todd [redacted]>; J Gold [redacted] (b)(6) Jim Cochrane [redacted]; Kate Renz [redacted]; Kathleen Siviter [redacted]>>; Laura Pickard [redacted]>; Leigh Walton [redacted] Lisbeth Lyons - Printing Industries of America [redacted]>; Marianna Patterson [redacted]>>; Mark Pitts [redacted]>>; Mike Dabbs [redacted]; Tate, Michael [redacted]>>; Nate Blake [redacted]>; Pat Henderson - Quad Graphics [redacted]>; Pat Rita [redacted] (b)(6) [redacted]; Paul Miller [redacted] Phillip Fordham [redacted]>; Pierce Myers [redacted]>; Rafe Morrissey [redacted] Robert Lindsay [redacted]; Sharon Harrison [redacted] Steve Bonoff <[redacted]>>; Tom Howard [redacted]; Tonda Rush [redacted] Virgil Griffin [redacted]
Waltz, Kim <[redacted]>
Subject: Next PMG: Louis Dejoy

C21 Members –

We have information, [redacted]

(b)(5) [redacted]

(b)(5) [redacted]

(b)(5) [redacted]

Art

AMERICAN OVERSIGHT

Arthur B. Sackler
Sackler Brinkmann & Hughes LLC
(b)(6) [redacted]

(b)(6) [redacted]
www.SBHLAWDC.com<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.sbhlawdc.com_&d=DwMFAg&c=SFszdw3oxIkTvaP4xmzq_apLU3uL-3SxdAPNkldf__Q&r=Kb_KzKuG9ZxQu-ka2hfd3hWl5YRpsby4PCLJNtWrvMA&m=cppmyj5evdxSDxoE95yTgQvbrRoM8NP6hgizI-7UZR8&s=qPRbHXpInIiVv9Y0nyW_s8lIuDAjV1gdC9h3IhxNdaM&e=>

……..
This email contains information from the law offices of Sackler Brinkmann & Hughes, LLC which may be confidential or privileged. This information is meant only for the use of the intended recipient. If you are not the intended recipient, be aware that any disclosure, copying, distribution or other use of the contents of this electronic message is prohibited. If you believe you have received this email in error, please notify us immediately at 202-355-6389 or art.sackler@sbhlawdc.com<mailto:art.sackler@sbhlawdc.com>. Thank you.

_____
This message, and any attachments, is for the intended recipient(s) only, may contain information that is privileged, confidential and/or proprietary and subject to important terms and conditions available at http://www.bankofamerica.com/emaildisclaimer. If you are not the intended recipient, please delete this message.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]
Sent: Friday, May 8, 2020 7:15 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Re: Missing mail

Thanks,

Megan

Begin forwarded message:

From: Alisa M <[redacted](b)(6) [redacted]>
Date: May 7, 2020 at 6:48:39 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6) [redacted]
Subject: [EXTERNAL] Re: Missing mail

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Good Evening,

I am sorry to bother you again. I know we are living in difficult times right now. I also know the Postal Service is trying it's best to keep up, but I am and have been for the last three years having trouble with my mail. I have informed mail delivery and so far this week I am missing two pieces of mail. Three weeks ago two pieces went missing including a letter from the Department of Labor. The Post Office shouldn't be losing important letters like this especially now.

I am not sure what the issue is. The local Post Office says it is not them. I don't appreciate someone suggesting to get a Post office box. Why? I am suppose to stay home as much as possible. There is a camera right over my box. Why can't anyone investigate? Why is this still an issue?

A few months ago, I did bring up the fact that a tenant [redacted](b)(6) issues with is either a current or former postal employee. Nobody bother to look into it.

The Post Office needs a better system. I can track my Fed ex, UPS and Amazon packages from the moment the driver is on the road or near by.

There should be a better letter system besides informed mail delivery. Each letter should have a code to allow you to track the mail the moment it hits the distribution center to the local Post office to it hits your box. You can charge for it. It will be optional. I just think this is crazy to still have to deal with this after three years.

It would be nice to finally have this resolved even if it means filing a Police Report.

Thank you for your time and hope this is finally resolved.

AMERICAN OVERSIGHT

Stay Safe,

Alisa

[redacted]

On Thu, Feb 6, 2020, 5:27 PM Alisa M <[redacted]>> wrote:
Good Evening,

I am sorry to bother you, but this has been an ongoing issue for 3 years now. My mail keeps going missing. No matter how many times I file a complaint. My local post office comes up with a temporarily fix and then 2 or 3 weeks later back to the same thing.

I was trying hard not to contact you because I know you are very busy, but on Tuesday the mail in my building was just left outside the boxes in the lobby. See attached photo. Now I am missing a W2 form and now my identity is at risk.

I have informed mail delivery and a lot of times I never see that mail even after a week.

Even when I report my mail as stolen, nothing is done. The regional office never has a answer. They say they will get back in three days. I never hear from them.

I hoping by contacting you this will finally fix this issue or fix what the disconnect is.

Thank you for your time.

Location:

[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Thursday, May 7, 2020 8:10 PM
To: Walker, Janice D - Washington, DC
Cc: Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC; Elston, Michael J - Washington, DC; Jim Morrell; Corbett, Joseph - Washington, DC
Subject: Re: Washington Post story on reaction to PMG selection

Janice,

[redacted]

[redacted]

[redacted]

Thanks,

Megan

On May 7, 2020, at 7:39 PM, Walker, Janice D - Washington, DC <[redacted]>:

FYI

Sent from my iPhone
https://www.washingtonpost.com/business/2020/05/07/postal-service-postmaster-dejoy-trump/
Under fire from Trump, Postal Service braces for arrival of new postmaster general allied with White House Louis DeJoy — a top Republican fundraiser and Trump donor — has been selected to run the beleaguered agency the president has long agitated to change By Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/>
May 7, 2020 at 7:12 p.m. EDT

U.S. Postal Service officials are bracing for sweeping changes with the arrival of a new boss who is deeply aligned with President Trump at a time the agency grappling with a financial crisis and battling for its future.

The selection of Louis DeJoy — a North Carolina businessman and top Republican fundraiser — as postmaster general puts a White House ally at the helm of an agency Trump has long agitated to change, deriding it as a “loser” and “delivery boy” for private shipping companies, particularly Amazon.

The administration, led by Treasury Secretary Steven Mnuchin, has angled for the authority to name a successor to current Postmaster General Megan Brennan and set package prices, among other terms, in exchange for emergency funding for the Postal Service, which leaders say could run out of money by October.

Trump in April called USPS “a joke”<https://www.washingtonpost.com/us-policy/2020/04/24/trump-postal-service-loan-treasury/?tid=lk_inline_manual_7&itid=lk_inline_manual_7> and said he would not authorize a $10 billion loan included in a pandemic relief package unless it raised package rates 400 percent on third-party shippers.

AMERICAN OVERSIGHT

With DeJoy's appointment and the resignation of David C. Williams, vice chairman of the board of governors and a foil to Mnuchin's borrowing terms, some postal advocates worry that the changes Trump wants will not only materialize, they will be made without any benefit of additional funding — or the promised loan — for an agency whose already shaky financial footing has grown weaker during the coronavirus pandemic. They also worry it will politicize the independent agency, leaving USPS wounded in the run up to a presidential election that in many states may be conducted through the mail.

"We're trying to manage through a pandemic and economic collapse," Rep. Gerald E. Connolly (D-Va.), who chairs the House subcommittee responsible for postal oversight, said in a phone interview. "What could go wrong in hiring a political donor?"

The White House declined to comment, and DeJoy did not immediately respond to a request for comment.

DeJoy is the owner of a real estate and consulting firm in North Carolina who had served as chairman and chief executive of New Breed Logistics, according to his family's foundation page. New Breed was sold to XPO Logistics and DeJoy served on the company's board of directors.

He is a longtime donor to Republican causes, according to Federal Election Commission records, and has given more than $157,000 to GOP candidates, committees and superpacs since the start of the year. In March 2017, DeJoy hosted a fundraiser for Trump at his home in Greensboro, N.C. Tickets cost as much as $15,000 per couple, according to the Raleigh News & Observer<https://www.newsobserver.com/news/politics-government/state-politics/article176825156.html>. In the invitation he wrote of "unreasonable challenges" Trump faced from "the political establishment, the left wing groups, the media and many of the federal employees of the agencies of the executive branch."

His wife, Aldona Wos, a former ambassador to Estonia and Trump's nominee as ambassador to Canada, is the vice chair of the president's Commission on White House Fellowships. USPS Board of Governors Chairman Robert M. Duncan, the former head of the RNC, chairs the fellowship panel.

Conservatives are cheering DeJoy's appointment and hailing his private-sector experience in the logistics industry. Only four postmasters general have come from the private sector, and some analysts want the Postal Service to invest more heavily in the logistics arena, rather than door-to-door delivery.

"We have so many different ways to move stuff," said Kevin Kosar, vice president of research partnerships at libertarian think tank R Street. "Where does the Postal Service fit into that picture? Hopefully someone from the outside like DeJoy can bring people into the main office who can help him think about that."

Meanwhile, the Package Coalition — an industry group of online retailers led by Amazon, eBay, QVC and CVS Health, all companies set to lose substantially with higher shipping rates — launched a $2 million ad blitz Wednesday on Fox News. The 30-second commercial, which will air during broadcasts of "Hannity," "Fox & Friends" and other network shows, takes aim at Trump's proposal to quadruple package rates, calling it a "400-percent package tax." It asks viewers to call Congress and urge members to support a postal bailout.
(Amazon founder and chief executive Jeff Bezos owns The Washington Post.)

"We're trying not to be alarmist about it," former Army secretary and Package Coalition chairman John McHugh said in a phone interview. "But we want to tell people that there's something afoot that I think could be cataclysmic in the lives of many Americans. That is the Postal Service running out of money."

The Postal Regulatory Commission, the body that approves postage rates and monitors the USPS's budget, on Thursday reported the agency was in "dire" financial shape after 2019. It posted an $8.8 billion loss caused by declining mail volume and missed its payments into a prepaid retiree health benefit account<https://www.washingtonpost.com/business/2020/04/15/postal-service-bailout-

AMERICAN OVERSIGHT

congress/?tid=lk_inline_manual_28&itid=lk_inline_manual_28>. Those losses don't reflect the nearly two-month long coronavirus pandemic, during which postal leaders told lawmakers they expected $2 billion losses each month as the economy shut down.

But Senate Republicans say they have data that indicates USPS's losses, propped up by surging package volumes, are far more tame than the agency portrays and that the USPS is not in desperate need of a bailout as some officials claim.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] >
Sent: Thursday, May 7, 2020 8:04 PM
To: Corbett, Joseph - Washington, DC
Subject: Fwd: PMG May 2020 Open Session Script v7.pdf
[redacted] (b)(5) [redacted] m

Joe,

Sorry, here it is.

Thanks,

Megan

Begin forwarded message:

From: "Latham, Sandra R - Washington, DC" [redacted]
Date: May 7, 2020 at 6:34:14 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted] >>, "Stavely, Rhonda J - Washington, DC" [redacted] >>
Subject: PMG May 2020 Open Session Script v7.pdf

For your iPad

AMERICAN OVERSIGHT

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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That is our focus right now.

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[PAUSE]

AMERICAN OVERSIGHT

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current crisis, it is a situation which policy makers will need to confront in the immediate future.

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AMERICAN OVERSIGHT

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[PAUSE]

I join the Chairman in thanking David Williams for his service on the Board and wish him the best.

Also, I would like to send my heartfelt congratulations to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the business acumen and insights that he has acquired over a successful 35-year professional career.

I can assure you that I will do everything I can to support Louis and ensure a seamless transition.

I also know postal employees throughout the organization will support him in his efforts to uphold and preserve the Postal Service's cherished role in our nation.

(PAUSE)

AMERICAN OVERSIGHT

I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public.

It is a privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

I thank you for all of the support you have provided me during my postal career.

And with that, I'll turn it back over to Chairman Duncan.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Thursday, May 7, 2020 12:11 PM
To: Chavez, Eric D - Windsor, CT
Subject: Fwd: [EXTERNAL] Re: Assistance with package delivery

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <[redacted](b)(6)[redacted]>
Date: May 7, 2020 at 11:54:40 AM EDT
To: "Brennan, Megan J - Washington, DC" [redacted]
Cc: (b)(6) <[redacted](b)(6)[redacted]>
Subject: [EXTERNAL] Re: Assistance with package delivery

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

I appreciate your assistance. I am concerned about the package delivery based on the message shown online (see below). The house is secure, and has a second secured gate which the mail office has the code.

Please ensure my package is delivered today. I will ensure that the first gate will be open which it has been all week to accommodate Amazon deliveries.

Thanking you in advance for your assistance.

Sincerely,

(b)(6)
(b)(6)[redacted]

[redacted](b)(6)[redacted]

We attempted to deliver your item at 12:08 pm on May 6, 2020 in NEW YORK, NY 10027 and a notice was left because no secure delivery location was available. You may arrange redelivery by using the Schedule a Redelivery feature on this page or may pick up the item at the Post Office indicated on the notice beginning May 7, 2020. If this item is unclaimed by June 5, 2020 then it will be returned to sender.

USPS Premium Tracking™ Available
<https://tools.usps.com/go/TrackConfirmAction?tRef=fullpage&tLc=2&text28777=&tLabels=[redacted](b)(6)[redacted]
%2C#>
Delivery Attempt: Action Needed

AMERICAN OVERSIGHT

May 6, 2020 at 12:08 pm

Notice Left (No Secure Location Available)

NEW YORK, NY 10027

Schedule Redelivery
<https://tools.usps.com/go/TrackConfirmAction?tRef=fullpage&tLc=2&text28777=&tLabels=9505813925180119120147%2C#>

Sent from my iPhone

On May 4, 2020, at 4:15 PM, (b)(6) > wrote:

I understand USPS staff are working hard and deliveries may be delayed; however, the tracking information should be accurate and up to date.

I mailed a package from (b)(6) on 28 April with a delivery date of 1 May in NY, NY (insured). I tracked the package and according to the USPS the package is in (b)(6)

I need assistance in getting the package delivered to (b)(6) in NY, NY, cell phone number; (b)(6)

(b)(6)

Tracking Number:
(b)(6)

Thank you

(b)(6)

Sent from my iPhone

<f25ae132-7acf-49b1-86ac-7096829f545d.jpg>

Sent from my iPhone

<IMG_6927.jpg>

AMERICAN OVERSIGHT

Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Thursday, May 7, 2020 11:03 AM
To: Cronkhite, Isaac S - Washington, DC
Subject: Fwd: (b)(5)

Is this an employee?

Thanks,

Megan

Begin forwarded message:

From: "(b)(6)" [redacted]
Date: May 7, 2020 at 11:01:46 AM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted]>
Subject: (b)(5)

Top Republican fundraiser and Trump ally named postmaster general, giving president new influence over Postal Service Jacob Bogage A top donor to President Trump and the Republican National Committee will be named the new head of the Postal Service, putting a top ally of the president in charge of an agency where Trump has long pressed for major changes in how it handles its business.
The Postal Service's board of governors confirmed late Wednesday that Louis DeJoy, a North Carolina businessman who is currently in charge of fundraising for the Republican National Convention in Charlotte, will serve as the new postmaster general.
The action will install a stalwart Trump ally to lead the Postal Service, which he has railed against for years, and probably move him closer than ever before to forcing the service to renegotiate its terms with companies and its own union workforce. Trump's Treasury Department and the Postal Service are in the midst of a negotiation over a $10 billion line of credit approved as part of coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_3&itid=lk_inline_manual_3> legislation in March.
The confirmation came after The Washington Post asked for comment on the decision.
Trump has indicated he wants the Postal Service to dramatically raise fees for delivering packages for customers such as Amazon in exchange for tapping the line of credit. Trump has long argued that Amazon doesn't pay the Postal Service enough, a charge the agency has fiercely contested. (Amazon's chief executive, Jeff Bezos, owns The Post.) "Louis DeJoy understands the critical public service role of the United States Postal Service, and the urgent need to strengthen it for future generations," Robert M. Duncan, chairman of the board of governors, said in a statement.
"Postal workers are the heart and soul of this institution, and I will be honored to work alongside them and their unions," DeJoy, who will start June 15, said in a statement.
The White House declined to comment.
Rep. Gerald E. Connolly (D-Va.), chairman of the House subcommittee that oversees the Postal Service, denounced the move as a reward by Trump to a "partisan donor."
"The Postal Service is in crisis and needs real leadership and someone with knowledge of the issues," Connolly said. "This crony doesn't cut it."
After criticizing the agency for years, Trump has been consolidating his influence lately. Three Republicans and one Democrat sit on the board of governors after the vice chairman, David Williams, a Democrat, resigned last week.

AMERICAN OVERSIGHT

The departure came after Williams told confidants he was upset that the Treasury Department was meddling in what has long been an apolitical agency and felt that his fellow board members had capitulated to Treasury Secretary Steven Mnuchin's conditions for the $10 billion line of credit, according to four people familiar with Williams's thinking. Williams did not respond to a request for comment.

Democrats have urged the Postal Service to hold firm with Treasury over the terms of the loan, betting they could win more money for the agency in another round of legislation and threatening the Trump administration with taking the risk of disrupting mail service.

But in recent days, the Postal Service's board has appeared open to some of the Trump administration's terms, according to the four people, who spoke on the condition of anonymity to disclose private conversations. The precise terms could not be learned.

"[Williams's] main frustration is that he felt the Treasury Department was interfering in an apolitical board and an apolitical agency," said one person who spoke with him.

A Treasury Department spokesman declined to comment.

DeJoy will be the first postmaster general in two decades who did not rise through the agency's ranks. He would have to navigate a financially fraught agency while also working with its powerful labor unions, among the last -public-sector unions left with significant clout in contract negotiations with the government.

In part because of the coronavirus pandemic, the Postal Service is projecting a $13 billion revenue shortfall by the end of the fiscal year in September.

Trump has for years seized on the rates the Postal Service charges companies like Amazon to deliver packages. The business of package delivery has proved increasingly vital to the service's finances as first class mail has deteriorated, and Trump has contended the agency charges Amazon and other companies too little.

The Postal Service has rejected those accusations, arguing it is charging competitive rates in an environment where it squares off against UPS, FedEx and even Amazon's growing delivery service.

Megan Brennan, the current postmaster general, who announced her retirement late last year, had clashed with the Trump administration over its efforts to take more control over postal finances and operations. Trump had urged her early in his tenure to increase fees for Amazon and other companies.

The announcement of Brennan's successor comes at a tumultuous period for the Postal Service, whose already shaky financial footing has grown weaker during the coronavirus pandemic.

Trump, responding to a report in The Post in April, threatened to block the $10 billion Postal Service loan unless officials dramatically raised shipping prices on online retailers.

"The Postal Service is a joke," Trump said publicly last month in the Oval Office. He called for the agency to quadruple its shipping prices. Many analysts warn that if the Postal Service did that, it would put itself at a massive disadvantage in the marketplace.

DeJoy, a North Carolina native, has played a prominent role in Republican politics, particularly since Trump won the presidency in 2016. He has given more than $2 million to the Trump campaign or Republican causes since 2016, according to the Federal Election Commission, including a $210,600 contribution to the Trump Victory Fund on Feb. 19. He has given more than $650,000 to the Trump Victory Fund and more than $1 million to the RNC.

DeJoy was tapped as the finance chairman for the RNC convention in August and has worked in recent months with Katie Walsh, a top Republican operative, to orchestrate the event.

An RNC spokesman declined to comment.

DeJoy's wife, Aldona Wos, is vice chairman of the president's Commission on White House Fellowships and is Trump's nominee for ambassador to Canada. She previously served as ambassador to Estonia in the George W. Bush administration.

DeJoy has donated more than $157,000 to Republican candidates, committees and super PACs since the start of the year, according to the Center for Responsive Politics.

Duncan, the current chairman of the Postal Service's board of governors, served as RNC chairman from 2007 to 2009. He was confirmed in 2018 after being appointed by Trump.

DeJoy is the owner of a real estate and consulting firm in North Carolina after having served as chairman and CEO of New Breed Logistics, according to his family's foundation page. New Breed was sold to XPO Logistics. He is a longtime donor to Republican causes, according to FEC records.

AMERICAN OVERSIGHT

Under the $2 trillion coronavirus stimulus relief passed in March, the Treasury Department was authorized to lend $10 billion to the Postal Service, which says it may not be able to make payroll and continue mail service uninterrupted past September.

Mnuchin rejected a bipartisan Senate proposal to give the Postal Service a bailout amid the negotiations over that legislation.

Brennan, with the consent of the board of governors, went to Congress to ask for a direct bailout of more than $89 billion to stave off pandemic losses and other long-running accumulated debts.

Top Treasury officials were furious at the request, according to a person with knowledge of their frustration.

The coronavirus pandemic has rapidly exacerbated years of revenue losses for the agency as it struggles to adapt to a digital age amid a decline in first-class mail.

Postal officials have said mail volume is down by a third during the pandemic and continuing to decrease as businesses scale back solicitations and advertisements. Package volume is up, but not enough to cover the other losses, the officials say.

Michelle Ye Hee Lee contributed to this report.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Thursday, May 7, 2020 10:50 AM
To: Latham, Sandra R - Washington, DC; Stavely, Rhonda J - Washington, DC
Subject: DRAFT - PMG May 2020 Open Session Script v3 (002).docx
Attachments: DRAFT - PMG May 2020 Open Session Script v3 (002).docx

AMERICAN OVERSIGHT

(b)(5)

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AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC [redacted] on behalf of Brennan, Megan J - Washington, DC [redacted]
Sent: Thursday, May 7, 2020 7:17 AM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] PLEASE DO NOT RETIRE

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted]

From: [redacted] [mailto:[redacted]]
Sent: Wednesday, May 6, 2020 9:25 PM
To: Brennan, Megan J - Washington, DC <[redacted]>
Subject: [EXTERNAL] PLEASE DO NOT RETIRE

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Ms Postmaster General
Please do not retire until Trump is GONE, if there is any way humanly possible!!
Your replacement announced today by the White House will strip away everything you and countless others have worked for your entire careers This is so wrong on so many levels and we are losing everything!
PLEASE PLEASE HELP!
[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted] >
Sent: Wednesday, May 6, 2020 8:22 PM
To: Marshall, Thomas J - Washington, DC
Subject: Re: BOG announces selection of Louis DeJoy to serve as 75th Postmaster General

I will be - [redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

Wash Post story as expected.

Thanks,

Megan

On May 6, 2020, at 8:11 PM, Marshall, Thomas J - Washington, DC (b)(6) [redacted] wrote:

Fyi. Are you set for the meeting tomorrow?

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, May 6, 2020 8:03 PM
To: All
Subject: BOG announces selection of Louis DeJoy to serve as 75th Postmaster General

Team, I wanted to let you all know that this evening the Board of Governors announced the appointment of Louis DeJoy as the 75th Postmaster General of the United States, effective on June 15, 2020. Please see our attached press release in that regard. [redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service <BOG press release PMG appointment Final.docx>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted]> on behalf of Brennan, Megan J - Washington, DC [redacted]
Sent: Wednesday, May 6, 2020 3:06 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Problems with service at [redacted]

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted]

From: [redacted] [mailto:[redacted]]
Sent: Wednesday, May 6, 2020 2:57 PM
To: Brennan, Megan J - Washington, DC <[redacted]>
Subject: [EXTERNAL] Problems with service at [redacted], VA/2[redacted]

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Dear Postmaster General,

I write you today as a disgruntled customer of the USPS service at my home in [redacted], VA. The problems have been addressed to the local postmaster...both in person and by mail...and the postmaster makes excuses in person for the poor service and does not respond to written complaints.

The problems in this neighborhood have been going on for about two years now since our regular carrier, Mr. [redacted], retired from our route. We have misdelivered mail all of the time. On Monday, my daughter's stimulus check was delivered to the neighbor and she put in in our box the next day. Yesterday, I got THREE first class pieces of mail for another neighbor which I delivered to them in person. I have had package pick-up requests misconstrued as a Hold Mail request! Not only did the carrier not pick up my package or deliver my mail, she marked the package as picked up and I received an email from USPS saying just that When we do request a Hold Mail, we have to have a neighbor check our box as many times the mail has been delivered even though it should have been held. Our neighborhood Facebook page consistently has people asking about packages that should have been delivered to them and they weren't. Asking if someone else has them. Recently, I was notified by Amazon that a package had been delivered on April 14th. I never got it. I filed a complaint with the USPS and got an email in return stating that they had resolved my problem and had determined that the item had been "miss-delivered" and that I should request another package be sent by Amazon! I don't consider delivering to a wrong address as a resolution and certainly don't think that Amazon should pay for the USPS mistake! When Mr. B[redacted] delivered our mail, we usually received it between 1 and 3 PM. We now get it more like 5 PM or after. We have had our mail delivered many as late as 9:10PM! I could go on and on.

I respectfully request an investigation into these matters at the main post office here in [redacted] I don't believe that the current postmaster is competent or qualified for the position he fills. I would also like a response from your office as to why these things continue to happen and when we may expect professional service from the USPS again.

AMERICAN OVERSIGHT

Thank you for your time and attention to this matter.

Sincerely,
(b)(6)

[redacted]
(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

Subject:	Canceled: Follow up Meeting: PMG/GC/CCMO/CFO/SRVPFIN - (b)(5), (b)(3), 410(c)(2) Review
Location:	Room 10100
Start:	Wed 5/6/2020 2:30 PM
End:	Wed 5/6/2020 3:30 PM
Show Time As:	Free
Recurrence:	(none)
Meeting Status:	Not yet responded
Organizer:	Brennan, Megan J - Washington, DC
Importance:	High

This meeting will be rescheduled.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Wednesday, May 6, 2020 2:05 PM
To: [redacted](b)(6)[redacted]
Cc: Tulino, Douglas A - Washington, DC; Cronkhite, Isaac S - Washington, DC
Subject: WH Recognition Ceremony - USPS Letter Carrier Recognized
[redacted](b)(5)[redacted]

Good afternoon Fred, Mark, Paul & Ronnie

As discussed at Tuesday's briefing; please find below a portion of the official transcript from Friday's WH Recognition Ceremony.

(b)(5) .

(b)(5)

Stay safe.

Megan

https://www.whitehouse.gov/briefings-statements/remarks-president-trump-presidential-recognition-ceremony-hard-work-heroism-hope/

Remarks by President Trump in a Presidential Recognition Ceremony: Hard Work, Heroism, and Hope

Issued on: May 1, 2020

_____
_____
ALL NEWS<https://www.whitehouse.gov/news/>

Blue Room

4:47 P.M. EDT

THE PRESIDENT: Thank you very much. It's a great honor to have you all. I know your stories. I got to read about your stories. In some cases, I knew your story without having to read about it — from Staten Island. So, thank you all very much. It's a great honor to have you.

This afternoon, we're going to recognize several individuals who have responded to the invisible enemy with courage, determination, and grace. Terrific people. In recent weeks, our nation has endured extraordinary hardships and loss, and we mourn with one heart for every life that's been taken from us.

AMERICAN OVERSIGHT

In the midst of so much pain, the heroes we honor today are a true source of inspiration for us all. You really are very great inspiration for us all. And the whole country is watching.

With us today is Kyle West from Cincinnati, Ohio. Kyle is 23 years old, and he's proud to be a mailman in his hometown. I know Cincinnati very well. I actually worked in Cincinnati, and it was a great — the Queen City. I had a great experience. Many of the people on this route are older Americans in a low-income area. And as Kyle says of his job, "We're not just mailmen, we're mechanics, movers, and many other things. We're part of the neighborhood." That's true, isn't it — huh? — for a mailman. Kyle talks to roughly 500 of his customers each day, bringing a cheerful smile and a listening ear to every parcel of mail.

When the pandemic hit, Kyle delivered a note to hundreds of older Americans on his route. It said, "If you are at risk and need help getting essential items, let me know. I will do what I can to help." That means you get it done, right? That's what he means. "Sincerely, Mailman Kyle." Since then, Kyle has received more than 400 responses, and he's delivered vital groceries to dozens of senior citizens.

Kyle, your love for your neighbors lifts us and the entire nation. Would you come up and say a few words? Please. Thank you, Kyle. It's terrific. (Applause.)

I'll move that down for you. Thank you.

MR. WEST: All right. Thank you, Mr. President. I'm greatly honored to be here to represent my fellow postal employees as we continue to provide our essential services to America. Customers often — often tell us during difficult times that seeing us out every day gives them a sense of normalcy in their life.

The gratitude we're receiving from our customers is greatly inspiring. And the thank-you notes along our routes are helping us get through.

We're delivering a lot of essential items at this time. The amount of medicine has greatly increased. Customers depend on us for Social Security checks and other financial information: census material, mail-in ballots, and then essential items that they're ordering online.

At the Postal Service, we're continuing to follow CDC guidelines to keep ourselves and our customers safe: social distancing, wearing a face mask, lots of hand washing, and the cleaning of our vehicles and facilities. I'm very proud to work for the Postal Service and to deliver for our country. (Applause.)

THE PRESIDENT: Great job, Kyle. Thank you very much.

MR. WEST: Thank you.

THE PRESIDENT: Great job. Thank you very much, Kyle.
[cid:D1C6F9C1-B785-4681-8DC5-B54D836314CB]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

Subject: Meeting: PMG/CCMO - (b)(5), (b)(3), 410(c)(2)
Location: PMG's Office

Start: Wed 5/6/2020 3:30 PM
End: Wed 5/6/2020 4:00 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Organizer: Brennan, Megan J - Washington, DC

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Monday, May 4, 2020 6:07 PM
To: Louis DeJoy
Subject: RE: Requested Discussions

Good evening Louis,
It was a pleasure speaking with you. Congratulations again.
[redacted](b)(5)[redacted]
(b)(5)

[redacted](b)(5)[redacted] (b)(5)

Take care.

Megan

From: Louis DeJoy [mailto:[redacted](b)(6)[redacted]]
Sent: Monday, May 4, 2020 4:59 PM
To: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Subject: [EXTERNAL] Requested Discussions

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

General Brennan-
Thank you for your time and willingness to work with me. (b)(5)

1. [redacted](b)(5)[redacted]
2. [redacted](b)(5)[redacted]
3. [redacted](b)(5)[redacted]
4. (b)(5)[redacted]
5. [redacted](b)(5)[redacted]
6. [redacted](b)(5)[redacted]
7. [redacted](b)(5)[redacted]
8. (b)(5)[redacted]
9. (b)(5)[redacted]

AMERICAN OVERSIGHT

10. [redacted]

11. [redacted]

12. [redacted]

I can be flexible so we can schedule around your availability. Probably looking for [redacted].
Let me know your thoughts.
Thanks,
Louis

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted] on behalf of Brennan, Megan J - Washington, DC <[redacted]
Sent: Monday, May 4, 2020 5:28 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] An idea to save the post office

From: [redacted] [mailto[redacted]
Sent: Monday, May 4, 2020 5:08 PM
To: Brennan, Megan J - Washington, DC <[redacted]
Subject: [EXTERNAL] An idea to save the post office

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Hi Megan,

I was emailing you to express an idea that hopefully may trigger an idea to save the post office from bankruptcy. I'll keep this short because I'm sure you're very busy. But as I was reading about Canada's Leap manifesto I saw that in their manifesto Post Offices are used as recharging hubs, as local community banking services, and a hub for local green energy and community resources in addition to delivering mail. Also, since the US should be using mail in ballots this would be another large source of revenue for the post office. I've attached a link for further information.

Post office possible future<https://theleap.org/portfolio-items/can-our-postal-network-help-lead-canadas-green-transition/>

Please let me know if I can help in any way!

Cheers,

--

[redacted]

[redacted]

[https://docs.google.com/uc?export=download&id=0B8icKdZ2CoCnTWJmZXFHNkdVd2M&revid=0B8icKdZ2CoCnSWlnWEJDc1VldnB3b3VFUmNYVjJvRzRXSHNrPQ]<http://mentortravel.org>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

Subject: Teleconference: PMG/(b)(5), (b)(3),
Location: (b)(6)

Start: Wed 5/6/2020 4:00 PM
End: Wed 5/6/2020 4:30 PM
Show Time As: Tentative

Recurrence: (none)

Meeting Status: Not yet responded

Organizer: Brennan, Megan J - Washington, DC

You can use your computer's microphone and speakers; however, a headset is recommended. Or, call in using your phone:

(b)(5)

(b)(5)

(b)(5)

Dial-in attendees must enter *7 to mute or unmute themselves.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Sunday, May 3, 2020 9:13 AM
To: Wohlganger, Ed - Washington, DC
Subject: Fwd: [EXTERNAL] Dumped parcel? (b)(6)

Thank you.

Megan

Begin forwarded message:

From: "(b)(6) (Benavides)" <(b)(6)
Date: May 3, 2020 at 8:01:23 AM EDT
To: "Brennan, Megan J - Washington, DC" (b)(6)
Subject: [EXTERNAL] Dumped parcel?

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Dear Ms. Brennan,

I had ordered something from Amazon for my husband to use for work. The day after ordering the item, the company was dumped from Amazon. I do not know why, but seeing from the tracking, the item was from China, I am thinking that is the reason.

Anyhow, I also had an item come in from Germany. Both items cleared customs in Ny and ended up at the pd&c in J(b)(6), Fl. Today, I received the item from Germany, but now the item from China is listed as not received, only that the label has been created. Since I do not want anything from China (for reasons beyond Covid), I am going to let it go. But know I am not the only one. This is from my friend "I have a pkg that was not on the truck Friday was to be delivered yesterday...now it's "pending" in Wisconsin" . Went from Middleton Pa to Wisconcin overnyte and is now MIA?? Same thing happened to my Covid masks its just nutts out there."

Could you please look into this?

Thank you,

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC [redacted] on behalf of Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Saturday, May 2, 2020 7:45 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: Complete lack of customer service and quality assurance

From: (b)(6) [mailto:[redacted](b)(6)[redacted]
Sent: Saturday, May 2, 2020 5:12 PM
To: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Subject: [EXTERNAL] Complete lack of customer service and quality assurance

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Aloha Ms. Brennan,
On April 8, 2020 I ordered an item from Amazon.com that I needed for my home business that I use to supplement my family's income since my wife has been laid off due to the COVID-19 pandemic. The item was he be shipped to me via United States Postal Service and I utilized your trucking service to track the package.

The following are the tracking updates I received from the United States Postal Service:

Monday, April 20
7:44 AM
Package arrived at a carrier facility
Chicago Il Network Distribution Center, US
6:29 AM
Package arrived at a carrier facility
Waukegan, IL US
Monday, April 13
3:16 PM
Package has left the carrier facility
Waukegan, IL US
Package has shipped

I also received numerous text messages stating that my package would be delivered on time by 8 PM on several different dates. Since April 25 I have received no new updates from the United States Postal Service. I filed a claim through the United States Postal Service website and received emails from the postmaster general in (b)(6) Hawaii and another representative from the United States Postal Service. Both offered half hearted apologies but no explanations whatsoever for what happened to my $200 item that has still not been delivered to my home. I find it Incredibly difficult to believe they did this day and age of advanced technology and computer systems that no one can tell me where my package is. Apparently it made its way to Chicago Illinois and left that city but no one seems to know where it is from there. This is unacceptable on every level. I demand that somebody contact me directly and not through some generated email with no explanations and tell me where my package is.
Incredibly difficult to believe they did this day and age of advanced technology and computer systems that no one can tell me where my package is. Apparently it made its way to Chicago Illinois and left that city but no one seems to know

AMERICAN OVERSIGHT

where it is from there. This is unacceptable on every level. I demand that somebody contact me directly and not through some generated email with no explanations and tell me where my package is.

(b)(6)
HI

Get Outlook for iOS<https://aka.ms/o0ukef>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Saturday, May 2, 2020 1:21 PM
To: Bloom, Ron
Cc: John Barger; Robert Duncan; Roman Martinez IV; Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC; Elston, Michael J - Washington, DC
Subject: Re: [EXTERNAL] RE: WH Recognition Ceremony - USPS Letter Carrier Recognized

[redacted] (b)(5) [redacted]

Thank you Governor Bloom

Megan

On May 2, 2020, at 10:26 AM, Bloom, Ron <(b)(6) wrote:

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

(b)(5)

Ron
Bloom

Managing Partner |
Vice Chairman

Private Equity

Brookfield Asset Management
Brookfield Place New York

[redacted] (b)(6) [redacted] [redacted] (b)(6) [redacted]

[redacted] (b)(6) [redacted]

[redacted] (b)(6) [redacted]

[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

View important disclosures and information about our e-mail policies here<https://www.brookfield.com/Global-Brookfield-Email-Disclaimer>

<https://www.brookfield.com/emaildisclaimer>

-----Original Message-----
From: John Barger [redacted] (b)(6) [redacted]
Sent: Saturday, May 2, 2020 10:20 AM
To: Brennan, Megan J - Washington, DC <[redacted] (b)(6) >
Cc: Robert Duncan [redacted]; Bloom, Ron [redacted]; Roman Martinez IV [redacted] (b)(6) [redacted]>; Stroman, Ronald A - Washington, DC <[redacted]; Marshall, Thomas J - Washington, DC [redacted] (b)(6) [redacted]; Elston, Michael J - Washington, DC <[redacted]>
Subject: Re: WH Recognition Ceremony - USPS Letter Carrier Recognized

[External Email]

Megan,

(b)(5)

John M. Barger
Managing Director
https://can01.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.northerncrosspartners.com%2F&data=02%7C01%7Cron.bloom%40brookfield.com%7C7e63964b53e4470e28bb08d7eea3e943%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C0%7C637240260088889901&sdata=ZKaRkqcssnd94I72pOitpV%2FOfIE2AxM2DbF%2FSaxImlI%3D&reserved=0

Please excuse typos, courtesy of iPhone keyboard, oversized thumbs, aggressive Apple algorithms

> On May 2, 2020, at 6:50 AM, Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:
>
> Good morning Governors,
>
> (b)(5)

AMERICAN OVERSIGHT

>
(b)(5)

>
> Megan
>
>
>
>
> https://can01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.whitehouse.gov%2Fbriefings-statements%2Fremarks-president-trump-presidential-recognition-ceremony-hard-work-heroism-hope%2F&data=02%7C01%7Cron.bloom%40brookfield.com%7C7e63964b53e4470e28bb08d7eea3e943%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C0%7C637240260088889901&sdata=ZddGP6U4k8rH0CniKc2kZ5n0p6yNvGVwcv%2FuoqSfRJA%3D&reserved=0
>
> Remarks by President Trump in a Presidential Recognition Ceremony: Hard Work, Heroism, and Hope
>
> Issued on: May 1, 2020
>
> _____
> _____
> ALL NEWS<https://can01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.whitehouse.gov%2Fnews%2F&data=02%7C01%7Cron.bloom%40brookfield.com%7C7e63964b53e4470e28bb08d7eea3e943%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C0%7C637240260088889901&sdata=sbC5uiqEGE0gmxi76mo6bySde9co4X1EsQe%2F%2FcGyyN0%3D&reserved=0>
>
> Blue Room
>
> 4:47 P.M. EDT
>
> THE PRESIDENT: Thank you very much. It's a great honor to have you all. I know your stories. I got to read about your stories. In some cases, I knew your story without having to read about it — from Staten Island. So, thank you all very much. It's a great honor to have you.
>
> This afternoon, we're going to recognize several individuals who have responded to the invisible enemy with courage, determination, and grace. Terrific people. In recent weeks, our nation has endured extraordinary hardships and loss, and we mourn with one heart for every life that's been taken from us.
>
> In the midst of so much pain, the heroes we honor today are a true source of inspiration for us all. You really are very great inspiration for us all. And the whole country is watching.
>
> With us today is Kyle West from Cincinnati, Ohio. Kyle is 23 years old, and he's proud to be a mailman in his hometown. I know Cincinnati very well. I actually worked in Cincinnati, and it was a great — the Queen City. I had a great experience. Many of the people on this route are older Americans in a low-income area. And as Kyle says of his job, "We're not just mailmen, we're mechanics, movers, and many other things. We're part of the neighborhood." That's true, isn't it — huh? — for a mailman. Kyle talks to roughly 500 of his customers each day, bringing a cheerful smile and a listening ear to every parcel of mail.
>
> When the pandemic hit, Kyle delivered a note to hundreds of older Americans on his route. It said, "If you are at risk and need help getting essential items, let me know. I will do what I can to help." That means you get it done, right?

AMERICAN OVERSIGHT

That's what he means. "Sincerely, Mailman Kyle." Since then, Kyle has received more than 400 responses, and he's delivered vital groceries to dozens of senior citizens.
>
> Kyle, your love for your neighbors lifts us and the entire nation. Would you come up and say a few words? Please. Thank you, Kyle. It's terrific. (Applause.)
>
> I'll move that down for you. Thank you.
>
> MR. WEST: All right. Thank you, Mr. President. I'm greatly honored to be here to represent my fellow postal employees as we continue to provide our essential services to America. Customers often — often tell us during difficult times that seeing us out every day gives them a sense of normalcy in their life.
>
> The gratitude we're receiving from our customers is greatly inspiring. And the thank-you notes along our routes are helping us get through.
>
> We're delivering a lot of essential items at this time. The amount of medicine has greatly increased. Customers depend on us for Social Security checks and other financial information: census material, mail-in ballots, and then essential items that they're ordering online.
>
> At the Postal Service, we're continuing to follow CDC guidelines to keep ourselves and our customers safe: social distancing, wearing a face mask, lots of hand washing, and the cleaning of our vehicles and facilities. I'm very proud to work for the Postal Service and to deliver for our country. (Applause.)
>
> THE PRESIDENT: Great job, Kyle. Thank you very much.
>
> MR. WEST: Thank you.
>
> THE PRESIDENT: Great job. Thank you very much, Kyle.
>
> [cid:D1C6F9C1-B785-4681-8DC5-B54D836314CB]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]
Sent: Saturday, May 2, 2020 9:25 AM
To: Walker, Janice D - Washington, DC
Subject: Re: WH Ceremony with Kyle West, OH Letter Carrier

Janice,

(b)(5)

Thank you.

Megan

On May 2, 2020, at 9:22 AM, Walker, Janice D - Washington, DC <[redacted] (b)(6) [redacted]> wrote:

<PresTrumpKyle.jpg>
[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Saturday, May 2, 2020 9:09 AM
To: Walker, Janice D - Washington, DC
Subject: Re: Kyle on CSPN now

Janice,

Can you send me the pic of Kyle & POTUS with just the transcript of their remarks? [redacted](b)(5)[redacted] can't cut & paste on iPad.

Thank you.

Megan

On May 2, 2020, at 8:58 AM, Walker, Janice D - Washington, DC <[redacted](b)(6)[redacted]> wrote:

Hi Megan,

(b)(5)
.

Also, here's the link to the WH transcript of the ceremony. https://www.whitehouse.gov/briefings-statements/remarks-president-trump-presidential-recognition-ceremony-hard-work-heroism-hope/

Thank you.

Janice

From: Brennan, Megan J - Washington, DC
Sent: Saturday, May 2, 2020 8:51 AM
To: Walker, Janice D - Washington, DC [redacted]>
Cc: Marshall, Thomas J - Washington, DC <[redacted](b)(6)[redacted]>
Subject: Re: Kyle on CSPN now

Janice,

(b)(5)
Thank you.

Megan

On May 1, 2020, at 4:58 PM, Walker, Janice D - Washington, DC <[redacted](b)(6)[redacted]rote:

(b)(5)
.

AMERICAN OVERSIGHT

Thanks.

From: Brennan, Megan J - Washington, DC
Sent: Friday, May 1, 2020 4:54 PM
To: Marshall, Thomas J - Washington, DC <[redacted] (b)(6) [redacted]
Cc: Walker, Janice D - Washington, DC <[redacted]
Subject: Re: Kyle on CSPN now

(b)(5)
[redacted] (b)(5) [redacted]

Thank you.

Megan

On May 1, 2020, at 4:51 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) <[redacted] (b)(6) [redacted] wrote:
(b)(5)

Sent from my iPhone

On May 1, 2020, at 4:48 PM, Marshall, Thomas J - Washington, DC
[redacted] (b)(6) [redacted] > wrote:

Sent from my iPhone
<KyleWH.jpg>
<KyleWHothers.jpg>
<DaveKyleWH.jpg>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Friday, May 1, 2020 3:04 PM
To: Stavely, Rhonda J - Washington, DC; Seaver, Kristin A - Washington, DC
Subject: Re: Logistical Information for your White House Visit

Keep call as is. (b)(5)

Thank you.

Megan

On May 1, 2020, at 2:59 PM, Stavely, Rhonda J - Washington, DC [redacted] wrote:

Please see below..

Begin forwarded message:

From: "Seaver, Kristin A - Washington, DC" <[redacted]>
Date: May 1, 2020 at 2:37:57 PM EDT
To: "Walker, Janice D - Washington, DC" <[redacted]>
Cc: "Stroman, Ronald A - Washington, DC" <[redacted]>, "Williams Jr, David E (COO) - Washington, DC" <[redacted]>, "Latham, Sandra R - Washington, DC" <[redacted]>, "Marshall, Thomas J - Washington, DC" <[redacted]>, "Stavely, Rhonda J - Washington, DC" [redacted]
Subject: Re: Logistical Information for your White House Visit

Megan

(b)(5)

Let me know - thanks

Sent from my iPhone

On May 1, 2020, at 2:33 PM, Walker, Janice D - Washington, DC [redacted] wrote:

Likely to be on C-Span as well. Thanks.

From: Walker, Janice D - Washington, DC
Sent: Friday, May 1, 2020 1:05 PM
To: Stroman, Ronald A - Washington, DC [redacted] Williams Jr, David E (COO) -

AMERICAN OVERSIGHT

Washington, DC [redacted]>; Seaver, Kristin A - Washington, DC <(b)(6) [redacted]; Curtis, Angela H - Eastern Area, PA <[redacted]>
Cc: Latham, Sandra R - Washington, DC <[redacted]>; Adams, Jeffery A - Washington, DC <[redacted](b)(6)[redacted]>; Partenheimer, David A - Washington, DC [redacted]>; Marshall, Thomas J - Washington, DC (b)(6) [redacted]>; Stavely, Rhonda J - Washington, DC <[redacted]>; Weiser, Julie H - Denver, CO <[redacted]>; Sucich, Nicholas J - Washington, DC <[redacted]>
Subject: RE: Logistical Information for your White House Visit

The ceremony is now scheduled for 4:15 pm today and will be carried on Fox News and Facebook Live. (b)(5)

From: Walker, Janice D - Washington, DC
Sent: Thursday, April 30, 2020 4:18 PM
To: Stroman, Ronald A - Washington, DC [redacted]; Williams Jr, David E (COO) - Washington, DC (b)(6) [redacted]; Seaver, Kristin A - Washington, DC [redacted]>; Curtis, Angela H - Eastern Area, PA [redacted]
Cc: Latham, Sandra R - Washington, DC <[redacted](b)(6)[redacted]>; Adams, Jeffery A - Washington, DC <[redacted]>; Partenheimer, David A - Washington, DC [redacted](b)(6)[redacted]>; Marshall, Thomas J - Washington, DC [redacted]>
Subject: RE: Logistical Information for your White House Visit

(b)(5)

Thanks.

From: Walker, Janice D - Washington, DC
Sent: Thursday, April 30, 2020 2:18 PM
To: Stroman, Ronald A - Washington, DC [redacted]; Williams Jr, David E (COO) - Washington, DC (b)(6) [redacted]; Seaver, Kristin A - Washington, DC <[redacted]; Curtis, Angela H - Eastern Area, PA [redacted]
Cc: Latham, Sandra R - Washington, DC [redacted](b)(6)[redacted]; Adams, Jeffery A - Washington, DC <[redacted]; Partenheimer, David A - Washington, DC [redacted](b)(6)[redacted]>; Marshall, Thomas J - Washington, DC [redacted]>
Subject: RE: Logistical Information for your White House Visit

All,

AMERICAN OVERSIGHT

(b)(5)

Please let us know if you need anything else.

Thank you.

Janice

From: Walker, Janice D - Washington, DC
Sent: Thursday, April 30, 2020 1:22 PM
To: Stroman, Ronald A - Washington, DC [redacted]; Williams Jr, David E (COO) - Washington, DC <(b)(6) [redacted]>; Seaver, Kristin A - Washington, DC [redacted]>; Curtis, Angela H - Eastern Area, PA <[redacted]>
Cc: Latham, Sandra R - Washington, DC <[redacted] (b)(6) [redacted]>
Subject: FW: Logistical Information for your White House Visit

FYI below. (b)(5)

Thanks.

From: Veletsis, Alexandra E. EOP/WHO [mailto:[redacted] (b)(6) [redacted]
Sent: Thursday, April 30, 2020 1:19 PM
To: Walker, Janice D - Washington, DC <[redacted] (b)(6) [redacted]>; Partenheimer, David A - Washington, DC <[redacted] (b)(6) [redacted]>
Subject: [EXTERNAL] RE: Logistical Information for your White House Visit

AMERICAN OVERSIGHT

CAUTION: This email originated from outside USPS. **STOP and CONSIDER** before responding, clicking on links, or opening attachments.

Thank you Janice,

(b)(5)

Feel free to give me a call with any questions. (b)(6)

Thank you!

Alexandra

From: Walker, Janice D - Washington, DC <(b)(6)
Sent: Thursday, April 30, 2020 1:11 PM
To: Partenheimer, David A - Washington, DC (b)(6) >; Veletsis, Alexandra E. EOP/WHO >
Subject: RE: Logistical Information for your White House Visit

Hi Alexandra,

(b)(5)

.

Thank you!

Janice

From: Partenheimer, David A - Washington, DC
Sent: Wednesday, April 29, 2020 10:25 PM
To: Walker, Janice D - Washington, DC <(b)(6)
Veletsis, Alexandra E. EOP/WHO <
Subject: RE: Logistical Information for your White House Visit

(b)(5)

Best,
Dave

AMERICAN OVERSIGHT

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 29, 2020 9:23 PM
To: Veletsis, Alexandra E. EOP/W (b)(6)
(b)(6)
Cc: Partenheimer, David A - Washington, DC
(b)(6)
Subject: RE: Logistical Information for your White House Visit

Alexandra,

(b)(5)

Thank you again!

Janice

From: Veletsis, Alexandra E. EOP/WHO
[mailto: (b)(6)
Sent: Wednesday, April 29, 2020 9:03 PM
To: Walker, Janice D - Washington, DC (b)(6)
Subject: [EXTERNAL] Logistical Information for your White House Visit
Importance: High

CAUTION: This email originated from outside USPS. **STOP and CONSIDER** before responding, clicking on links, or opening attachments.

Good evening Janice

(b)(5)

(b)(5)

(b)(5)

AMERICAN OVERSIGHT

Again, thank you for all that USPS is doing and we are looking forward to welcoming you to the White House!

Best Regards,

Alexandra Veletsis
Director of Operations
Office of Public Liaison, The White House
(b)(6) [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Friday, May 1, 2020 2:10 PM
To: Marshall, Thomas J - Washington, DC; Stroman, Ronald A - Washington, DC
Subject: Fwd: [EXTERNAL] A Message for the United States Postal Service

Thank you.

Megan

Begin forwarded message:

From: (b)(6) [redacted](b)(6) m>
Date: May 1, 2020 at 1:46:56 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]>
Subject: [EXTERNAL] A Message for the United States Postal Service

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Hello.

This is the message for the United States Postal Service, including postmaster general Megan J. Brennan. This is to inform you that you guys are in great danger because President Donald Trump and the White House is threatening to destroy the United States Postal Service before the month of June this year. If President Donald Trump destroys the United States Postal Service before June comes, there will be no more mail deliveries anywhere in the United States of America in the future; all of the Americans will never pay bills, pay rents, or anything at all; all of the Americans will become homeless and die from hunger; and the United States of America will be no more forever. In order to save the United States Postal Service, you guys must fight back and you must fight back now because you guys must stand for yourselves and you must stand up to President Donald Trump and the rest of the White House in order to fight President Donald Trump and the rest of the White House. I wish I had money to help and support you guys, but I do not have any money at all; I do not even have a credit card. So, I hope you guys become strong, fight back, fight President Donald Trump, fight the White House, and save the United States Postal Service before June comes. Stay safe, stay strong and have a good day!

Sincerely,

(b)(6)

[redacted](b)(6)[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Friday, May 1, 2020 12:55 PM
To: Marshall, Thomas J - Washington, DC
Subject: Fwd: [EXTERNAL] : Amazon CEO Jeff Bezos Called to Testify Before Congress

Thank you.

Megan

Begin forwarded message:

From: Rick Hohlt [redacted](b)(6)[redacted]>
Date: May 1, 2020 at 10:56:53 AM EDT
To: Barger/NorthernCrossPartners <[redacted](b)(6)[redacted], "Brennan, Megan J - Washington, DC"
[redacted]
Subject: [EXTERNAL] : Amazon CEO Jeff Bezos Called to Testify Before Congress

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

[redacted](b)(6)[redacted]

Amazon CEO Jeff Bezos Called to Testify Before Congress Lawmakers want to know if the retailing giant used data about independent sellers on its platform to develop competing products
By: Dana Mattioli and Ryan Tracy
5/1/2020
Wall Street Journal

Lawmakers on the House Judiciary Committee called on Amazon.com Inc. AMZN -6.59% Chairman and CEO Jeff Bezos to testify on its private-label practices, citing a Wall Street Journal investigation that found Amazon AMZN -6.59% employees used data about independent sellers on its platform to develop competing products.

The House panel has been investigating the market power of Amazon and other giant large technology firms.

“On April 23, the Wall Street Journal reported that Amazon employees used sensitive business information from third-party sellers on its platform to develop competing products,” lawmakers from both parties said in a letter to Mr. Bezos on Friday. “The report was based on interviews with over 20 former or current Amazon employees and the company’s internal documents.”

“If these allegations are true, then Amazon exploited its role as the largest online marketplace in the U.S. to appropriate the sensitive commercial data of individual marketplace sellers and then used that data to compete directly with those sellers,” the letter said.

AMERICAN OVERSIGHT

Testimony by Mr. Bezos would give lawmakers a public forum to interrogate him on the private-label practices as well as other subjects. Bipartisan concerns about the company stretch across a range of issues, from its market power and its impact on small businesses to the safety of its workers and sales of counterfeit products on its platforms.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Friday, May 1, 2020 11:56 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] ISC Chicago (USPS)

Thanks,

Megan

Begin forwarded message:

From: (b)(6) [redacted](b)(6)[redacted]>
Date: May 1, 2020 at 11:45:41 AM EDT
To: "Brennan, Megan J - Washington, DC" [redacted](b)(6)[redacted]
Subject: [EXTERNAL] (b)(5), (b) (USPS)

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

The USPS is one of the most important agencies we have, and it is under attack by those trying to privatize, eliminate mail in voting, and disband the investigative arm. Not to mention eliminate jobs with good pay and benefits in order to allow some other business to make more money.

You have a lot of support, but there are parts of the USPS that are forward facing and giving you folks a bad name.

One of the worst is (b)(5), (b) - this location has been an issue for years, and has been publicly investigated, but consistently remains an issue.
[redacted](b)(5)[redacted]

I know, when you do everything correctly, no one notices - but this location is either very understaffed or very poorly managed, and it might help to see USPS publicly addressing the problems at this facility.

Just an idea...

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Thursday, April 30, 2020 9:05 PM
To: Williams Jr, David E (COO) - Washington, DC; Graves, Greg G - Denver, CO
Cc: Stroman, Ronald A - Washington, DC; Seaver, Kristin A - Washington, DC; Marshall, Thomas J - Washington, DC; Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] A MAILCARRIER'S URGENT RECOMMENDATION

[redacted] (b)(5) [redacted]

Dave & Greg,

(b)(5)

. [redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

Sandy,

[redacted] (b)(6) [redacted]

Thank you.

Megan

Begin forwarded message:

> **From:** CenturyLink Customer <[redacted] (b)(6) [redacted]
> **Date:** April 30, 2020 at 8:17:38 PM EDT
> **To:** "Brennan, Megan J - Washington, DC" [redacted] (b)(6) [redacted]
> **Subject: [EXTERNAL] A MAILCARRIER'S URGENT RECOMMENDATION**
>
> **CAUTION**: This email originated from outside USPS. **STOP and CONSIDER** before responding, clicking on links, or opening attachments.
>
> Postmaster General Megan Brennan,
>
> I am a city carrier in a small town in (b)(6) and I am concerned about the political climate that the USPS finds itself currently in, but I am even more alarmed at the potential lightning rod that the Post Office might become if mail-in ballots during the presidential election become even more politicized then they are now. As such, I would humbly like to make a recommendation that we might employ in order to mitigate some of this potential controversy and preserve the USPS's trustworthy identity across the nation.

AMERICAN OVERSIGHT

Given the current political climate of polarization in our nation, it is almost a certainty that a close presidential election will find any mail-in ballots in dispute, particularly in light of events in (b (b)(6) concerning the mail-in ballots and the acrimonious statements made by the administration about the potential for mail-in ballot fraud and about the USPS, in general. In order that the USPS does not find itself at the center of additional political controversy, I believe it is imperative that THE BAR CODES ON EVERY MAIL-IN BALLOT NATIONWIDE DURING THE 2020 PRESIDENTIAL ELECTION BE SCANNED AT EVERY POINT ALONG ITS DELIVERY AND RETURN, such that every ballots whereabouts and history are recorded at all times. Additionally, I believe some sort of national pre-test be conducted prior to the election to identify any problems associated with such a tracking enterprise and USPS employees are given clear instructions as to the handling of mail-in ballots.

I recognize that this is an inconvenience and will incur some additional costs at a time when our operating expenses and our business model are under some scrutiny. However, preemptively demonstrating the USPS's commitment to transparency and political neutrality will help to avoid any charges of political bias and show the American public and the politicians who campaign through the USPS that we are committed to the quick, reliable and non-partisan delivery of the mail.

I hope you take these suggestions into consideration. Should you have any questions or concerns, feel free to have someone contact me.

Sincerely yours,

(b)(6)
Mail Carrier
[redacted]
(b)(6)

AMERICAN OVERSIGHT

Postmaster General Megan Brennan,

I am a city carrier in a small town in (b)(6) and I am concerned about the political climate that the USPS finds itself currently in, but I am even more alarmed at the potential lightning rod that the Post Office might become if mail-in ballots during the presidential election become even more politicized then they are now. As such, I would humbly like to make a recommendation that we might employ in order to mitigate some of this potential controversy and preserve the USPS's trustworthy identity across the nation.

Given the current political climate of polarization in our nation, it is almost a certainty that a close presidential election will find any mail-in ballots in dispute, particularly in light of events in (b)(6) concerning the mail-in ballots and the acrimonious statements made by the administration about the potential for mail-in ballot fraud and about the USPS, in general. In order that the USPS does not find itself at the center of additional political controversy, I believe it is imperative that THE BAR CODES ON EVERY MAIL-IN BALLOT NATIONWIDE DURING THE 2020 PRESIDENTIAL ELECTION BE SCANNED AT EVERY POINT ALONG ITS DELIVERY AND RETURN, such that every ballots whereabouts and history are recorded at all times. Additionally, I believe some sort of national pre-test be conducted prior to the election to identify any problems associated with such a tracking enterprise and USPS employees are given clear instructions as to the handling of mail-in ballots.

I recognize that this is an inconvenience and will incur some additional costs at a time when our operating expenses and our business model are under some scrutiny. However, preemptively demonstrating the USPS's commitment to transparency and political neutrality will help to avoid any charges of political bias and show the American public and the politicians who campaign through the USPS that we are committed to the quick, reliable and non-partisan delivery of the mail.

I hope you take these suggestions into consideration. Should you have any questions or concerns, feel free to have someone contact me.

Sincerely yours,

(b)(6)

Mail Carrier

(b)(6)

(b)(6)

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Thursday, April 30, 2020 7:14 PM
To: Stroman, Ronald A - Washington, DC
Subject: Fwd: [EXTERNAL] Time-sensitive request from PBS Frontline
Attachments: image001.png

Thank you.

Megan

Begin forwarded message:

From: Marcia Robiou <[redacted](b)(6)[redacted]>
Date: April 30, 2020 at 2:14:30 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]>
Cc: "Johnson, Martha S - Washington, DC" <[redacted]>
Subject: [EXTERNAL] Time-sensitive request from PBS Frontline

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Hello,

I hope you are both doing well.

I am reaching out because I am working on an hourlong program on how COVID19 will impact the administration of elections. The film will air later this fall.

As part of the program, I am taking a closer look at the USPS since it will be a key player in the successful rollout of a vote-by-mail expansion. I would like to better understand the challenges USPS faces and what the strategies are looking forward. Would you be available for a quick call in the next few days? It can be on background or off the record. Thank you for your time.

Looking forward,

Marcia

--
[signature_1655859753] | Marcia Robiou | Associate Producer | [redacted](b)(6)[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Thursday, April 30, 2020 9:31 AM
To: Elston, Michael J - Washington, DC
Subject: FW: (b)(5) comments
[redacted] (b)(5) [redacted]

Mike,

Here's the transcript.

Thank you.

Megan

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 29, 2020 7:31 PM
To: _Executive Leadership Team
[redacted]
Cc: Adams, Jeffery A - Washington, DC [redacted] (b)(6) [redacted]>>; Partenheimer, David A - Washington, DC <[redacted]>>; Sucich, Nicholas J - Washington, DC <[redacted]>
Subject: (b)(5) comments

Trump Says Internet Retailers That Use 'Laughing Stock' Post Office Must Pay More By Reuters April 29, 2020Updated 7:07 p.m. ET WASHINGTON - President Donald Trump lambasted internet retailers again on Wednesday for taking advantage of the U.S. Postal Service and said those firms needed to pay more for package delivery.
"We want our post office to be successful. We don't want it to be a laughing stock and a stupidly run organization the way it's been for so many decades now. It's ridiculous," Trump said during an event at the White House.
"We want to stabilize the post office, and the way you do that is these companies are going to have to pay more," Trump said of internet retailers. "The companies are going to have to pay a percentage of that ... loss."
Trump threatened last week to block federal aid for the Postal Service unless it raises shipping rates for online companies like Amazon.com Inc, prompting criticism that the move would hurt consumers relying more than usual on packages during the coronavirus outbreak.
The Postal Service, which employs more than 600,000 people, has said that it may not be able to continue service past September without help, as the pandemic batters the U.S. economy.
Trump has long been critical of Amazon in particular. He did not mention the company by name on Wednesday, but his pique with the online retailer was clear.
"We're making a lot of people rich and a lot of companies rich by subsidizing these companies. On top of that, they don't pay the same taxes as a retail store. It's very unfair to the retailers," Trump said.
Amazon founder and Chief Executive Jeff Bezos is the richest man in the world, according to Forbes. Bezos owns the Washington Post newspaper, whose coverage of the Trump administration has angered the president.
The Package Coalition, whose members include Amazon, eBay Inc and others, has said that raising prices to deliver packages would mean Americans would pay higher prices.
The president, a Republican who is running for re-election in November, made clear he wanted to protect postal workers "We want to take care of our taxpayers and we want to take care of, very, very importantly, the people that work at the post office."
(Reporting by Jeff Mason; Editing by Peter Cooney) There was a live roundtable<https://twitter.com/WhiteHouse/status/1255592338908344320>:

AMERICAN OVERSIGHT

[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Sunday, April 26, 2020 7:03 PM
To: Robert Duncan; John Barger; Ron Bloom; Roman Martinez IV; David Williams
Cc: Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC; Elston, Michael J - Washington, DC
Subject: Draft WSJ Op-Ed from the PMG

[redacted] (b)(5) [redacted]

Good evening Governors,

[redacted] (b)(5) [redacted]

Thank you
Megan

AMERICAN OVERSIGHT

Over the past month, the men and women of the United States Postal Service have done a heroic job under the most trying of circumstances. Unfortunately, during this same period, they have watched their organization become the centerpiece of a growing partisan battle between policymakers. While a public debate over the needs and role of the Postal Service can certainly be helpful, it is essential that this conversation happen in a spirit of non-partisanship and cooperation.

The Postal Service has always served a non-partisan mission. During my thirty-four year career with the United States Postal Service, the last five as the Postmaster General, it has been my distinct honor to work for an organization that is fully committed to serving all Americans. To achieve that mission, it has been vitally important for there to be no political bias or partiality on the part of the Postal Service.

The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

The Postal Service is proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages. This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities. In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service. This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

However, as we continue to perform our vital mission, the Postal Service remains saddled with long-standing financial challenges stemming from a broken business model that is imposed upon us by law. We have legally mandated unaffordable costs that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing.

AMERICAN OVERSIGHT

Now, our fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

Stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While different stakeholders will have different ideas about how best to accomplish our shared goal, and reasonable minds may differ, these differing views should not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

AMERICAN OVERSIGHT

From: Stavely, Rhonda J - Washington, DC on behalf of Brennan, Megan J - Washington, DC
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] How to save the post office
Date: Thursday, April 30, 2020 7:40:19 AM

Rhonda J. Stavely
Executive Administrator to the Postmaster General
(b)(6)

From: (b)(6) [(b)(6)]
Sent: Wednesday, April 29, 2020 9:26 PM
To: Brennan, Megan J - Washington, DC <(b)(6)>
Subject: [EXTERNAL] How to save the post office

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Hi,

I am just a citizen with an idea...but if you already have the delivery infrastructure...

Everyone hates (and loves) Amazon. It's a monopoly. What if USPS created an online marketplace similar to Amazon? It would make billions and you could charge a lot less that what Amazon takes as its platform fees. You could scale it over time.

Just a thought because everyone loves USPS and not everyone loves Donald Trump.

Kind regards,

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Wednesday, April 29, 2020 5:54 PM
To: [redacted] (b)(6) [redacted]
Subject: Follow Up

(b)(6) ,

[redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Wednesday, April 29, 2020 5:15 PM
To: Stroman, Ronald A - Washington, DC
Subject: WH Recognition

Ron,

I'll ask you to speak to the invite tomorrow at our briefing please.

Who was the WH contact and what office please?

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted]> on behalf of Brennan, Megan J - Washington, DC <[redacted]>
Sent: Wednesday, April 29, 2020 2:15 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] FW: (b)(6) USPS
Attachments: 4-22-20 email from amazon.pdf; 4-29-20 email from Amazon.pdf; amazon items that we had to pick up from post office - proof post office never tried to deliver.pdf; amazon items that post office left in mail box.pdf; amazon items that post office left in mail box on 4-22-20.pdf; delivery attempt notice 4-22-20.pdf; Numerous Complaints against USPS Coldwater MS.pdf

Importance: High

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted](b)(6)

From: (b)(6) mailto[redacted](b)(6)[redacted]]
Sent: Wednesday, April 29, 2020 2:12 PM
To: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Cc: [redacted](b)(6)[redacted]
Subject: [EXTERNAL] FW: (b)(6) MS USPS
Importance: High

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Ms. Brennan,

I have gone through all the proper channels to file a complaint with my local post office and to date nothing has been done. I have been living at my current address for 18 months now and I have had nothing but problems with our postal lady delivering certified letters or packages from Amazon, where she has to get out of the car. There was an incident about 2 months ago where my husband was home sick and our postal lady (b)(6) pulled up under our awing and literally blew her horn for almost 5 minutes, now keep in mind my husband was home sick. My husband went outside and asked our postal lady what her problem was and who on earth sets outside someone's house blowing their horn for almost 5 minutes. The postal lady got an attitude with my husband saying she had a certified letter for us and he got an attitude back and stated "instead of sitting in your car blowing the horn, to get out and knock on the door, which is your job", and she got mad.

I called my local post office that afternoon and spoke with (b)(6) supervisor) and made a complaint and (b) tried to get an attitude with me that the postal lady does not have to get out of there car and I threatened to call the headquarters and (b)(6) stated that if I contacted the headquarters she would she would put our mail on hold for us to

AMERICAN OVERSIGHT

come pick it up from the post office. So I filed a complaint with the headquarters and of course I never got a response and now it is starting all over again. I got a notice from amazon on 4/22/20 (attached) stating "Unfortunately, USPS ran into an issue when attempting your delivery. They will try again." I called my local post office and spoke with B(b)(6) regarding this notice and she informed me that (b)(6) just received the packages and brought them up to her to put in system showing delivery attempt, which delivery attempt was never made, so I left a message for (b)(6) to return my call since (b) (supervisor) is out of the office. I have been working from home and was home all day. I never received a call back from (b)(6) so once I checked my mail and found the delivery attempt notice (attached) along with another package from amazon in my mailbox (copy attached) I called (b)(6) and spoke with her regarding this matter and she was going to look into it and I also informed her about all the complaints on line about postal lady doing the same things "not delivery items but leaving attempts in mailboxes" (attached). I also called (b) Consumer Affairs PO and spoke with (b)(6) and he was going to look into it and call me back, which he never did. Well today I get another email from Amazon (attached) stating the same thing as what occurred on 4/22/20 "Unfortunately, USPS ran into an issue when attempting your delivery. They will try again." I called my local post office and spoke with (b)(6) which informed me (b)(6) was not in so I called (b) Consumer Affairs PO and spoke with (b)(6) and informed him that my postal lady has refused to deliver another package today without even attempting to deliver and he stated that he has turned this over to my local post office and I informed him that they have not done anything.

This issue has gone unresolved long enough. My postal lady gets paid to do a job that she isn't even doing(numerous complaints attached). I seem to get all my amazon packages delivered that fit in my mailbox but not the ones that she has to get out of the car to deliver. I pay shipping cost for a reason and that isn't for me to have to go out of my way to pick packages up from post office. I pay federal, state and very high (b) County taxes and I should not even have to be taking time out of my day to send this email if my local post office or (b) Consumer Affairs PO would do their job. I am pretty sure that my complaint and the complaints I attached are not the only complaints about our postal lady that have been filed with our local post office, and they haven't done anything. I even heard bad things from our neighbors about our mail lady.

cc. (b) Attorney Generals Office and (b) County Gov.

Look forward to your response.
(b)(6)

Investigator

Baxter Bailey & Associates

p: [redacted](b)(6)[redacted]%20>
<yourname@baxter-bailey.com%20>

[redacted](b)(6)[redacted]

http://www.bbcollects.com

AMERICAN OVERSIGHT

(b)(6)

From: Amazon.com <order-update@amazon.com>
Sent: Wednesday, April 22, 2020 8:08 AM
To: [redacted]
Subject: Delivery attempted with your Amazon package.

Hi (b)(6),

Unfortunately, USPS ran into an issue when attempting your delivery. They will try again.

You can contact USPS for more information.

Track your delivery

[redacted]

This email was sent from an email address that can't receive emails.
Please don't reply to this email.

AMERICAN OVERSIGHT

(b)(6)

From: Amazon.com <order-update@amazon.com>
Sent: Wednesday, April 29, 2020 8:44 AM
To: (b)(6) [redacted]
Subject: Delivery attempted with your Amazon package.

Hi T(b)(6) ,

Unfortunately, USPS ran into an issue when attempting your delivery. They will try again.

You can contact USPS for more information.

Track your delivery

(b)(6) [redacted]

This email was sent from an email address that can't receive emails. Please don't reply to this email.

AMERICAN OVERSIGHT

Delivered April 22

Delivered
(b)(6)

(b)(6) [redacted]

see all updates

Shipped with USPS

(b)(6) [redacted]

Wednesday, April 22

1:31 PM	Delivered
9:11 AM	Available for pickup
7:26 AM	Available for pickup
7:10 AM	Out for delivery
6:17 AM	Package arrived at a carrier f
3:00 AM	Package arrived at a carrier f

Monday, April 13

9:35 PM	Package has left the carrier f
	Package has shipped

Times are shown in the local timezone.

Tracking info provided by
Aaron's Billiards and Darts

Shipped with USPS

Tracking ID:
(b)(6) [redacted]

questions about the tracking info.

Order Info

Recommendations for items from across our store

AMERICAN OVERSIGHT

Delivered April 22

Delivered
(b)(6)

(b)(6) [redacted]

See all updates

Shipped with USPS

(b)(6) [redacted]

Wednesday, April 22

1:31 PM	Delivered *Coldwater, MS*
9:11 AM	Available for pickup *Coldwater, MS*
8:29 AM	Package arrived at a carrier f *Coldwater, MS*
7:17 AM	Delivery attempted *Coldwater, MS*
6:14 AM	Package arrived at a carrier f *Coldwater, MS*
6:08 AM	Package transferred to local *Coldwater, MS US*
3:55 AM	Package departed an Amazo *Memphis, Tennessee US*

Tuesday, April 21

8:38 PM	Package arrived at an Amazo *Memphis, Tennessee US*
	Package has shipped

Times are shown in the local timezone.

Shipped with USPS

Tracking ID:
(b)(6) [redacted]

Order Info

View order details

Recommendations for items from across our store

AMERICAN OVERSIGHT

All EN Hello, Tonya Account & Lists Returns & Orders Prime 0 Cart
Deliver to Tonya Coldwater 38618 Prime Video Tonya's Amazon.com Help Best Sellers Browsing History 3 months free Amazon Music

Delivered April 16

Package was left inside the residence's mailbox

Delivered
(b)(6)
[redacted]
See all updates

Shipped with USPS
Tracking ID:
[redacted]

Order Info
View order details

Recommended for you in Prime Reading

AMERICAN OVERSIGHT

Delivered April 16

Package was left inside the residence's mailbox

Delivered
(b)(6)
[redacted]
(b)(6)

See all updates

Shipped with USPS

Tracking ID:
(b)(6) [redacted]

Order Info

View order details

Kindle book deals for you

AMERICAN OVERSIGHT

Delivered April 22

Delivered
(b)(6)
(b)(6)
See all updates

Tracking info provided by Bangnini-US

Shipped with SFExpress
(b)(6)
You can also contact the seller with questions about the tracking info.

Order info

View order details

Shipped with SFExpress

(b)(6)

Wednesday, April 22	
11:00 AM	Delivered
Tuesday, April 21	
12:28 PM	Package arrived at destinatio
Friday, April 17	
8:10 PM	Package has left the carrier f.
6:28 PM	Package has left the carrier f.
Thursday, April 16	
3:28 AM	Package has left the carrier f.
Monday, April 13	
10:33 PM	Package has left the carrier f.
Tuesday, April 7	
	Package has shipped

Times are shown in the local timezone.

Recommendations for items from across our store

AMERICAN OVERSIGHT

Download Informed Delivery® APP
to manage your redeliveries

Sorry we missed you while you were out.

Date: 4-22-20

The item was sent by: _____

It was sent to: Kraft

At this address: (b)(6) [redacted]

About the missed delivery:

It was a:

✓ Package _____ Letter _____ Large envelope

Available for pickup after:

Date: 4-22-20

This is the:

☐ First attempt ☐ Final notice

To Schedule a Redelivery:

(b)(6) [redacted]

We have item/s for you which we could not deliver because:

☐ It requires a payment of $_____ for:
_____ Postage due _____ Customs

☐ Receptacle full/item oversized
☐ No secure location available
☐ No authorized recipient available
☐ Signature required
___ must be 18+ years old ___ must be 21+ years old

☐ Other: _____

Please see reverse for redelivery or pickup options.

PS Form 3849, October 2019

AMERICAN OVERSIGHT

← United States Postal Service reviews

able too!!!

KJ Isbell
1 review

★☆☆☆☆ 2 years ago

When I setup my mailbox I followed the guidelines via usps website. I spread a gravel drive for mailman to drive on and boarded it with bricks. I used the dimensions of my 3/4 ton diesel truck to figure out how long and wide to make the small driveway. My mailman insists on driving over the edge of the gravel/bricks and rutting up my yard. I've personally called the post master three times, along with my wife who has called another theee times to complain and figure out what we could do on our part to resolve this problem. The post master has done absolutely nothing. She insisted on meeting us at our home to find a solution, and she never came. Our mailman has even gone as far as to put our mail on hold for a week without our permission. It was very inconvenient for us.

I am all about safety, and I understand that turning back onto highway is very dangerous, but the next mailbox is a mile away. Our mailbox is located at the top of a hill with clear view of traffic coming from both ways.

AMERICAN OVERSIGHT

← United States Postal Service reviews

with clear view of traffic coming from both ways.

Jackie Roberson
2 reviews

★★★★★ 2 years ago
I have heard stories about problems with the Tate County mail delivery, but our Mail Lady is wonderful. We live in Arkabutla-she always comes to the door with packages and she is always friendly. Thank you to our Mail Lady!!

osha bulger
Local Guide · 59 reviews · 7 photos

★☆☆☆☆ 2 years ago
I live in desoto/tate county. We never get the correct mail & they never even stop to pick up our mail when we raise the flag on the mailbox. They leave the door open so that traffic can take it off.

Maggie Hanford
10 reviews

★☆☆☆☆ 3 years ago
Expecting an item from overseas, got a note in my

AMERICAN OVERSIGHT

United States Postal Service reviews

★☆☆☆☆ 2 years ago

I live in desoto/tate county. We never get the correct mail & they never even stop to pick up our mail when we raise the flag on the mailbox. They leave the door open so that traffic can take it off.

Maggie Hanford
10 reviews

★☆☆☆☆ 3 years ago

Expecting an item from overseas, got a note in my mailbox saying "sorry we missed you" .....???!!?? I was home all morning! No one even came to my door with my package... So I sent my husband to this post office because that's where the note said my package was. No package there and the man in line in front of my husband said he was experiencing the same problem. Your mail carrier needs to get their stuff together and do their job. This is sheer laziness. If they had time to fill out a card with all of our information on it, then they had the time to come to my door, knock, and accept a signature!

Jeremi Pendleton
3 reviews

★☆☆☆☆ 3 years ago

AMERICAN OVERSIGHT

← United States Postal Service reviews

signature!

Jeremi Pendleton
3 reviews

★☆☆☆☆ 3 years ago
I got a notification that my package was undeliverable on my phone and I was here all morning. So I checked my mailbox for the little card that they fill out and it was empty. My wife checked it again when she got in from work from force of habit and brought in mail. They didn't even TRY to deliver my package!!!!

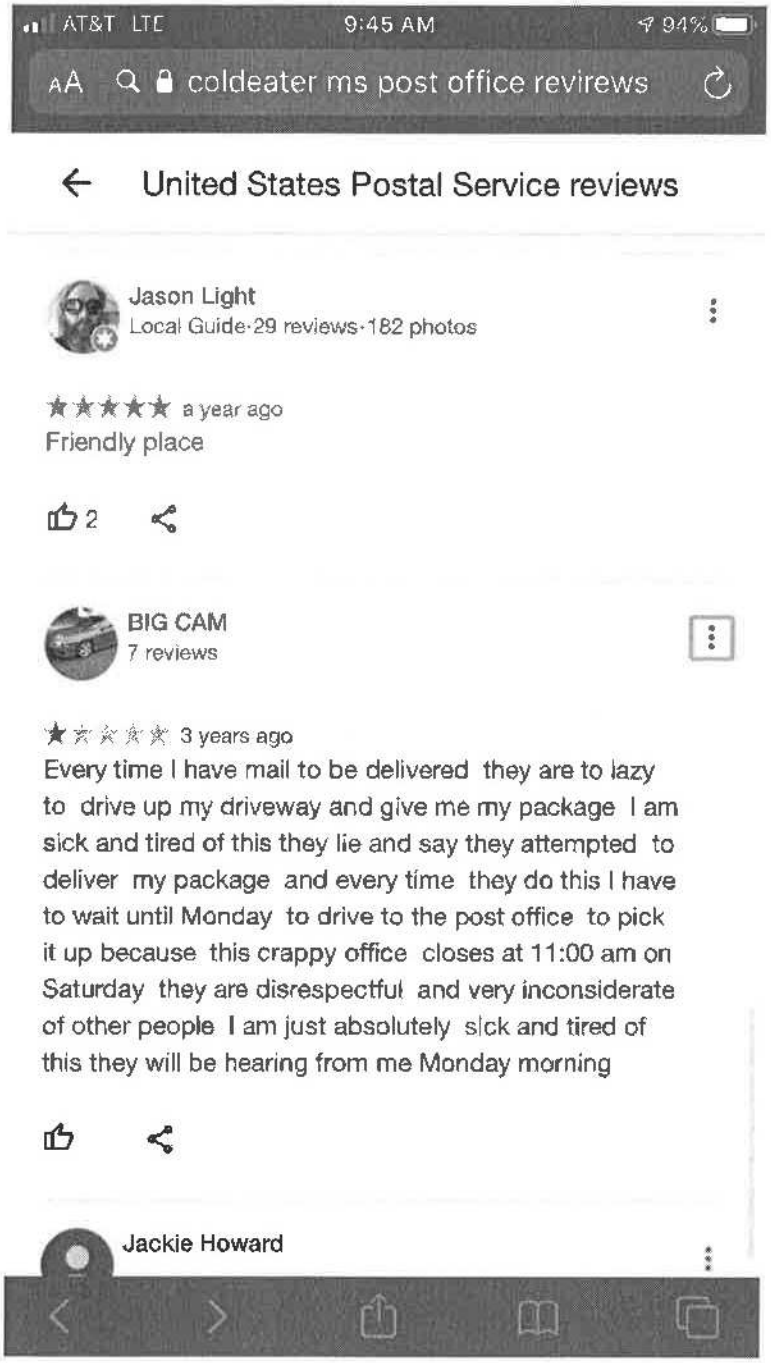
Rachel Kirkland
1 review

★☆☆☆☆ 3 years ago
I sent a care package to my dad who is on chemo and the postman delivered the package but it was SOAKED IN GASOLINE!!! Everything in the package reeked of gasoline and they had to throw most of the contents out. Totally heartbreaking!!!

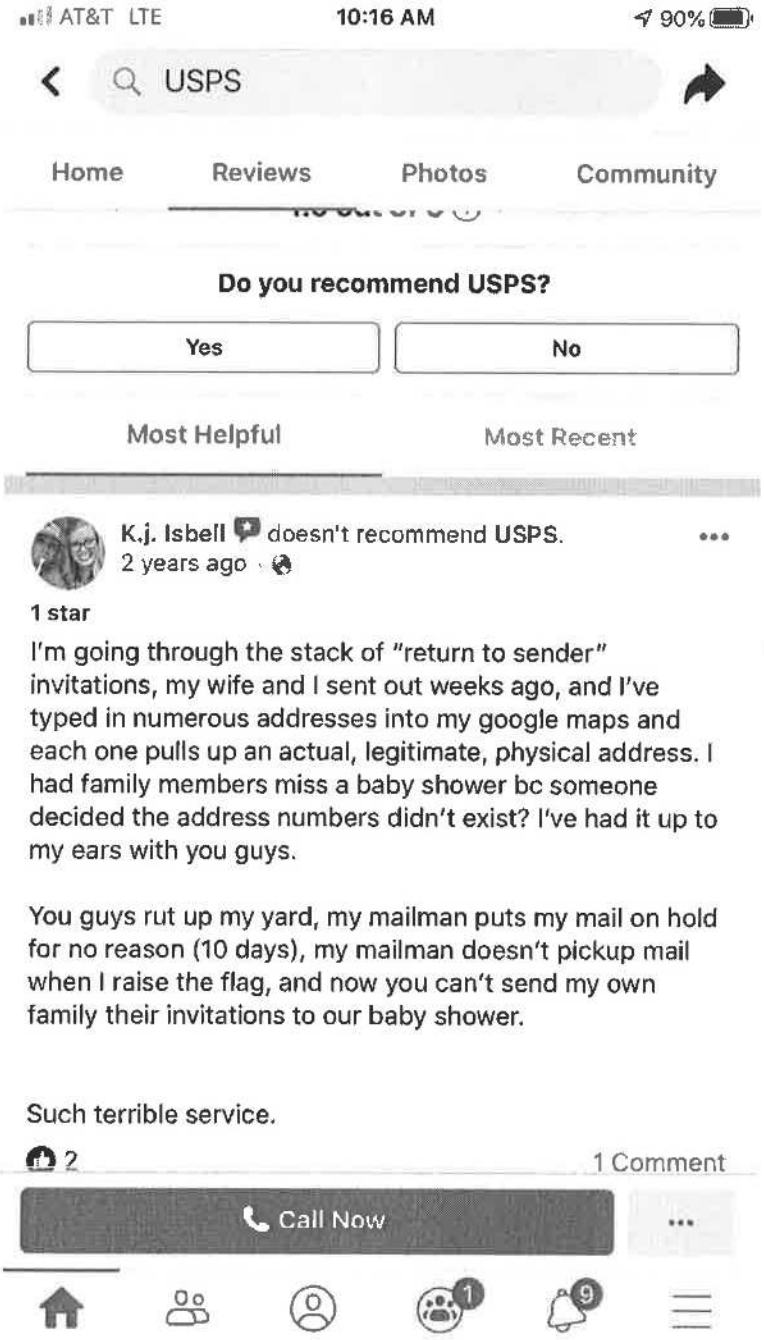
1

Jason Light
Local Guide·29 reviews·182 photos

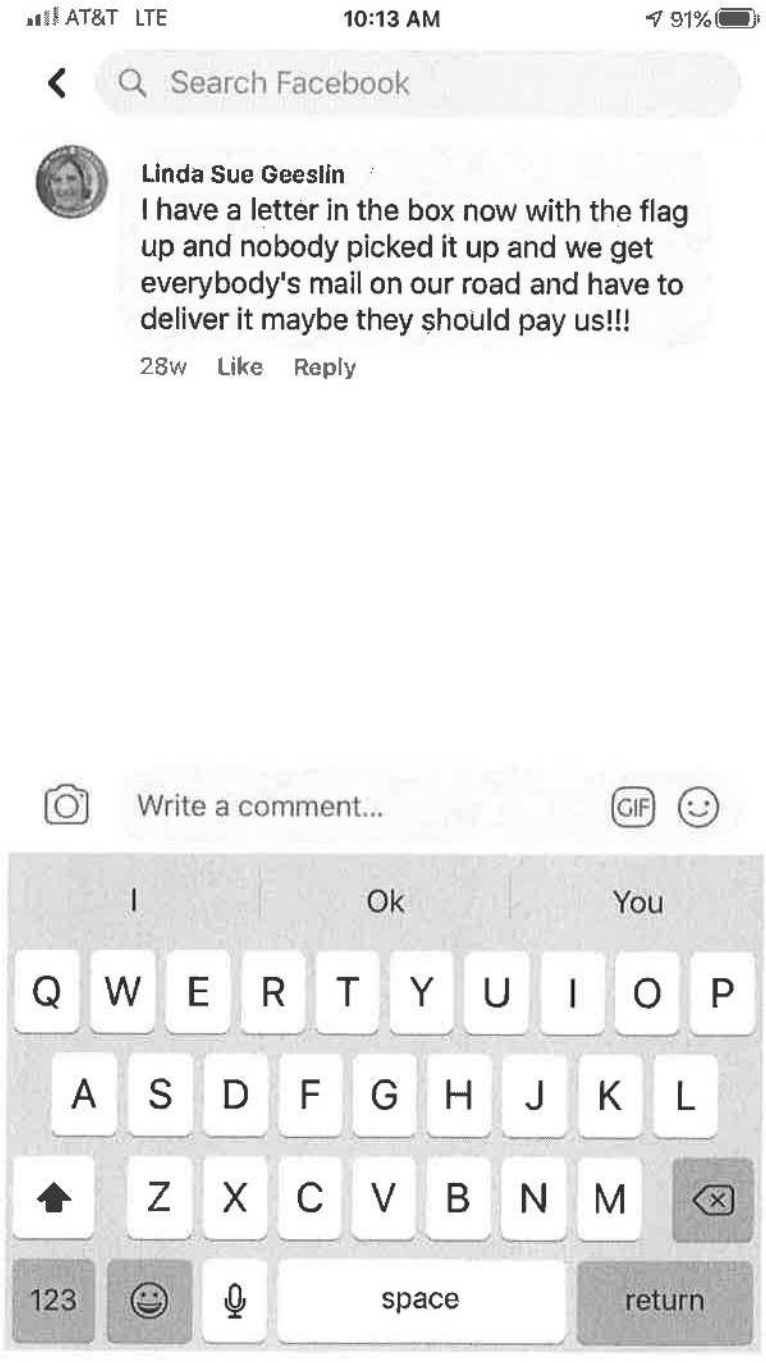
AMERICAN OVERSIGHT



AMERICAN OVERSIGHT



AMERICAN OVERSIGHT



AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Tuesday, April 28, 2020 3:38 PM (b)(6)
To: Marshall, Thomas J - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Subject: FW: Letter of Support from New York Delegation
Attachments: NY Delegation Letter on Postal Service FINAL.pdf

Thank you.

Megan

From: Stroman, Ronald A - Washington, DC
Sent: Tuesday, April 28, 2020 2:54 PM
To: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]; Elston, Michael J - Washington, DC [redacted] (b)(6)
Subject: Letter of Support from New York Delegation

Megan,

(b)(5)

Thanks
Ron

AMERICAN OVERSIGHT

Congress of the United States
Washington, DC 20515

April 28, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
U.S. Capitol H-232
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
U.S. Capitol S-230
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
U.S. Capitol H-204
Washington, DC 20515

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
U.S. Capitol S-221
Washington, DC 20515

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

The coronavirus crisis is wreaking havoc on the U.S. Postal Service. Without immediate help, the Postal Service — a vital staple of American society since 1775 — could cease to function by this summer. This crisis is also affecting the State of New York more than any other. There were 287 confirmed cases of coronavirus and 14 deaths among postal workers in New York as of April 20, 2020.[1]

As a direct result of the coronavirus crisis, first class and business mail volume across the country has dropped at an alarming rate. Mail volume is down by more than 30% from the same period last year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus crisis would be $54 billion.[2]

This is a national emergency. The American people rely on the Postal Service to deliver crucial goods and services every day, including more than a billion life-saving medications last year alone, millions of economic stimulus checks and unemployment benefits to help during this crisis, and 2020 Census forms for every household in America.

In New York, the Postal Service delivers to 7.7 million addresses and has more than 1,800 Post Offices. In our state, the Postal Service employed 44,675 people and paid close to $3

[1] Email from the Office of Congressional and Intergovernmental Affairs, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 20, 2020).

[2] Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

AMERICAN OVERSIGHT

billion in wages in 2018.[3] New York also will rely heavily on the Postal Service to conduct its primary on June 23, 2020, during which no-excuse absentee ballots will be accepted.[4]

The Postal Service is a fundamental component of America's economic infrastructure, providing affordable, universal delivery of mail and e-commerce packages to more than 160 million households and businesses. The Postal Service propels a $1.6 trillion mailing industry that employs 7.3 million people. It does all of this while operating as a business and receiving next to nothing in taxpayer dollars.[5]

Both Democrats and Republicans supported large infusions of liquidity for other industries and companies that are critical to our nation's economy, and we must do the same now to save the Postal Service.

The Postal Board of Governors has asked for a package that includes $25 billion in emergency appropriations to offset coronavirus-related losses, $25 billion for "shovel-ready" projects to modernize the Postal Service, and access to $25 billion in unrestricted borrowing authority from the Treasury.[6]

To be clear, these requests were put forth unanimously by a Board of Governors with a Republican majority—all of whom were appointed by President Trump.

The Postal Service is an indispensable component of America's critical infrastructure, and its workers are on the frontlines every single day delivering information and packages to the American people. We strongly support emergency funding for the Postal Service and urge you to do the same.

Sincerely,

Carolyn B. Maloney

Peter T. King

[3] U.S. Postal Service, *The United States Postal Service Economic Impact: The State of New York* (July 2019).

[4] New York Governor Andrew Cuomo, *Executive Order No. 202.15: Continuing Temporary Suspension and Modification of Laws Relating to the Disaster Emergency* (Apr. 9. 2020) (online at: www.governor.ny.gov/news/no-20215-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency).

[5] U.S. Postal Service, *Sizing It Up* (online at https://facts.usps.com/size-and-scope).

[6] Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

AMERICAN OVERSIGHT

Anthony Brindisi

Yvette D. Clarke M.C.

Antonio Delgado

Eliot L. Engel

Adriano Espaillat

Brian Higgins

Hakeem Jeffries

John Katko

Sean Patrick Maloney

Gregory W. Meeks

Grace Meng

Joseph D. Morelle

Jerrold Nadler

Alexandria Ocasio-Cortez

Kathleen M. Rice

Max Rose

José E. Serrano

Thomas R. Suozzi

AMERICAN OVERSIGHT

Elise M. Stefanik

Paul D. Tonko

Nydia M. Velázquez

cc: The Honorable Nita Lowey, Chairwoman of the House Committee on Appropriations;
The Honorable Kay Granger, Ranking Member of the House Committee on Appropriations

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Tuesday, April 28, 2020 7:58 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL]

Thanks,

Megan

Begin forwarded message:

From: "[redacted](b)(6)[redacted]
Date: April 28, 2020 at 7:56:09 AM EDT
To: "Brennan, Megan J - Washington, DC" [redacted](b)(6)[redacted]
Subject: [EXTERNAL]

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

E/I

Will votes to re-elect President Donald Trump be counted¿

#DrainingTheSwamp
#PostalHolocaust
CynthiaStollUSPS
#TexMortUSPSIS

https://newjerseyglobe.com/campaigns/reports-of-vbm/This picture message or video message was sent using Multimedia Messaging Service.

To play video messages sent to email, Apple QuickTime 6.5 or higher is required. Visit www.apple.com/quicktime/download to download the free player or upgrade your existing QuickTime Player. Note: During the download process when asked to choose an installation type (Minimum, Recommended or Custom), select Minimum for faster download.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Monday, April 27, 2020 5:31 PM
To: Elston, Michael J - Washington, DC; Marshall, Thomas J - Washington, DC
Subject: FW: Board notification
Attachments: [redacted](b)(5)[redacted]

Tom & Mike,

Per my comments [redacted](b)(5)[redacted].

Please advise if you think differently.

Thank you.

Megan

From: Krage Strako, Jakki - Washington, DC
Sent: Monday, April 27, 2020 12:27 PM
To: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Cc: Corbett, Joseph - Washington, DC <[redacted](b)(6)[redacted]>; Grossmann, Luke T - Washington, DC [redacted](b)(6)[redacted]>; Stavely, Rhonda J - Washington, DC <r[redacted](b)(6)[redacted]
Subject: Board notification

Megan
We are prepared to move two [redacted](b)(5), (b)(3), 410(c)[redacted] the normal process of Board notification this week. [redacted]

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

AMERICAN OVERSIGHT

(b)(5)

(b)(5), (b)(3), 410(c)(2)

Briefing Sheet
April 23, 2020

(b)(5)

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AMERICAN OVERSIGHT

[redacted]

[redacted]

(b)(5)

[redacted]

[redacted]

[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
		[redacted]	[redacted]
		[redacted]	[redacted]

[redacted]

(b)(5)

[redacted]

[redacted]

[redacted]

- [redacted]
- (b)(5) [redacted]
- [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Monday, April 27, 2020 8:06 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] USPS stamp cost

Thanks,

Megan

Begin forwarded message:

From: [redacted]
Date: April 25, 2020 at 1:48:18 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted]>
Subject: [EXTERNAL] USPS stamp cost
Reply-To: [redacted]

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Please raise the price of postage to large package facilities (AMAZON)

There is no reason the USPS service should be $78 BILLION in debt.

[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC (b)(6) [redacted]
Sent: Sunday, April 26, 2020 6:41 PM
To: Walker, Janice D - Washington, DC
Cc: Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC; Williams Jr, David E (COO) - Washington, DC; Seaver, Kristin A - Washington, DC
Subject: Re: People receiving stimulus checks get letter signed by President Donald Trump - CNNPolitics

These are the (b)(5) .

Thank you.

Megan

On Apr 26, 2020, at 6:31 PM, Walker, Janice D - Washington, DC (b)(6) [redacted]:

(b)(5)

https://www.cnn.com/2020/04/26/politics/stimulus-check-coronavirus-letter-donald-trump/index.html

People receiving stimulus checks get letter signed by President Donald Trump

By Joe Ruiz, Jason Hoffman and Kevin Bohn, CNN
Updated 5:53 PM ET, Sun April 26, 2020

(CNN) — If you're getting money from the federal government as part of the recent stimulus response to the coronavirus, you'll also get a letter from President Donald Trumpexplaining why.

CNN has obtained a copy of the letter signed by the President and sent to recipients of the stimulus payments.

The one-page letter arrives in an envelope from the IRS as part of the Treasury Department, with both postage and fees paid for by the IRS, according to a notice on the envelope.

The letter reads, in part, "We are fully committed to ensuring that you and your family have the support you need to get through this time," and notifies the recipient exactly how much they would receive and how. On the other side of the letter is a translated Spanish version of the same text.

AMERICAN OVERSIGHT

The letter sent to stimulus payment recepients.

Trump goes on to thank Congress for working with his administration in passing the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), "which I proudly signed into law."

CNN has spoken with recipients in Connecticut, Pennsylvania, New Jersey and Maryland who have received the letters.

During Friday's White House briefing, Trump said the act required the government to "send out a notice of what benefits Americans are receiving; to fulfill the requirement, the Treasury Department is mailing a letter to me."

In the legislation there is a section saying "Not later than 15 days after the date on which the (Treasury) Secretary distributed any payment to an eligible taxpayer pursuant to this subsection, notice shall be sent by mail to such taxpayer's last known address. Such notice shall indicate the method by which such payment was made, the amount of such payment, and a phone number for the appropriate point of contact at the Internal Revenue Service to report any failure to receive such payment."

The Treasury Department said Friday more than 88 million people received stimulus payments in the past week. Approximately 62 million people were still waiting for the payments as of April 17. Individuals who earn less than $99,000 are due up to $1,200, and married couples can receive up to $2,400. The amount falls as income goes up.

A controversy erupted once it was known that the physical checks sent out with the stimulus payments included a note on the bottom left with Trump's name on it. Democrats criticized that inclusion. Treasury Secretary Steve Mnuchin told CNN's "State of the Union" last week it was his idea to put the name on the check.
Trump said earlier this month that adding his name to the checks was not a big deal and it would not delay the process of Americans receiving paper checks.

"Well, I don't know too much about it, but I understand my name is there. I don't know where they're going, how they're going," he said. "I do understand it's not delaying anything. And I'm satisfied. I don't imagine it's a big deal. I'm sure people will be very happy to get a big fat beautiful check and my name is on it."

Regarding who decided the method of notice would be a letter from the President, the White House did not provide a comment. The Treasury Department did not immediately return a request for a comment.

CNN's Sam Feist, Katie Lobosco and Chandelis Duster contributed to this report.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted] (b)(6) [redacted]> on behalf of Brennan, Megan J - Washington, DC <[redacted]>
Sent: Sunday, April 26, 2020 5:23 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Support to end Saturday residential delivery

From: (b)(6) [mailto:[redacted] (b)(6) [redacted]
Sent: Sunday, April 26, 2020 5:09 PM
To: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]
Subject: [EXTERNAL] Support to end Saturday residential delivery

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Dear Ms. Brennan,

I have long been in support to end Saturday USPS delivery to residential customers, as a means to trim your agency's expenses. As a customer, I am used to not receiving mail on Sundays, so including the other "weekend day" for non-delivery would take little adjusting.
I think most residential customers would quickly get used to Monday-Friday delivery only. And besides, it would eliminate finding a neighbor to "get my mail" while we're away for a weekend!

For online purchases (via Amazon, for example) I wouldn't mind paying an additional charge for weekend delivery.

I hope these present an option as a way to save the USPS from further debt.

My sincere thanks for all you do. Your letter carriers are the best.

Very respectfully,

(b)(6)
[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Sunday, April 26, 2020 11:47 AM
To: John Nolan
Subject: Re: [EXTERNAL] Fwd: The Washington Post: Trump administration considers leveraging emergency coronavirus loan to force Postal Service changes

(b)(5)

Thank you.

Megan

On Apr 26, 2020, at 9:06 AM, John Nolan <[redacted](b)(6)[redacted]> wrote:

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

(b)(5)

On Sun, Apr 26, 2020 at 8:42 AM Brennan, Megan J - Washington, DC
[redacted](b)(6)[redacted]> wrote:

Good morning John,

I trust you and your family are well. Thank you for the message.

(b)(5)

[redacted](b)(5)[redacted]

(b)(5)

[redacted](b)(5)[redacted]

Be assured we will continue to fight the good fight and protect the Postal Service.

Stay safe everyone.

Take care.

AMERICAN OVERSIGHT

Megan

On Apr 23, 2020, at 6:28 PM, John Nolan <[redacted] (b)(6) [redacted]>> wrote:

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Hi, Megan. (b)(5)

Read in The Washington Post: https://apple.news/A-IvuSVJbS3yPdLwtgoWuFQ<https://gcc01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapple.news%2FA-IvuSVJbS3yPdLwtgoWuFQ&data=02%7C01%7Ckmccormick%40uspsoig.gov%7C08ea7654b41047d80eec08d7e7c90186%7C69888723eadd4c54af61f66382136b26%7C0%7C0%7C637232722819143639&sdata=igm%2BKlh0WqLfB6DrR0leGipzzfPawlX%2FobJ7TbeZH%2B8%3D&reserved=0>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Saturday, April 25, 2020 8:15 AM
To: Graves, Greg G - Denver, CO
Subject: Fwd: [EXTERNAL] MS. Brennan, I am dealing with a fraudulent thief as my Post Office manager. He shold be forcefully terminated, & his staff properly trained/instructed/supervised.

Good morning Greg,

Would you please have an accountable manager follow up with the customer.

I trust you and your family are well.

Stay safe.

Megan

Begin forwarded message:

From: [redacted]
Date: April 24, 2020 at 11:32:02 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted], "Gibson, Spencer M - Denver, CO" <[redacted]>
Subject: [EXTERNAL] MS. Brennan, I am dealing with a fraudulent thief as my Post Office manager. He shold be forcefully terminated, & his staff properly trained/instructed/supervised.

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Ms. Brennan,

As your customer, shareholder, I have an earnest complaint that demands your IMMEDIATE ATTENTIO & an IMMEDIATE DETAILED RESPONSE to me. NOW!!!!!!

FYI- My e-mail to the Postmaster in Denver, Colorado, Spencer M. Gibson:

ATTENTION !!!!!!!!!!!!!!!! I NEED YOUR RESPONSE, OR WE CAN SET AN APPOINTMENT AT YOUR OFFICE. EMERGENCY !!!!!!!!!!!!
Fri, Apr 24, 2020 8:33 pm, REVISED E-MAIL MESSAGE.
FROM [redacted]
To Spencer.M.Gibson [redacted] Heikhali [redacted], Dear Mr. Gibson, I have e-mailed you numerous times this week, and I have received no answer.
1) I am unable to pay for my P.O. Box 1[redacted]. I NEED that corrected, now.

AMERICAN OVERSIGHT

2) The 80219 Post Office is now redirecting my packages, though not my mail, under a "non-existent change of address" (not in my name!) to my home, but NOT delivering the packages. The delivery person keeps the mail for several days, returning it to 80219 Post Office, where I am billed "additional Postage Due" !
3) I instructed the post office the "change of address" on my parcels was an error when you asked me to return to the post office and have Adrian "unclose" my P. O. Box [redacted] (b)(6) [redacted] Post Office. THE BOGUS "CHANGE OF ADDRESS" ON MY PACKAGES REMAINS, ALLEGEDLY FILED BY MICHAEL THOMAS. HE IS UNAWARE OF IT, AND DID NOT FILE A "CHANGE OF ADDRESS", NOR DID ANY OTHER FAMILY MEMBER, INCLUDING MYSELF! PLEASE, SHUT THIS "CHANGE OF ADDRESS" ON MY PACKAGES 'OFF'. IT IS A MERE PONZI SCHEME, BECAUSE THE PACKAGE IS SUPPOSED TO BE DELIVERED TO MY PO BOX 19759 AT THE 80219 POST OFFICE, FOR PRICE OF THE SENDER'S POSTAGE. I WANT TO RECEIVE MY PACKAGES AT THE 80219 POST OFFICE. I DO NOT WANT THEM 'FORWARDED'! FURTHER, I SEE NO REASON TO PAY AN ADDITIONAL AMOUNT WHEN THE PACKAGE IS ACTUALLY NOT FORWARDED. DESPITE THE FALSE CLAIM THE PACKAGE IS 'FORWARDED', I STILL RECEIVE THE PACKAGE AT ITS ORIGINAL DELIVERY ADDRESS. PLEASE, SHUT THIS PONZI SCHEME DOWN, AND REFUND MY $9.62 PAID TODAY, Friday, AT 3:17 PM MST, "FORWARDING" IN ORDER TO DEPART WITH MY PACKAGE TRACKING [redacted] (b)(6) [redacted]
PLEASE, STOP THIS FRAUDULENT MULTIPLE CHARGING FOR UNWARRANTED EXCESS POSTAGE FROM THE CUSTOMER (ME), now!
THIS IS JUST ANOTHER FORM OF MISAPPROPRIATION OF FUNDS THAT ADRIAN SEEMS SO TALENTED AT.
4) PLEASE, E-MAIL ME TO ACKNOWLEDGE YOU HAVE READ THIS E-MAIL, UNDERSTAND IT, AND HAVE CORRECTED THESE PROBLEMS BEFORE MONDAY 04-27-2020. (I AM SORRY, BUT "ENOUGH IS ENOUGH.")
5) I AM SENDING A COPY OF THE E-MAIL TO THE NATIONAL POST MISTRESS, CEO & THE WHITE HOUSE FOR OBSERVATION OF YOUR, ADRIAN'S & THE 8029 POST OFFICE STAFF'S ACTIONS IN RESPONSE TO MY COMPLAINTS.
SINCERELY,
(b)(6)
[redacted] (b)(6) [redacted]

REVISED E-MAIL FROM LEONARD THOMAS TO SPENCER M. GIBSON, USPS. WILL YOU DO SOMETHING THAT IS EFFECTIVE TO FIX THESE PROBLEMS? NOW?

Fri, Apr 24, 2020 8:55 pm
heikhali ([redacted] (b)(6))
To:you + 1 more Details
ATTENTION !!!!!!!!!!!!!!!! I NEED YOUR RESPONSE, OR WE CAN SET AN APPOINTMENT AT YOUR OFFICE. EMERGENCY !!!!!!!!!!!!
Fri, Apr 24, 2020 8:33 pm, REVISED E-MAIL MESSAGE.
FROM [redacted] (b)(6)
To Spencer.M.Gibson Spencer.M.Gibson@usps.gov , Heikhali Heikhali@aol.com, Dear Mr. Gibson, I have e-mailed you numerous times this week, and I have received no answer.
1) I am unable to pay for my P.O. Box [redacted] (b)(6) [redacted] Post Office. I NEED that corrected, now.
2) The 80219 Post Office is now redirecting my packages, though not my mail, under a "non-existent change of address" (not in my name!) to my home, but NOT delivering the packages. The delivery person keeps the mail for several days, returning it to 80219 Post Office, where I am billed "additional Postage Due" !
3) I instructed the post office the "change of address" on my parcels was an error when you asked me to return to the post office and have Adrian "unclose" my P. O. Box [redacted] (b)(6) [redacted] Post Office. THE BOGUS "CHANGE OF ADDRESS" ON MY PACKAGES REMAINS, ALLEGEDLY FILED BY MICHAEL THOMAS. HE IS UNAWARE OF IT, AND DID NOT FILE A "CHANGE OF ADDRESS", NOR DID ANY OTHER FAMILY MEMBER, INCLUDING MYSELF! PLEASE, SHUT THIS "CHANGE OF ADDRESS" ON MY PACKAGES 'OFF'. IT IS A MERE PONZI SCHEME, BECAUSE THE PACKAGE IS SUPPOSED TO BE DELIVERED TO MY PO BOX 19759 AT THE 80219 POST OFFICE, FOR PRICE OF THE SENDER'S POSTAGE. I WANT TO RECEIVE MY PACKAGES AT THE 80219 POST OFFICE. I DO NOT WANT THEM 'FORWARDED'! FURTHER, I SEE NO REASON TO PAY AN ADDITIONAL AMOUNT WHEN THE PACKAGE IS ACTUALLY NOT FORWARDED. DESPITE THE FALSE CLAIM THE PACKAGE IS 'FORWARDED', I STILL RECEIVE THE PACKAGE AT ITS ORIGINAL DELIVERY ADDRESS. PLEASE, SHUT THIS PONZI SCHEME

AMERICAN OVERSIGHT

DOWN, AND REFUND MY $9.62 PAID TODAY, Friday, AT 3:17 PM MST, “FORWARDING” IN ORDER TO DEPART WITH MY PACKAGE TRACKING [redacted] (b)(6) [redacted]
PLEASE, STOP THIS FRAUDULENT MULTIPLE CHARGING FOR UNWARRANTED EXCESS POSTAGE FROM THE CUSTOMER (ME), now!
THIS IS JUST ANOTHER FORM OF MISAPPROPRIATION OF FUNDS THAT ADRIAN SEEMS SO TALENTED AT.
4) PLEASE, E-MAIL ME TO ACKNOWLEDGE YOU HAVE READ THIS E-MAIL, UNDERSTAND IT, AND HAVE CORRECTED THESE PROBLEMS BEFORE MONDAY 04-27-2020. (I AM SORRY, BUT “ENOUGH IS ENOUGH.”)
5) I AM SENDING A COPY OF THE E-MAIL TO THE NATIONAL POST MISTRESS, CEO & THE WHITE HOUSE FOR OBSERVATION OF YOUR, ADRIAN’S & THE 8029 POST OFFICE STAFF’S ACTIONS IN RESPONSE TO MY COMPLAINTS.
SINCERELY,
(b)(6)
[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]>
Sent: Friday, April 24, 2020 6:35 PM
To: Stroman, Ronald A - Washington, DC
Cc: Williams Jr, David E (COO) - Washington, DC
Subject: Re: Calls with Senator Portman and Congressman Gibbs.

(b)(5)

Thank you.

Megan

On Apr 24, 2020, at 2:33 PM, Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

Megan,

(b)(5)
, (b)(5) [redacted]

(b)(5) . [redacted] (b)(5) [redacted]

(b)(5)

Thanks

Ron

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Friday, April 24, 2020 6:15 PM
To: Elston, Michael J - Washington, DC; Marshall, Thomas J - Washington, DC
Subject: RE: Trump's Full Commentary re: Postal Service Stimulus Funds

[redacted]

[redacted]

Thanks,

Megan

-------- Original message --------
From: "Walker, Janice D - Washington, DC" [redacted]
Date: 4/24/20 3:20 PM (GMT-05:00)
To: "Brennan, Megan J - Washington, DC" [redacted] "Stroman, Ronald A - Washington, DC" [redacted] Marshall, Thomas J - Washington, DC" [redacted] "Elston, Michael J - Washington, DC" [redacted]
Cc: "Stavely, Rhonda J - Washington, DC" [redacted], "Latham, Sandra R - Washington, DC" [redacted]
Subject: Trump's Full Commentary re: Postal Service Stimulus Funds

https://www.cnn.com/us/live-news/us-coronavirus-update-04-24-20/index.html

Reporter: "Do you have any money for the Postal Service?" (We are still trying to track down the outlet)

Sec. Mnuchin :"I can comment on that. So we authorized in the last CARES Act over $10B on a loan. My team has worked very actively on that with the Postal Service, if they need the money, and we are dealing with that."

Pres. Trump: "The Postal Service is a joke. Because they are handing out packages for Amazon and other Internet companies and every time they bring a package, they lose money on it. So Amazon and other Internet delivery companies are dropping off all of, well not all of, a big portion of their packages or whatever else into a Post Office. And the Post Office is supposed to deliver their packages and they lose a lot of money.

The Post Office should raise the price of a package by approximately four times because they don't raise them. For some reason, these people have been in there a long time, but for some reason they are cozy with some of these companies, and they don't raise the price of a package. If they raise the price of a package, like they should, four or five times that's what it should be. Or let Amazon build their own post office, which would be an impossible thing to do because the Post Office is massive and it serves every little piece of the country.

AMERICAN OVERSIGHT

The Post Office, if they raise the price of a package by approximately four times, it will be a whole new ballgame. But they don't want to raise because they don't want to insult Amazon and they don't want to insult other companies, perhaps, that they like. The Post Office should raise the price of packages to the companies, not to the people, but to the companies. If they did that, it would be a whole different story. Do you agree with that, Steve?"

Mnuchin: "I do, and we are actually going to put certain criteria for a postal reform program as part of the loan. We are looking forward to the Board [of Governors] recruiting a new Postmaster General and doing postal reform."

Trump: "I will go a step further: if they don't raise the price of the service they give, which is a tremendous service and they do a great job. Postal workers are fantastic, but this thing is losing billions of dollars. It has for years because they don't want to insult, for whatever reason you can imagine, they don't want to insult Amazon and these other groups. If they don't raise the price, I'm not signing anything. So they'll raise the price and maybe become maybe even profitable, but so they lose much less money, ok? If they don't do it, I'm not signing anything. I'm also not authorizing you to do anything, Steve."

(b)(5)

.

Thanks.

Janice

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Friday, April 24, 2020 1:55 PM
To: Walker, Janice D - Washington, DC
Cc: Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC; Elston, Michael J - Washington, DC; Latham, Sandra R - Washington, DC; Stavely, Rhonda J - Washington, DC
Subject: Re: Wash Post: story on Trump USPS comments today

Janice,

[redacted]

Thanks,

Megan

On Apr 24, 2020, at 1:39 PM, Walker, Janice D - Washington, DC <[redacted] wrote:

FYI - In his Friday bill signing of a new $500 billion relief package, Trump called the Postal Service "a joke"<https://twitter.com/jeffmason1/status/1253723682595315712> and confirmed the Post's reporting, suggesting that the Postal Service quadruple the rates they charge for shipping packages<https://twitter.com/PhilipRucker/status/1253727138810863616> if they want federal government assistance, the Post's Phil Rucker reported – click on links above as well for twitter mentions.

Thanks.
https://www.washingtonpost.com/us-policy/2020/04/24/trump-postal-service-loan-treasury/

Trump says he will block coronavirus aid for U.S. Postal Service if it doesn't hike prices immediately The president said the postal agency should quadruple its package delivery prices and said he will stop congressionally approved funding By Lisa Rein<https://www.washingtonpost.com/people/lisa-rein/> and Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/>

April 24, 2020 at 1:19 p.m. EDT

President Trump on Friday said he would not be approving an emergency loan for the U.S. Postal Service if it did not immediately raise its prices for package delivery, confirming a recent Washington Post article that said he planned to exert more control over the agency.

"The Post Office is a joke," Trump told reporters. "The Post Office should raise the price [of package delivery] four times."

Trump recently signed a law that allowed the cash-strapped U.S. Postal Service to borrow $10 billion from the Treasury Department. The Post has reported<https://www.washingtonpost.com/business/2020/04/23/10-billion-treasury-loan-usps/?tid=lk_inline_manual_4&itid=lk_inline_manual_4> that the White House wants to force changes at USPS as part

AMERICAN OVERSIGHT

of the terms of the loan. Trump confirmed on Friday that one of those new conditions is a requirement that the Postal Service raise prices.
“If they don’t raise the price, I’m not signing anything.”

He said that he won’t allow Treasury Secretary Steven Mnuchin to approve the loan if prices aren’t raised.

Trump has railed for years against what he seems as mismanagement at the Postal Service, which has been battered by a decline in first-class mail in the Internet age – but which has found profitability with package delivery. The agency’s revenues have plunged about 30 percent during the pandemic, though, as business mail has declined.

Trump and his allies have frequently claimed that higher package rates on Internet shipping companies — Amazon, in particular — could ease the Postal Service’s financial troubles. But higher package rates could hurt the agency by artificially raising its prices above those of United Parcel Service and FedEx, analysts say. Higher prices also could impact Amazon, which acts as both retailer and shipper, by forcing it pass off higher costs on its customers to compete.

The Postal Service repeatedly has defended its arrangement with the e-commerce giant, saying it gets fair rates for the services it provides in a highly competitive environment.

This is a developing story and will be updated.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Friday, April 24, 2020 12:39 PM
To: Marshall, Thomas J - Washington, DC
Subject: Fwd: Status of RFP
[redacted] (b)(5) [redacted]

Thanks,

Megan

Begin forwarded message:

From: "Corbett, Joseph - Washington, DC" <[redacted] (b)(6) [redacted]
Date: April 24, 2020 at 11:52:08 AM EDT
To: "Roman Martinez IV [redacted])" [redacted] (b)(6) [redacted], "Brennan, Megan J - Washington, DC" [redacted] (b)(6) [redacted] "Elston, Michael J - Washington, DC" (b)(6) [redacted]
Subject: Status of RFP

Roman,

[redacted] (b)(5) [redacted]

Thanks, Joe

Joseph Corbett
EVP and CFO
U.S. Postal Service
[redacted] (b)(6) [redacted]
(202) 268-5272 (Office)

AMERICAN OVERSIGHT

USPS

(b)(5)

- [redacted]
- [redacted]
- [redacted]
- (b)(5)
- [redacted]

(b)(5)

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Friday, April 24, 2020 12:00 PM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] USPS Solvency and Union demands

Thanks,

Megan

Begin forwarded message:

From: Darla Kazikowski [redacted]
Date: April 24, 2020 at 11:59:17 AM EDT
To: "Coleman, David P - Washington, DC" <[redacted], "Brennan, Megan J - Washington, DC" [redacted].mnuchin
Subject: [EXTERNAL] USPS Solvency and Union demands

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Why is the USPS still delivering mail to customers daily? Why not deliver Monday, Wednesday and Friday to half and the other half Tuesday, Thursday and Saturday?

Cut the workforce by at least 30%. (Half of the USPS workforce is probably ready to retire or willing to retire).

The businesses or residential customers who feel they need daily mail can get a P.O. Box!

This easy to implement strategy would save money on both employee costs, but also on delivery trucks, etc.

Keep USPS solvent!

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Friday, April 24, 2020 8:30 AM
To: Elston, Michael J - Washington, DC
Subject: Re: Wash Post story on USPS stimulus money

[redacted] (b)(5) [redacted]

Thanks,

Megan

On Apr 24, 2020, at 8:27 AM, Elston, Michael J - Washington, DC <[redacted] (b)(6) [redacted]> wrote:

FYI

From: Roman Martinez IV [mailto:[redacted] (b)(6) [redacted]]
Sent: Thursday, April 23, 2020 8:13 PM
To: Elston, Michael J - Washington, DC <[redacted] (b)(6) [redacted]>
Cc: [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] RE: Wash Post story on USPS stimulus money

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Michael,

[redacted] (b)(5) [redacted]

Best,
Roman

From: Elston, Michael J - Washington, DC
Sent: Thursday, April 23, 2020 6:09 PM
To: Elston, Michael J - Washington, DC <[redacted] (b)(6) [redacted]
Subject: FW: Wash Post story on USPS stimulus money

Governors,

Please see below a new Washington Post story. [redacted] (b)(5) [redacted]

Michael

Michael J. Elston
Secretary of the Board of Governors

AMERICAN OVERSIGHT

United States Postal Service
(b)(6) [redacted]

From: Brennan, Megan J - Washington, DC
Sent: Thursday, April 23, 2020 5:26 PM
To: Walker, Janice D - Washington, DC [redacted]>; Stroman, Ronald A - Washington, DC (b)(6) [redacted]>; Marshall, Thomas J - Washington, DC [redacted]>; Corbett, Joseph - Washington, DC (b)(6) [redacted]>; Elston, Michael J - Washington, DC [redacted]
Subject: RE: Wash Post story on USPS stimulus money

[redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

Thank you.

Megan

From: Walker, Janice D - Washington, DC
Sent: Thursday, April 23, 2020 5:07 PM
To: Brennan, Megan J - Washington, DC [redacted]; Stroman, Ronald A - Washington, DC < (b)(6) [redacted]>>; Marshall, Thomas J - Washington, DC [redacted]>; Corbett, Joseph - Washington, DC (b)(6) [redacted]>; Elston, Michael J - Washington, DC [redacted]
Subject: FW: Wash Post story on USPS stimulus money

https://www.washingtonpost.com/business/2020/04/23/10-billion-treasury-loan-usps/

Trump administration considers leveraging emergency coronavirus loan to force Postal Service changes President Trump has railed for years against what he sees as mismanagement of the agency, which he argues has been exploited by sites such as Amazon By Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/> and Lisa Rein<https://www.washingtonpost.com/people/lisa-rein/>

April 23, 2020 at 4:36 p.m. EDT

The Treasury Department is considering taking unprecedented control over key operations of the U.S. Postal Service by imposing tough terms on an emergency coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_2&itid=lk_inline_manual_2> loan from Congress, which would fulfill President Trump's longtime goal of changing how the service does business, according to two people familiar with the matter.

Officials working under Treasury Secretary Steven Mnuchin, who must approve the $10 billion loan, have told senior officials at the USPS in recent weeks that he could use the loan as leverage to give the administration influence over how much the agency charges for delivering packages and how it manages its finances, according to the two people, who spoke on the condition of anonymity because the talks are preliminary.

AMERICAN OVERSIGHT

Trump has railed for years against what he sees as mismanagement at the Postal Service, which he argues has been exploited by e-commerce sites such as Amazon, and has sought to change how much the agency charges for delivery packages. (Amazon's founder and chief executive Jeff Bezos owns The Washington Post.)

Under the $2 trillion coronavirus stimulus relief passed last month<https://www.washingtonpost.com/business/2020/03/25/trump-senate-coronavirus-economic-stimulus-2-trillion/?tid=lk_inline_manual_7&itid=lk_inline_manual_7>, the Treasury was authorized to loan $10 billion to the USPS, which says it may not be able to make payroll and continue mail service uninterrupted past September. Mnuchin rejected a bipartisan Senate proposal to give the Postal Service a bailout amid the negotiations over that legislation, a senior Trump administration official and a congressional official previously told The Post<https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/?tid=lk_inline_manual_7&itid=lk_inline_manual_7>.

The borrowing terms have only been discussed among both agencies' leadership and have not been made public because the Postal Service hasn't officially requested the loan, the two people familiar with the matter said. Mnuchin could still decide not to pursue tough terms as the September deadline nears. The Postal Service would not have to use the entire $10 billion loan at one time, but could borrow up to that amount at any given time.

In discussions with senior USPS personnel, Treasury officials have said they are interested in raising rates on the Postal Service's lucrative package business, its sole area of profitability in recent years. Treasury could also review all large postal contracts with package companies to push for greater margins on deliveries.

Treasury officials have said they may press the agency to demand tougher concessions from its powerful postal unions — among the public-sector unions that still retain significant leverage in negotiations with the government.

The officials have also said Mnuchin wants the authority to review hiring decisions at the agency's senior levels, including the selection of the next postmaster general, a decision that until now has been left to the Postal Service's five-member board of governors.

USPS spokesman David Partenheimer confirmed in an email that the agency and Treasury have begun "preliminary discussions" over the loan, but that the Treasury had not yet asked "to impose any of those conditions on that borrowing authority." He declined to say whether these or any other terms were under discussion.

A Treasury spokesman said the department began preliminary discussions on the terms of the loan, but said it was too early to comment on those conversations.
Amazon did not respond to requests for comment.

The Postal Service has repeatedly drawn on an open $15 billion line of credit Congress authorized nearly 30 years ago, as the agency's finances have been squeezed by the demise of the traditional mail business and rising pension costs. That loan comes without any terms and low interest rates. USPS has paid down the debt in recent years, but has never fully paid off the loan. On April 1, the Postal Service borrowed another $3 billion to help weather the pandemic, bringing the agency up to $14.4 billion from that line of credit.

Usually, the agency's business decisions are made by its Board of Governors, who are appointed by the president, and an independent entity called the Postal Regulatory Commission, which ensures that the Postal Service charges rates for its services that cover its costs.

If Mnuchin were to gain greater control through the new loan, a slew of Postal Service management decisions, including the terms of major contracts and collective bargaining strategy, could require Treasury's approval. Hiring and firing of senior executives could be required to be run by Treasury, the two people familiar with the matter said.

AMERICAN OVERSIGHT

Trump has taken aim at the Postal Service since early in his tenure, initially urging the agency<https://www.washingtonpost.com/business/economy/trump-personally-pushed-postmaster-general-to-double-rates-on-amazon-other-firms/2018/05/18/2b6438d2-5931-11e8-858f-12becb4d6067_story.html?tid=lk_inline_manual_26&itid=lk_inline_manual_26> to double the rates it charges Amazon and other firms for delivery.

The agency has been decimated by the decline in first-class mail over recent decades, but one bright spot has been package delivery. The Postal Service competes vigorously with UPS and FedEx and even Amazon's own delivery services, and it specializes in the "last mile" delivery to a customer's home.

Trump frequently repeats the claim that higher package rates on Internet shipping companies — Amazon, in particular — could ease the Postal Service's financial troubles. The Postal Service has repeatedly defended its arrangement with the e-commerce giant, saying it gets fair rates for the services it provides in a highly competitive environment.

Higher Postal Service rates could hurt the USPS by artificially raising its price above those of UPS and FedEx, analysts say. It would also hit Amazon, because the company contracts for "last mile" deliveries more frequently than its competitors.

UPS spokeswoman Kara Gerhardt Ross in an emailed statement called the Postal Service "an important partner for us in delivering to communities," especially during the pandemic.
"At the same time, the USPS would benefit from modernizing both their cost attribution methodologies to reflect the past decade's growth in the competitive package market," she said.

FedEx did not respond to a request for comment.

The familiar mail carriers in the USPS's iconic blue and white trucks have continued delivering mail and packages to a country under quarantine. The Postal Service remains a vital conduit of information for the dwindling proportion of the population that isn't online.

A Postal Service spokesman said 1,219 workers of the Postal Service's 630,000-person workforce have tested positive for the coronavirus. Forty-four workers have died, according to the American Postal Workers Union, one of several labor groups that represents USPS employees.

The Postal Service is projecting a $13 billion shortfall this year because of the pandemic, with mail volume down about 30 percent since the virus forced businesses to scale back advertisements, catalogues and other mail. A jump in package deliveries to homebound customers has not fully compensated for those losses.

Postmaster General Megan Brennan asked lawmakers this month for an $89 billion bailout that would include funding to make up for losses because of the pandemic, new money for modernization and $39 billion in restructured debt.

The Postal Service's plight has recently been attracting the attention of lawmakers in both parties. Sen. Bill Cassidy (R-La.) told donors on a call last week that he would wanted postal unions to make concessions on salaries and benefits to help the Postal Service's finances. Senate Minority Leader Charles E. Schumer (D-N.Y.) said Tuesday that relief for the Postal Service should be part of a "Phase IV" stimulus package.

At an Oval Office meeting more than a year ago, Trump decried to aides what he viewed as the dysfunction of the Postal Service and reiterated long-standing grievances about the costly effect on American taxpayers, according to one former senior administration official present at the meeting.

Trump has repeatedly demanded changes to the agency's financial structure. Mnuchin has taken on the cause, and has since been repeatedly briefed on potential solutions, the former official said.

AMERICAN OVERSIGHT

“People around [Mnuchin] thought it was crazy because people have been trying to figure this out for years, and it’s very politically challenging,” the former official said.

But the treasury secretary has so far found a career staff at the Postal Service that has resisted his efforts at change. Mnuchin created a task force that released a 74-page study in 2018 that called for some of the same reforms Treasury may ask for now, namely cutting labor costs, restructuring third-party service agreements and increasing package rates.

“Require price increases, reduce service costs, or exit the business for any mail products that are not deemed an essential service and do not cover their direct costs,” the report recommended.

But the recommendations went nowhere, in part because the agency lacked a quorum on the Board of Governors. They also faced political opposition in Congress and among union ranks to curtailing postal routes and other services.

Last fall, Mnuchin sent his deputies to present a new board largely made of up Trump appointees with a slate of changes that attached terms to the remainder of the Postal Service’s customary $15 billion line of credit, breaking with a nearly five-decade precedent of generous terms of postal borrowing.

But career postal staff balked at the terms and USPS leadership swiftly rejected them.

“Treasury is going to want to see some of these recommendations implemented,” said Paul Steidler, a postal expert at the Lexington Institute, a conservative think tank focused on security-related issues.

Democrats say Mnuchin will be making a mistake if he tries to impose stringent terms on the new loan.

“If Mnuchin wants to play this kind of game with the Postal Service, I think it is time for the Postal Service to tell him they’re not going to agree to unacceptable conditions, and that means Mnuchin will have on his hands the disruption of services this fall,” said Rep. Gerald E. Connolly (D-Va.), who chairs the House subcommittee in charge of postal oversight. “I think it’s time to stare him down and this White House down, and for Congress to decide are we going to stand with the Postal Service as we know it.

“This is an essential service and it needs to be treated as such. My hope would be that the Postal will stare him down. If they don’t, it’s tantamount to handing over day-to-day management to the Treasury Department.”

Connolly and Rep. Carolyn B. Maloney (D-N.Y.) joined Sens. Gary Peters (D-Mich.) and Thomas R. Carper (D-Del.) in an April 3 letter to Mnuchin asserting Congress’s oversight authority for the Postal Service.

“We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the Cares Act,” the letter states. “We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service’s statutory authorities.”

Staff writers Josh Dawsey and Jeff Stein contributed to this report.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]>
Sent: Friday, April 24, 2020 7:26 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] USPS Emergency Covid-19 Loan and Executive Efforts to Leverage Changes

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <(b)(6) [redacted]>
Date: April 23, 2020 at 7:27:52 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted](b)(6) [redacted]
Subject: [EXTERNAL] USPS Emergency Covid-19 Loan and Executive Efforts to Leverage Changes

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Ms. Brennan,

I am a member of the public who finds it shameful that the USPS is being placed in the position to accept forced changes in order to stay afloat or potentially be out of business. Surely there is some way to leverage the fact that USPS has provided essential services during this period and will need to remain fully functional for our Democracy given the likelihood that many States will begin voting by mail in the upcoming elections. Additionally, this pandemic has demonstrated an absolute need for the USPS to provide banking services to ensure delivery of checks such as those provided under the CARES Act to every household. I wish you the best as you move forward during these difficult times and hope you stand firm against this newly proposed shakedown.

Thank you.

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC (b)(6) >
Sent: Thursday, April 23, 2020 8:59 PM
To: Marshall, Thomas J - Washington, DC
Subject: Fwd: [EXTERNAL] Re: The Washington Post: Trump administration considers leveraging emergency coronavirus loan to force Postal Service changes

(b)(5)

Thanks,

Megan

Begin forwarded message:

From: < (b)(6) >>
Date: April 23, 2020 at 6:59:29 PM EDT
To: John Nolan < (b)(6) >>
Cc: Megan Brenan < >>, Patrick Donahoe (b)(6) >>,
Subject: [EXTERNAL] Re: The Washington Post: Trump administration considers leveraging emergency coronavirus loan to force Postal Service changes

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

John:

(b)(5)

Regards to you and your family.

Mike

Sent from my iPhone

AMERICAN OVERSIGHT

On Apr 23, 2020, at 6:31 PM, John Nolan <[redacted] (b)(6) [redacted]> wrote:

Hi, Megan. Just saw this article. [redacted] (b)(5) [redacted] Mnuchin [redacted]

Trump administration considers leveraging emergency coronavirus loan to force Postal Service changes President Trump has railed for years against what he sees as mismanagement of the agency, which he argues has been exploited by sites such as Amazon.

Read in The Washington Post: https://apple.news/A-IvuSVJbS3yPdLwtgoWuFQ<https://gcc01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapple.news%2FA-IvuSVJbS3yPdLwtgoWuFQ&data=02%7C01%7Ckmccormick%40uspsoig.gov%7C08ea7654b41047d80eec08d7e7c90186%7C69888723eadd4c54af61f66382136b26%7C0%7C0%7C637232722819143639&sdata=igm%2BKlh0WqLfB6DrR0leGipzzfPawlX%2FobJ7TbeZH%2B8%3D&reserved=0>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Thursday, April 23, 2020 5:26 PM
To: Walker, Janice D - Washington, DC
Subject: RE: Reuters seeks comment re: Washington Post article

[redacted](b)(5)[redacted]

Thank you.

Megan

From: Walker, Janice D - Washington, DC
Sent: Thursday, April 23, 2020 5:25 PM
To: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>; Marshall, Thomas J - Washington, DC [redacted](b)(6)[redacted] Elston, Michael J - Washington, DC [redacted]
Subject: FW: Reuters seeks comment re: Washington Post article

Megan,

Reuters is calling for a comment, [redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

Thank you.
From: Bartz, Diane (Reuters) [mailto:[redacted](b)(6)[redacted]]
Sent: Thursday, April 23, 2020 5:14 PM
To: Partenheimer, David A - Washington, DC [redacted]>; Coleman, David P - Washington, DC [redacted](b)(6)[redacted]; Johnson, Martha S - Washington, DC [redacted]
Subject: [EXTERNAL] Reuters seeks comment re: Washington Post article

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Hello!
I'm seeking comment on a Washington Post article which says that Treasury is seeking to use a $10 billion loan to the postal service as a way to force changes. It is this piece: https://www.washingtonpost.com/business/2020/04/23/10-billion-treasury-loan-usps/
I'm at [redacted](b)(6)[redacted]. Please reach out by telephone or email.
Bests,
Diane Bartz

Diane Bartz

AMERICAN OVERSIGHT

Correspondent
Thomson Reuters
[redacted]
Tweeting at http://twitter.com/dibartz<https://urldefense.proofpoint.com/v2/url?u=http-3A__twitter.com_dibartz&d=DwMF-g&c=4ZIZThykDLcoWk-GVjSLmy8-1Cr1I4FWIvbLFebwKgY&r=T-Jm_QfCgSILYBoMiCV9VhoPyZslBW2W8dHFpQBSnAQ&m=Z-KkYKNO7pJrz0yaDSp9vn475JyZ3wL1ScPR-qkd-q4&s=okBgWvdJ53rdmSOAsikJwiwEwppH9_Qc4Q8rQ0fvO28&e=>
Read many of my stories at: http://blogs.reuters.com/diane-bartz/

[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Thursday, April 23, 2020 2:19 PM
To: Seaver, Kristin A - Washington, DC
Subject: Re: USPS [redacted](b)(5)

No need to discuss at 4pm - [redacted](b)(5)[redacted]

Great start.

Thanks,

Megan

On Apr 23, 2020, at 2:14 PM, Seaver, Kristin A - Washington, DC <[redacted](b)(6)[redacted]> wrote:

[redacted](b)(5)

[redacted](b)(5)

[redacted](b)(5)

[redacted](b)(5)

[redacted](b)(5)

[redacted](b)(5)

[redacted](b)(5)

[redacted](b)(5)

AMERICAN OVERSIGHT

- [redacted]
  - [redacted]
  - [redacted]
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e. [redacted]

(b)(5)

[redacted]

AMERICAN OVERSIGHT

<USPS AOG CAPABILITIES RAMP UP.docx>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted] on behalf of Brennan, Megan J - Washington, DC <(b)(6)[redacted]>
Sent: Thursday, April 23, 2020 11:16 AM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Re: Home Delivery of Mail - Covid-19
[redacted] (b)(5) [redacted]

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted](b)(6)[redacted]

From: (b)(6) [mailto:[redacted](b)(6)[redacted]
Sent: Thursday, April 23, 2020 11:01 AM
To: Brennan, Megan J - Washington, DC <(b)(6)[redacted]
Cc: (b)(6) <[redacted]
Subject: [EXTERNAL] Re: Home Delivery of Mail - Covid-19

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Attached to a copy of yesterday's to you, please find documentation of my claim that the post office illegally CHANGED THE ADDRESS on this shipment from Amazon to me:

[cid:9651793C-545A-4C37-A790-983821200C0E]

This is a photo of the label that clearly shows my correct shipping address while, when contacted by Amazon with me on the phone, your representative insisted that your computer system clearly showed my address as (b)(6) When the Amazon rep requested that the package be re-directed back to my correct shipping address, you representative said, "Amazon knows that we cannot change the address." This proof clearly shows that you did exactly that before Amazon contacted you. You are in violation of your own rules on this as well as your rule that you cannot hand P.O. Box mail over the counter to box holders. At my local post office you have been doing just that for over two years because you have been using a temporary trailer as a post office until you can build/renovate a new one with real boxes.

I have lived that the address above for over 17 years. I continue to be very unhappy that I cannot get USPS to deliver mail to my house. During the pandemic, your policies and you inferior post office trailer make it impossible for people in my age and health situation to safely get our mail and needed packages. I have related my concerns to my U.S. Senator and the Governor of the State of N.Y. I will be sending a copy of these emails and photo proof to them in an effort for you to change your policies so that I can safely get my mail. Any and all adverse consequences of your policies may be referred by them or I for further action.

I will also be sending a copy of this information to Mr. Jeff Bezos at Amazon.com<http://Amazon.com> because your actions and mis-representations have caused him to lose sales to me and also caused him to have to send me refunds.

AMERICAN OVERSIGHT

Can you keep him as a customer if you don't provide service?

(b)(6)
(b)(6)

On Apr 22, 2020, at 5:21 PM, (b)(6) < (b)(6) > wrote:

Dear General Megan. J. Brennan, U.S. PostMaster General,

Like millions of other residents of the United States of America, my wife and I are not allowed to have home delivery of our mail. We have lived here for 17 years and shortly after we moved we were told that mail delivery was not available to us, but rather we would be given a P.O. Box and have to go to the post office to receive our mail delivery.

That has long been a problem for us because many companies will not deliver to P.O. Boxes and others confuse our physical address and mail address. Over the years, some post office personnel have refused and returned what they deem to be miss addressed mail.

In the last two years or so this has become worse because our local post master had their leased building condemned and replaced it with a "temporary" trailer which can only be accessed by a narrow ramp which requires that customers turn sideways to pass each other on their way into and out of the trailer. And the "temporary" trailer does not have actual boxes. Customers wait at a counter and tell the postal workers their box number and then the mail is handed over the counter to them. I had previously been told that handing mail to P.O. Box holders was not allowed by USPS rules. Apparently you are the only ones able to violate your rules even for older people who can't access their box directly!

Under Federal and State isolation and self distancing guidelines for people of our age (b)) and with our underlying health conditions, my wife and I are no longer able to safely access our mail and packages. To do so we would have to wait in a long line of people (both with and without masks and gloves) and then pass those people on the ramp and in the trailer and have our mail handed over the counter by postal employees (both with and without masks and gloves) to get our mail. We have been told not to leave our house for our own protection and to help protect front line critical health care workers.

Recently our local post office shortened its open hours thereby making the problem even worse by increasing the crowd waiting for their turn to get the mail. And when I asked a postal employee if there was another way to get our mail, I was told that I could use your on-line tool to see what was there for me but then I would have to come pick up the mail. Choosing between getting our mail and staying healthy is not fair or safe. I have contacted Kirsten Gillibrand, one of my U.S. Senators and Andrew Cuomo Governor of the State of New York with my complaint.

In addition, I have recently had problems with two Amazon orders related to Covid-19 guidelines. The first was with a package of sterile gloves that I would need for any trips outside my house. Amazon chose to send them to my correct shipping address bu used USPS. When they arrived at the post office, postal employees looked at the correct ship to address of my house and changed it in your computer system to my P.O. Box address instead of the street address which was on the box. In other words, I had to have gloves to get the gloves that I had to have to get the gloves…..

When Amazon contacted their post office representative, she insisted that the address on the box was the P.O. But, when I finally saw the package, the address on it was my street address which was consistent with the ship to address used by Amazon. The Amazon post office representative stated that, "Amazon knows that the post office cannot change an address." Apparently that is not true if the post office decides to make the change. And, your representative was

AMERICAN OVERSIGHT

apparently not aware that there are so many of us that can't get USPS delivery to our homes even it we want it. Today USPS did exactly the same thing with another Amazon order for a groomer that was shipped by USPS.

Those actions are both unfair and illegal. We are being asked to accept sub-standard service which threatens our physical well being. I have told Amazon that I will no longer order from them if they cannot insure that I will receive my order at my house. I believe that they will go back to using UPS or FedEx who have been delivering to my home for as long as you have not. Your policies are keeping you from having a level playing field in getting new business from Amazon and other internet vendors. And, your loss of this business accelerates your lack of profitability.

I don't know if this letter, or the actions of my Governor and/or U.S. Senator, will make any difference to my mail delivery. I would hope that it will, at least, make a difference in your next funding cycle.

Yours truly,

(b)(6)

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]v>
Sent: Wednesday, April 22, 2020 7:37 PM
To: Marshall, Thomas J - Washington, DC
Subject: Re: Follow Up

(b)(5) [redacted]

Thanks,

Megan

> On Apr 22, 2020, at 7:30 PM, Marshall, Thomas J - Washington, DC [redacted] > wrote:
>
>(b)(5) [redacted]
>
> Thomas J. Marshall
> General Counsel and Executive Vice President United States Postal
> Service
>
>
> -----Original Message-----
> From: Brennan, Megan J - Washington, DC
> Sent: Wednesday, April 22, 2020 7:25 PM
> To: Marshall, Thomas J - Washington, DC <t[redacted]
> Subject: Follow Up
>
> Tom,
>
> Mike caught me as I was leaving [redacted]
>
>(b)(5) .
>
> Thanks,
>
> Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Sent: Wednesday, April 22, 2020 7:23 PM
To: Walker, Janice D - Washington, DC
Cc: Elston, Michael J - Washington, DC; Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC; Corbett, Joseph - Washington, DC
Subject: Re: Hi David!! From Lisa Rein at the Post

Just getting back on-line. [redacted](b)(5)[redacted]

Thanks,

Megan

On Apr 22, 2020, at 7:12 PM, Walker, Janice D - Washington, DC [redacted](b)(6)[redacted]> wrote:

Thanks Mike.

Sent from my iPhone

On Apr 22, 2020, at 7:01 PM, Elston, Michael J - Washington, DC <[redacted](b)(6)[redacted]>> wrote:

[redacted](b)(5)[redacted]

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 22, 2020 6:53 PM
To: Brennan, Megan J - Washington, DC <[redacted]>; Stroman, Ronald A - Washington, DC <[redacted]>; Marshall, Thomas J - Washington, DC <[redacted](b)(6)[redacted]>; Corbett, Joseph - Washington, DC <[redacted]>; Elston, Michael J - Washington, DC <[redacted]>>
Subject: FW: Hi David!! From Lisa Rein at the Post

FYI below – [redacted](b)(5)[redacted]
Thanks

From: Partenheimer, David A - Washington, DC
Sent: Wednesday, April 22, 2020 6:32 PM
To: Walker, Janice D - Washington, DC <[redacted](b)(6)[redacted]>>; Adams, Jeffery A - Washington, DC <[redacted]>
Subject: FW: Hi David!! From Lisa Rein at the Post

(b)(5) [redacted](b)(5)[redacted]

From: Rein, Lisa [mailto:[redacted](b)(6)[redacted]]
Sent: Wednesday, April 22, 2020 6:29 PM

AMERICAN OVERSIGHT

To: Partenheimer, David A - Washington, DC
[redacted](b)(6)[redacted]
Subject: [EXTERNAL] RE: Hi David!! From Lisa Rein at the Post

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Have they asked to impose other terms? And what are they?
Thanks Dave

From: Partenheimer, David A - Washington, DC
[redacted](b)(6)[redacted]>
Sent: Wednesday, April 22, 2020 6:20 PM
To: Rein, Lisa <[redacted](b)(6)[redacted]>>
Subject: RE: Hi David!! From Lisa Rein at the Post

Lisa,
We are in preliminary discussions with the Treasury Department regarding the CARES Act borrowing authority,[redacted]
[redacted](b)(5)[redacted]
Thanks
Dave

From: Rein, Lisa [mailto:[redacted](b)(6)[redacted]]
Sent: Wednesday, April 22, 2020 4:55 PM
To: Partenheimer, David A - Washington, DC
<[redacted](b)(6)[redacted]>>
Subject: [EXTERNAL] RE: Hi David!! From Lisa Rein at the Post

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Hi David sorry it is 5 pm-not ideal for you guys I would say as soon as you can swing it!!

From: Partenheimer, David A - Washington, DC
(b)(6), (b)(3), 410(c)(2) <mailto:[redacted](b)(6)[redacted]>
Sent: Wednesday, April 22, 2020 4:54 PM
To: Rein, Lisa <[redacted](b)(6)[redacted]>>
Subject: RE: Hi David!! From Lisa Rein at the Post

CAUTION: EXTERNAL SENDER
Got it. Do you have a specific deadline this evening?

From: Rein, Lisa [mailto:[redacted](b)(6)[redacted]]
Sent: Wednesday, April 22, 2020 4:47 PM
To: Partenheimer, David A - Washington, DC
[redacted](b)(6)[redacted]
Subject: [EXTERNAL] Hi David!! From Lisa Rein at the Post

AMERICAN OVERSIGHT

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
HI there David.
Wanted to see if USPS could comment on what we're planning to report, which is that the Treasury Dept and Postal officials are now in talks over the terms and conditions of the CARES ACT line of credit, and that Treasury is discussing giving the Secretary have control over/have the right to impose some or all of the following terms and conditions.
Thank you so much in advance for helping with this!

1/ Postal Service would raise package rates 2/Treasury would approve big rate contracts with third -party shippers 3/Treasury would review hiring and firing of senior postal executives 4/USPS would have to negotiate tougher labor contracts.

Also these are similar demands to what Mnuchin proposed to the board of governors last fall.
Thanks so much
Best, Lisa

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)
Sent: Wednesday, April 22, 2020 2:43 PM
To: Marshall, Thomas J - Washington, DC; Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC
Subject: Fwd: WH Press briefing 4/21/2020

[redacted](b)(5)[redacted]

Thanks,

Megan

Begin forwarded message:

From: "Walker, Janice D - Washington, DC" <[redacted](b)(6)[redacted]
Date: April 22, 2020 at 2:37:09 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]
Subject: WH Press briefing 4/21/2020

Megan, here's the update:

(b)(5)

.

[redacted](b)(6)[redacted].

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC [redacted] > on behalf of Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted] v>
Sent: Wednesday, April 22, 2020 1:07 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Clifton, TX Post Office 76634

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted] (b)(6) [redacted]

From: (b)(6) [mailto[redacted] (b)(6) [redacted]]
Sent: Wednesday, April 22, 2020 12:38 PM
To: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted] >
Subject: [EXTERNAL] Clifton, TX Post Office 76634

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

To whom it may concern,

Dear Postmaster General,

The Clifton post office is the most unorganized business I have ever dealt with in my life. We are currently on the third lost package in a two week time period. At first I was very appreciative of Lawrence who is a counter worker in how concerned he was about his customer. However, time changed that thought very quickly. So all three packages had the same conversations and same answers so let me explain.
On the first call about my missing package, the online tracking said unable to get to my driveway/mailbox. My door is right off a main highway! So how?? They put a little package in my mailbox that said "DO NOT BEND" and guess what.. they shoved it in and my prints were ruined. So how do I get one package but the other one said unable to deliver? Ok, so moving on. I called the next day about it and the package had disappeared. We wait three days and the package still has not shown up. Luckily the company sent me another item.

On the second call about missing a package the online with the tracking typed in said “delivered at front door” I asked why is my package missing if it is said to be delivered at front door. The answer I was told time after time was that they have a policy at their post office that when they run end of day it has to be 100% delivered from all of the carriers. I therefore asked ok well what about if you come back with my package and he said well the next morning we just have to

AMERICAN OVERSIGHT

remind each other to unscan and rescan for it to go back out that next day. Well guess what... THEY DO NOT KNOW WHERE THE PACKAGE WENT, and again I should call the company and they can resend me what I ordered. I think that is absolutely absurd and plain out irresponsible.

My thought is does the state or postmaster general give out incentives or awards to post offices that have 100% end of days for a certain amount of days or what? I would love an explanation but nobody at the office in Clifton, Tx can explain that to me. Actually, to the extent of I got told on the phone by Lawrence “I am just speechless” like what you are speechless you cannot even explain to me the reasoning behind how your policy makes you turn in 100% every single day. I know why because you do not want to look bad for losing all of these packages obviously. Luckily my family has always lived outside this beautiful town and I know everyone and my packages are not the only ones lost. One of them was actually told by the clerk that well if it is an amazon package just call them because they will reship or just refund it back to you. How careless about your job can you actually be to say that to someone. This last package I was told it was lost from being scanned in at the dock to being delivered to my house and hmm what did it happen to be make up so yes I am sure it is gone. I was assured that all of my packages made it to the location because it was scanned in and out so where are they going is my question? How am I going to get refunded for this last package because the company is not going to send me another package of makeup already tried. Clifton post office says well sorry about your luck basically because they are “speechless.” I am tired of over and over hearing well wait 2-3 days and hopefully it is going to show up and we will call you. Well it has been three days no word from them so what is my next step?

I appreciate everybody that works and I know that mistakes can be made and that is perfectly fine. I am just tired of the same carelessness excuses time after time. Please have someone look into this location and/or advise me on what my next step should be, thank you!

Regards,

(b)(6)

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Wednesday, April 22, 2020 1:00 PM
To: Nagisa Manabe
Subject: Re: [EXTERNAL] Wow!

How are you Nagisa? I trust you and your family are well.

We are continuing to fight the good fight and ensure relief for USPS is included in the next stimulus package. May I ask, (b)(5)

Just released our latest commercial - stock footage given inability to shoot new images [redacted] (b)(5) [redacted] (b)(5) [redacted] (b)(5)

Hope to have [redacted] (b)(5) [redacted] the future - [redacted] (b)(5) [redacted]

Stay safe.

Megan

On Apr 22, 2020, at 12:15 PM, Nagisa Manabe [redacted] (b)(6) [redacted] wrote:

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

I guess this is your moment. (b)(5)

Hope I see you again soon, Nagisa

Nagisa Manabe, Executive Director NOFA NJ<http://nofanj.org>
[redacted] (b)(6) [redacted]
[https://docs.google.com/uc?export=download&id=18uKm2feNXHNsOo-juxnWjdcwF2CBe2La&revid=0B0DtLM9XhkkoZkplZ2dxUXdYQjc3eVdmTEExRlRibTNVT1JzPQ]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Wednesday, April 22, 2020 7:17 AM
To: Seaver, Kristin A - Washington, DC; Williams Jr, David E (COO) - Washington, DC; Marshall, Thomas J - Washington, DC; Stroman, Ronald A - Washington, DC; Krage Strako, Jakki - Washington, DC; Grossmann, Luke T - Washington, DC
Subject: Two-thirds in new poll support vote-by-mail in November election | TheHill

[redacted](b)(5)[redacted]

https://thehill.com/homenews/campaign/493915-two-thirds-in-new-poll-support-vote-by-mail-in-november-election

Two-thirds in new poll support vote-by-mail in November election

Justine Coleman04/21/20 02:23 PM EDT

Two-thirds of voters in a new poll said they support voting by mail for the November election.

The NBC News-Wall Street Journal poll released Tuesday found that 67 percent of polled registered voters approve of this year's election being held through the mail.

That includes 58 percent who said voting by mail should be a permanent change and 9 percent who said it should only be allowed this year due to the coronavirus pandemic.

A total of 29 percent of respondents said they are against voting by mail for this and future elections.

A majority of respondents in the poll, 58 percent, said they generally approve of voting by mail, while 39 percent do not.

Voting by mail has seen an uptick in support over the past couple decades, NBC noted.

By comparison, a Pew News Interest Index poll in February 1996 found 48 percent of respondents supported mail-in voting, while 47 percent opposed.

The results of the new poll were split along partisan lines. The poll found that 88 percent of Democrats, 69 percent of independents and 44 percent of Republicans support mail-in voting for this election or generally.

AMERICAN OVERSIGHT

Among those who would support a permanent change, 82 percent are Democrats, 61 percent are independents and 31 percent are Republicans.

This year, more than a dozen states have delayed presidential primary elections or changed to all-mail formats. Five states already conduct elections fully by mail, and more than half allow voters to submit absentee ballots through the mail.

Democrats in Congress have called for a requirement for states to allow mail-in voting and for $4 billion in federal aid to assist in the expected increase in absentee voting in the fall if the coronavirus crisis continues. But Republicans, including President Trump, argue that mail-in voting would increase the likelihood of fraud.

The NBC-Wall Street Journal poll surveyed 900 registered voters April 13-15 and has a margin of error of 3.27 percentage points.

The U.S. has the most coronavirus cases and deaths in the world, with more than 800,000 cases and 43,600 deaths, according to data from Johns Hopkins University.

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted] (b)(6)
Sent: Tuesday, April 21, 2020 12:57 PM
To: Walker, Janice D - Washington, DC
Cc: Marshall, Thomas J - Washington, DC; Latham, Sandra R - Washington, DC; Stavely, Rhonda J - Washington, DC
Subject: Re: Las Cruces Sun News Column re: USPS Appreciation

[redacted] (b)(5) [redacted]

(b)(5)

Thanks,

Megan

On Apr 21, 2020, at 12:47 PM, Walker, Janice D - Washington, DC <J[redacted] (b)(6) [redacted] wrote:

FYI, will be in tomorrow's report.
https://www.lcsun-news.com/story/opinion/columnists/2020/04/19/post[redacted]fices-models-governance-and-republican-civic-virtue-public-service-privatization-usps/5159401002/

The only White House job I would ever take is Postmaster General. This is why Algernon D'Ammassa, Las Cruces Sun-News Published 6:00 a.m. MT April 19, 2020

Like many reading this, I have been working (and spending almost all of my time) at home lately. For me, that means the brisk walks I depend on to clear my mind are around my home in Deming rather than the streets of downtown Las Cruces.

On payday, I took a walk to the post office to fill up on stamps, ambling down sidewalks built during the Great Depression that still bear the stamp of the Roosevelt-era Works Progress Administration.

The Deming, New Mexico post office on Spruce Street, built in 1937, is also a product of that era: A modest brick building with a small footprint in an understated neoclassical style fitting for a government building.

The lobby, that sliver of the facility available for public view, has a tile floor and high ceilings framed by antique post office boxes that are still in service — including the one I rent.

Overhead there still hangs the mural by Kenneth Miller Adams showing Cookes Peak amid a desert landscape, commissioned by the federal government when it was putting artist and artisan alike to work as part of the New Deal.

An unused extension of the federal building dating from the Johnson administration presents, visible through locked glass doors, a tiny lobby where reproductions of the U.S. Constitution are still on display and unused offices serve as default storage areas.

The architecture is prim, sturdy and inviting to the public without being gaudy. Would that our most prominent politicians emulated those features! Meanwhile, the railings show chipped paint, the door sometimes sticks and the roof used to leak in several places before they replaced it last year.

AMERICAN OVERSIGHT

There is also a stolid, dented beauty in the United States Postal Service vow “to provide the American public with trusted, affordable, universal service,” no matter where they live, with a variety of affordable products and services elevating use over profitability.

Some Americans dream of being a president or perhaps a military commander or attorney general. The only role I could ever stomach in any administration would be U.S. Postmaster General. I would prove a zealous and patriotic advocate, and part of my duty would be to rail against legislative efforts to break the postal service so that its assets can be sold off and the service privatized.

No doubt, I will hear from readers about checks lost in the mail and other imperfections, and even with that, the USPS is a proud rampart for the republican virtue of boring, benevolent governance and community service.

The agency’s role in interstate commerce and communications is not what it was in the 18th century, of course. For the last 50 years it has been a hybrid operation required to be self-funding, and yet for years it was also required to front advance payments to the fed, totaling tens of billions of dollars, for future retirement benefits (for workers not yet born).

Despite efforts by President Donald Trump to portray the USPS as broken and failing, quarterly reports available online indicate there is ample demand for the courier services and the infrastructure built over time by the USPS and which now prove useful for commercial competitors.

The USPS also provided basic banking services, such as simple savings accounts, as recently as the mid-1960s. It is not difficult to imagine additional ways the USPS could provide service and generate revenue, without the need to make a killing on behalf of shareholders.

Instead, more service is being spun out to commercial providers, and classic post offices like our handsome WPA-built facility in Deming are being sold: A giveaway of public wealth to private holders with different vows.

Desert Sage enjoys hearing from readers at adammassa@lcsun-news.com<mailto:adammassa@lcsun-news.com>. Find him on Twitter at @AlgernonWrites.

Kimberly Hallums
Public Relations Representative
Corporate Communications
United States Postal Service, HQ
[redacted](b)(6)[redacted] www.usps.com<http://www.usps.com/>
Telework Days: Tuesday and Thursday
<https://www.usps.com/>
<image001.png>
<https://www.facebook.com/usps>
<image002.png>
<https://twitter.com/uspshelp>
<image003.png>
<https://www.pinterest.com/uspsstamps/>
<image004.png>

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<image005.png>
<https://www.youtube.com/watch?v=WX16-52bHvg>
<image006.png>

AMERICAN OVERSIGHT

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted] (b)(6)
Sent: Saturday, April 18, 2020 8:05 AM
To: Jim Morrell
Subject: [redacted] (b)(6) [redacted] (b)(5)

Jim,

Attached is the draft - [redacted] (b)(5) [redacted]

It is a lengthy memo however, in my view, better to have more content to start; easier to edit.

Please review & provide feedback. [redacted] (b)(5) [redacted]

Please feel free to give me a call if you want to discuss. [redacted] (b)(6)

Thanks,

Megan

AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

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AMERICAN OVERSIGHT

[redacted]

(b)(5)

[redacted]

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(b)(5)

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(b)(5)

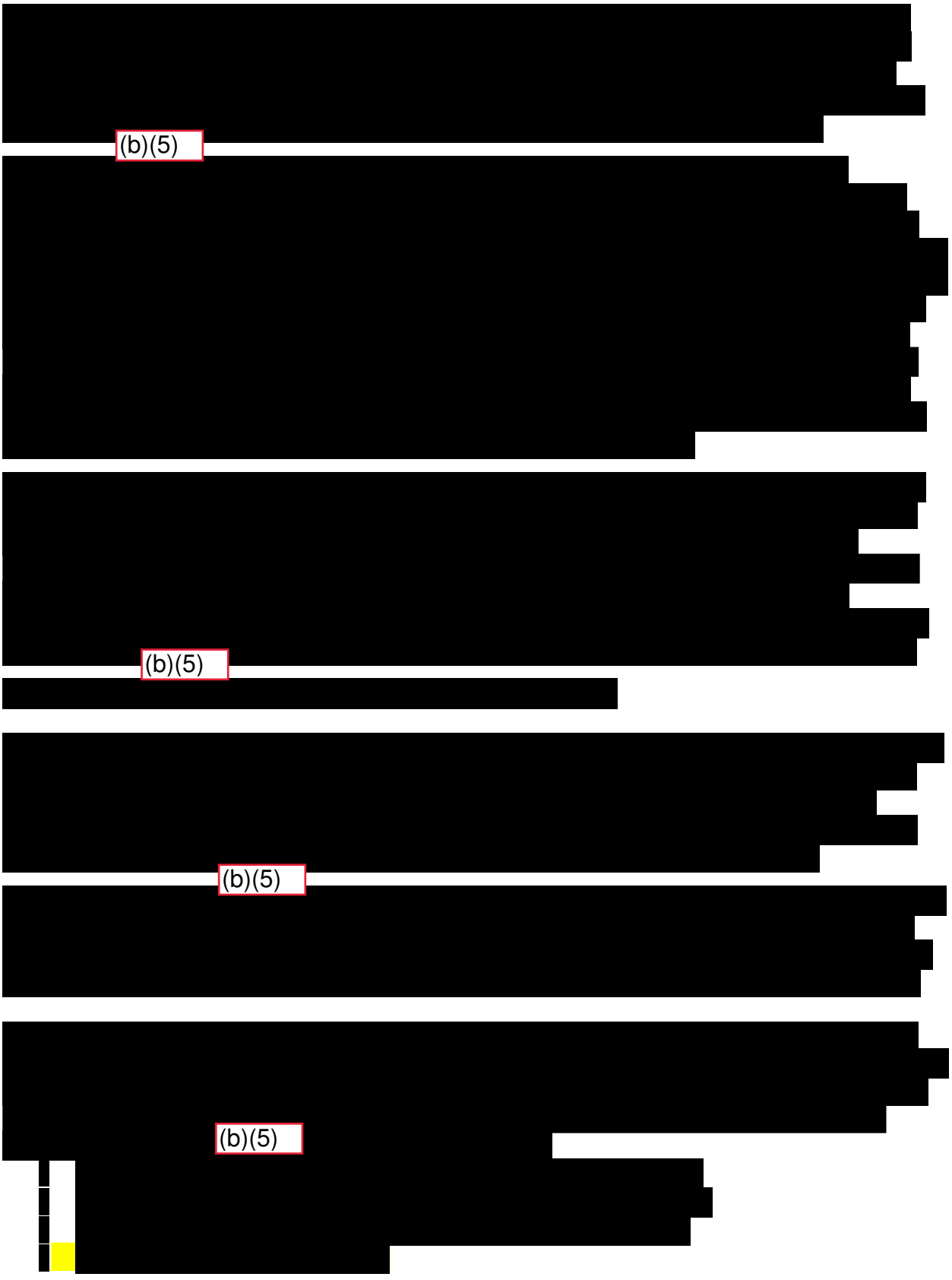
[redacted]

[redacted]

(b)(5)

[redacted]

AMERICAN OVERSIGHT



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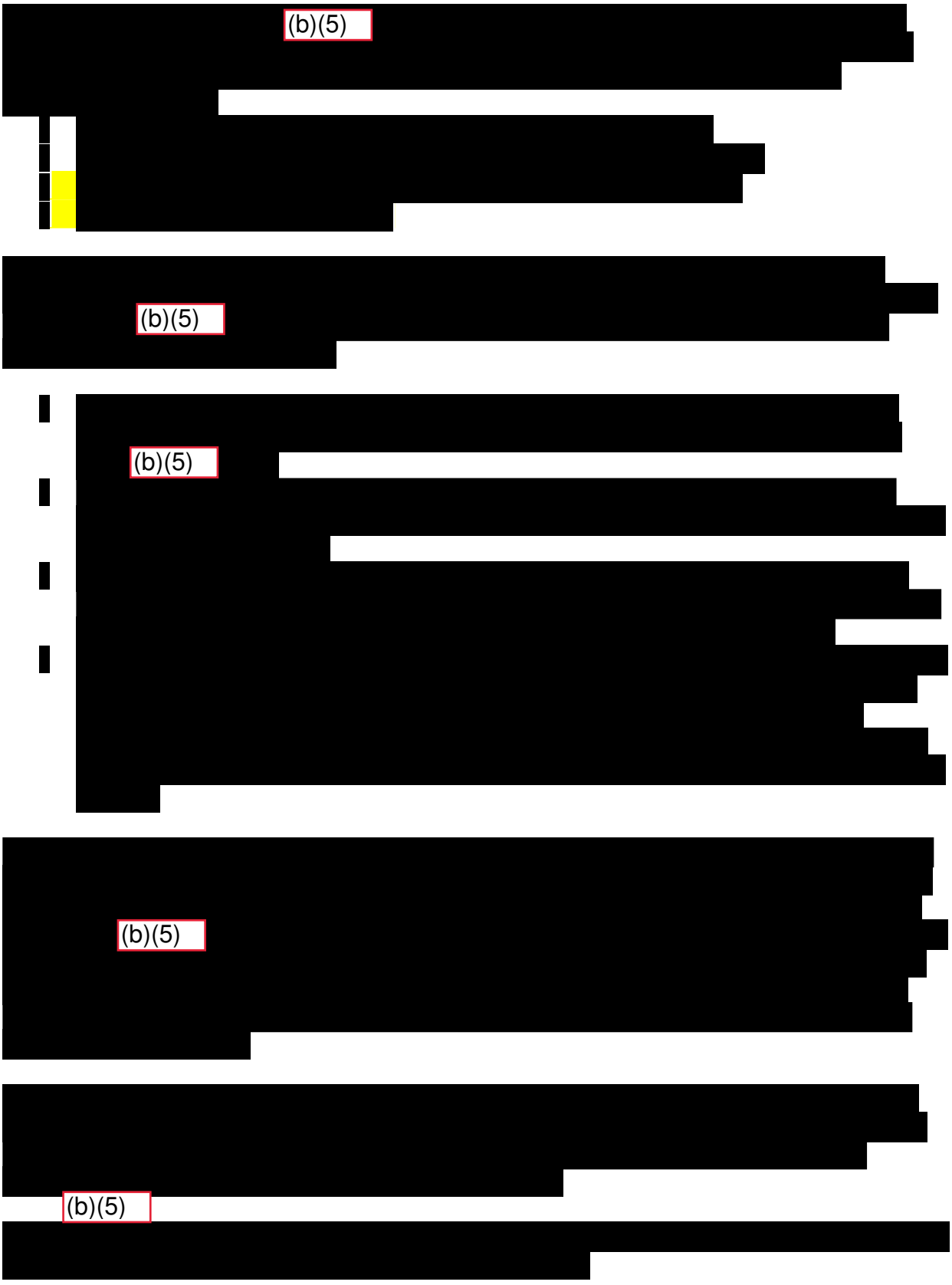

AMERICAN OVERSIGHT

- (b)(5)

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AMERICAN OVERSIGHT

[Robert M. Duncan] [Megan J. Brennan]

ALL OTHER BOARD MEMBERS

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Friday, April 17, 2020 6:37 PM
To: Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC
Subject: Fwd: [EXTERNAL] Future of the USPS

Thank you.

Megan

Begin forwarded message:

From: (b)(6) <[redacted](b)(6)[redacted]>
Date: April 17, 2020 at 2:44:59 PM EDT
To: Elizabeth Warren [redacted](b)(6)[redacted]
Cc: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]
Subject: [EXTERNAL] Future of the USPS

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Dear Postmaster General Megan Brennan,

As you are well aware, the US Government has required the funding of the USPS pension and health benefits to 75 years' of funding, which no corporation in the US is required to do.

https://www.bloomberg.com/opinion/articles/2018-04-04/congress-not-amazon-messed-up-the-u-s-postal-service

This requirement was passed under the privatization efforts of President George W. Bush and likely initiated by the corruption of the US Congress with help from the lobbyists of FedEx and UPS.

To save the People's Postal System, this bill of capitalist corruption entitled, " "Postal Accountability and Enhancement Act of 2006<https://www.govtrack.us/congress/bills/109/hr6407>" needs to be revoked. The bill pulls necessary operating capital for USPS and puts it into a pension fund, which is unnecessarily over-funded. The 2006 "law" has no intent other than the destruction of the USPS to favor the for-profit FedEx and UPS corporations, which will obliterate reasonable and accessible shipping costs for all Americans once the USPS is gone. The money is serving no purpose in this fund other than destroying the operating capital of the USPS, and this is by intent.

This law is not for any benefit but for the for-profit corporations. Where will the $400,000,000,000 after the successful Congress-sponsored destruction of the USPS?

The Democrats are supposed to be the "progressive" and "left-wing" side of the government : the one that is supposed to represent the People of this country in the government. After seeing the trillions of dollars of cash going for the corporations and their oligarchs, with nothing meaningful for the 99%, I am not impressed.

AMERICAN OVERSIGHT

Do something and challenge my view.

Thank you for your time, and I look forward to seeing an Amendment stuffed into a necessary bill next month that will save the People's Postal Service.

Sincerely,
(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]
Sent: Thursday, April 16, 2020 8:21 PM
To: Marshall, Thomas J - Washington, DC
Subject: Re: Response to Senator Charles Schumer's Request

Tom,

[redacted] (b)(5) [redacted]

Thanks,

Megan

On Apr 16, 2020, at 8:18 PM, Marshall, Thomas J - Washington, DC [redacted] (b)(6) [redacted]

By the way, the RE line in this email stream was on an unrelated topic.

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 7:44 PM
To: Brennan, Megan J - Washington, DC (b)(6) [redacted] Stroman, Ronald A - Washington, DC < [redacted] >
Subject: FW: Response to Senator Charles Schumer's Request

Fyi. I had my (b)(5) yesterday via ZOOM.

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 7:43 PM
To: 'Martin, Lisa' [redacted] (b)(6) [redacted]
Subject: RE: Response to Senator Charles Schumer's Request

Lisa, as I mentioned yesterday, [redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

AMERICAN OVERSIGHT

(b)(5)

(b)(5)

From: Martin, Lisa [mailto (b)(6)]
Sent: Thursday, April 16, 2020 3:59 PM
To: Marshall, Thomas J - Washington, DC (b)(6) >
Subject: [EXTERNAL] RE: Response to Senator Charles Schumer's Request

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
We're trying to summarize your description of the USPS (b)(5)

(b)(5)

From: Marshall, Thomas J - Washington, DC (b)(6)
Sent: Thursday, April 16, 2020 3:52 PM
To: Martin, Lisa < (b)(6)
Subject: RE: Response to Senator Charles Schumer's Request

No worries, and sorry for my tardiness.

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

From: Martin, Lisa [mailto: (b)(6)
Sent: Thursday, April 16, 2020 3:19 PM
To: Marshall, Thomas J - Washington, DC < (b)(6)
Subject: [EXTERNAL] RE: Response to Senator Charles Schumer's Request

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thanks, Tom

AMERICAN OVERSIGHT

From: Pangilinan, Regina K - Washington, DC <[redacted] (b)(6) [redacted]> On Behalf Of Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 2:39 PM
To: [redacted]; Marshall, Thomas J - Washington, DC <[redacted]>>; Whitcomb, Tammy L. <[redacted] (b)(6) [redacted]>; Martin, Lisa <[redacted]; Calamoneri, Kevin A - Washington, DC [redacted]; Donahue, Ray E - Washington, DC [redacted]
Subject: Response to Senator Charles Schumer's Request
Importance: High

Good Afternoon,

Please see the attached letter from Thomas J. Marshall, General Counsel for the United States Postal Service. [redacted] (b)(5) [redacted]

If you have any questions regarding this letter please contact Ray Donahue via email at [redacted] (b)(5) [redacted]

Thank you.

Regina K. Pangilinan
Office of the General Counsel
and Executive Vice President
United States Postal Service
475 L'Enfant Plaza, SW, Rm 6100
Washington, DC 20260-1100
(b)(6) [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Thursday, April 16, 2020 4:15 PM
To: Elston, Michael J - Washington, DC
Cc: Krage Strako, Jakki - Washington, DC; Marshall, Thomas J - Washington, DC
Subject: Re: Amazon Questions/Request

[redacted](b)(5)[redacted].

Thanks,

Megan

On Apr 16, 2020, at 4:09 PM, Elston, Michael J - Washington, DC <[redacted](b)(6)[redacted]> wrote:

Jakki and Megan,

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

Thanks,
Mike

From: Krage Strako, Jakki - Washington, DC
Sent: Thursday, April 16, 2020 2:08 PM
To: Elston, Michael J - Washington, DC <[redacted](b)(6)[redacted]>; Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Cc: Marshall, Thomas J - Washington, DC <[redacted](b)(6)[redacted]>
Subject: RE: Amazon Questions/Request

Mike
Per your request, [redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

If you have any questions after reviewing the responses, please contact me.

AMERICAN OVERSIGHT

From: Elston, Michael J - Washington, DC
Sent: Monday, April 13, 2020 1:00 PM
To: Brennan, Megan J - Washington, DC [redacted]
Cc: Marshall, Thomas J - Washington, DC [redacted] (b)(6) [redacted] v>>; Krage Strako, Jakki - Washington, DC [redacted] >
Subject: Amazon Questions/Request

Megan,

Over the weekend, [redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Thursday, April 16, 2020 2:09 PM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Let's save our Post Office!

Thanks,

Megan

Begin forwarded message:

From: [redacted] <[redacted]
Date: April 16, 2020 at 2:08:36 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted]
Subject: [EXTERNAL] Let's save our Post Office!

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Dear Ms. Brennan,

I am very concerned about Trump's recent threats to do away with our Post Office, saying that it is falling on hard times. It seems to me that this would be the time to support our legendary institution, rather than abandon it, although he may want to abolish the P.O. as a way to suppress mail-in ballots in the fall.

As a way to become more solvent, I would suggest that the USPO raise the cost of stamps. I know you just raised the cost from 0.50 to 0.55, but I would suggest an additional raise to 0.75, or $15.00 per book. This is still a bargain! These are hard times, and I think that the American people would embrace this change. I just mailed a birthday card to my sister in Seattle. Even if the airlines were running normally now, I doubt that I'd be able to fly there and back for 0.75!

Secondly, I would eliminate Saturday mail service. In rural communities across the country, such as my own, think of the savings in gas and vehicle maintenance this change would effect!

As far as package mail, the point could be made that there are millions of Americans without computers, so that Amazon is not an option. Also, there are many people, like me, who don't want to give out their credit card numbers on-line, nor do they want to support Jeff Bezos, who has no regard for his employees' health or financial well-being. As far as package mail by FedEx or UPS, I live in the country and have no clue as to the nearest such facility, but I do know where my Post Office is. These points need to be made to the powers-that-be, in order to help justify your continued existence and service.

Sincerely,

[redacted]

AMERICAN OVERSIGHT

Sent from Mail<https://go.microsoft.com/fwlink/?LinkId=550986> for Windows 10

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC (b)(6)
Sent: Thursday, April 16, 2020 1:56 PM
To: Guilfoil, Mark A - Washington, DC
Subject: FW: 100 million masks a day

Thank you.

Megan

From: Laura Amsden [mailto: (b)(6)
Sent: Thursday, April 16, 2020 1:54 PM
To: Ortiz, Jimmy - Washington, DC < (b)(6) >
Cc: Brennan, Megan J - Washington, DC >
Subject: [EXTERNAL] 100 million masks a day

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Bella+Canvas is the largest producer of face masks in the U.S. We are producing 100 million face masks/week and can service the needs of USPS. Please see video below:

https://vimeo.com/401466080
[https://ci4.googleusercontent.com/proxy/j7jKC9390bL6E4Ps32Ab55IAC6ZTm6BchDh9caxSsVtZPB-Um7uLuUKEzdnI-3DCu39XSnGbqdZ4ASVQbpFfayw9gOLCDeLZe4_tVbc_j5wa8zHX=s0-d-e1-ft#https://www.bing.com/th?id=OVP.Hglh9hUL9cibrlQk38cGKAEsCp&pid=Api]<https://vimeo.com/401466080>

BELLA+CANVAS - FACE MASK INITIATIVE<https://vimeo.com/401466080>
This is "BELLACANVAS_FACEMASKS_1920X1080_FINAL 3 no email" by BELLA+CANVAS on Vimeo, the home for high quality videos and the people who love them.
vimeo.com<http://vimeo.com/>

With the CDC's recent recommendation for everyone to wear masks moving forward, I wanted to reach out to you since our CA based company can help service your employees with face masks. Amazon, Target and Starbucks are a few of the quick to respond companies that have reached out to Bella+Canvas to service masks to all their employees within the last week.

Please let me know if you would like to have a conversation.

Laura Amsden
Account manager
Bella Canvas
(b)(6)

AMERICAN OVERSIGHT

[https://ci5.googleusercontent.com/proxy/ObaRyQY0XJUTgifcwAeD7LNb6SAC1O-RFZ_w2fGCeMLB-tXjrGBBFwlzMmOCJjgw_uQCKZG5EA6YRU7swzAFOX_c2oyHEH7teTSHbOLnKJZdhPH0r4IuGm1pJFVNZVJLQjuL7D1yeQUQ1k8meeercvPHW3lkl1043-ROv0zeRtPde1B8ZGELkBFcc1UUi5nBVXAunII3FBF39PPCtxICj70lyoZWy5ra5ua4a8ZhzB_kle9HTJAhgfZxHZtRY8egUbNV8zkH=s0-d-e1-ft#https://www.google.com/s2/u/1/photos/public/AIbEiAIAAABDCMbA9d613MfkfSILdmNhcmRfcGhvdG8qKGUyOTdkNzY5YjNhYjRmODU1NjljMDBlYTBlYWFhNmNmMTEyNmI1MzgwAReddXETaD0oDL4iJZdcMjw1pgA7?sz=80]

Disclaimer

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]
Sent: Thursday, April 16, 2020 7:42 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Re: Hotline Complaint

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <[redacted](b)(6)[redacted]
Date: April 15, 2020 at 11:40:07 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted](b)(6)[redacted]
Cc: "[redacted](b)(6)[redacted]
Subject: [EXTERNAL] Re: Hotline Complaint

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

OIG BE ADVISED!!! DO NOT CONTACT me anymore on this incident!

This is your 3rd reply with the same information. I have already resolved this at the local level.

CEASE COMMUNICATION!!! NOW!!! * DO NOT CONTACT *

Do yourself a favor and read your own guidelines on 'Misconduct' of USPS employees.
It CLEARLY fail in that category. The situation has been resolved. No thanks to you!

Your DISRESPECT has been noted. Your FAILURE to resolve it has been noted.

Any further REPLYS will be considered HARASSMENT and I will take legal action
through Department of Defense. STOP contacting me!!!

Go deliver the mail in a professional manner, and we will get along just fine.

Have a nice day! [https://s.uicdn.com/3c-cdn/mail/client/wicket/resource/static-res/---/mc/img/smileys/default/s_16.gif]

Retired Counselor

(b)(6)

AMERICAN OVERSIGHT

Semper Fidelis ... Marines ROCK!

Sent: Tuesday, April 14, 2020 at 10:39 AM
From: "OIG" (b)(6) [redacted]
To: [redacted] (b)(6)
Subject: Hotline Complaint
After careful review, we have determined the U.S. Postal Service Consumer and Industry Contact Office is the proper office to handle your concern. We have forwarded this inquiry to your local consumer affairs office for direct response to you.

Please direct all further inquiries to the office noted below. We have no further information to provide now that your concern has been forwarded.

For further information, please contact:

USPS Consumer and Industry Contact Office P.O. Box 31631 Louisville, KY 40231-9631
(502) 473-4220, (502) 473-4221 or (800) ASK-USPS (800-275-8777)

Thank you for contacting the Postal Service Office of Inspector General Hotline.

Sincerely,
The OIG Hotline Team Submitted On Sunday, March 15, 2020 - 13:27 Submission ID: 25029 I am a...: USPS Customer Do you wish to remain anonymous?: No Do you want confidentiality?: Yes Are you willing to be interviewed?: Yes Full Name: (b)(6) [redacted] (b)(6)
[redacted]
(b)(6) [redacted]
When did the misconduct occur?: 2020-03-15 Who committed the alleged misconduct/wrongdoing?
USPS employee in a USPS van. Received (2) packages on a Sunday in my mail box from Amazon. This was NOT the normal carrier. The red flag was up and a letter in the box to be taken. Postage prepaid stamp for PVA.org. Carrier shoved (2) packages into the mail box damaging the letter / slammed it shut and FAILED to take the letter. I heard the noise and came to the curb as he was getting into the van. Leaving the flag up and failed to respond when I called to him as he got into the USPS van and slammed that door. I did not get a good look at him. He then left the scene.
What are the facts?
Failed to take postal letter, failed to put flag down, damaged outgoing envelope. Ignored customer and left the scene. This was NOT the regular carrier. UNSAT. Slamming the mail box was unprofessional. I wish to press charges against USPS employee. I have copies of the mail labels from Amazon. Previous incidents with your part timers has caused this situation to escalate. I intend to pursue this further at your 800 number.
Where did the misconduct/wrongdoing occur?
553 Newbury Way mail box by the curb.
How was the misconduct/wrongdoing committed?
Failed to take letter, damaged outgoing letter, slammed mail box lid, and refused to communicate with customer.
Do you have first-hand knowledge of the misconduct/wrongdoing?
Yes
Where can we obtain additional information concerning the misconduct/wrongdoing?
N/A
Who else might be aware of the misconduct/wrongdoing?
The part time USPS employees have a habit of misconduct at (b)(6) [redacted]. Previous incidents not reported.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Wednesday, April 15, 2020 3:38 PM
To: Krage Strako, Jakki - Washington, DC
Subject: FW: % of revenue
(b)(5)

Thank you.

Megan

From: Grossmann, Luke T - Washington, DC
Sent: Wednesday, April 8, 2020 11:27 AM
To: Brennan, Megan J - Washington, DC <(b)(6)
Subject: FW: % of revenue

Megan – as requested. Thanks, - Luke

From: Coleman, Kimberly A - Washington, DC
Sent: Wednesday, April 8, 2020 11:17 AM
To: Grossmann, Luke T - Washington, DC <(b)(6)
Subject: RE: % of revenue

Luke,

(b)(5), (b) of revenue through (b)(5), attached.

Regards,
Kim Coleman | Manager, Revenue Analysis (A) | USPS
475 L'Enfant Plaza SW RM 8537 | Washington, DC 20260-0800 | (b)(6)

From: Grossmann, Luke T - Washington, DC
Sent: Wednesday, April 08, 2020 7:30 AM
To: Coleman, Kimberly A - Washington, DC <(b)(6)
Subject: FW: % of revenue

Kim – can you please update this. Thanks, - Luke

From: Brennan, Megan J - Washington, DC
Sent: Wednesday, April 8, 2020 7:23 AM
To: Grossmann, Luke T - Washington, DC <(b)(6)
Subject: FW: % of revenue

Luke,

Will you have your team update please – close out FY 18 & FY 19.

AMERICAN OVERSIGHT

Thank you.

Megan

From: Grossmann, Luke T - Washington, DC
Sent: Wednesday, August 7, 2019 10:03 AM
To: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]
Subject: RE: % of revenue

Megan:

Please see attached. Note, we included FY18YTD for comparison purposes to FY19YTD.

Thanks,

- Luke

From: Brennan, Megan J - Washington, DC
Sent: Wednesday, August 7, 2019 8:38 AM
To: Grossmann, Luke T - Washington, DC <[redacted] (b)(6) [redacted]
Subject: FW: % of revenue

Luke,

Will you please have the team update to include YTD data or projected FY 19.

Thank you.

Megan

From: Grossmann, Luke T - Washington, DC
Sent: Friday, November 9, 2018 4:20 PM
To: Brennan, Megan J - Washington, DC <[redacted]>>; Nickerson, Stephen J - Washington, DC [redacted] (b)(6) [redacted]>>
Subject: RE: % of revenue

Megan:

Please see attached, the team got everything they needed faster than expected.

Thanks !

- Luke

From: Brennan, Megan J - Washington, DC
Sent: Friday, November 9, 2018 3:44 PM
To: Nickerson, Stephen J - Washington, DC <[redacted]>>
Cc: Grossmann, Luke T - Washington, DC [redacted] (b)(6) [redacted]>
Subject: FW: % of revenue

AMERICAN OVERSIGHT

Steve,

Will you please update with FY 18 data.

Thank you.

Megan

From: Brennan, Megan J - Washington, DC
Sent: Thursday, March 29, 2018 2:52 PM
To: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]
Subject: FW: % of revenue

From: Nickerson, Stephen J - Washington, DC
Sent: Thursday, March 29, 2018 11:41 AM
To: Brennan, Megan J - Washington, DC
Cc: Rayfield, Amber - Washington, DC; Corbett, Joseph - Washington, DC
Subject: RE: % of revenue

See attached

From: Brennan, Megan J - Washington, DC
Sent: Thursday, March 29, 2018 10:59 AM
To: Nickerson, Stephen J - Washington, DC <[redacted]>>
Cc: Rayfield, Amber - Washington, DC <[redacted] (b)(6) [redacted] v>>; Corbett, Joseph - Washington, DC <[redacted]>
Subject: FW: % of revenue

Please update for 2017 if possible right away.

Thank you.

Amber (on behalf of Megan)

From: Grossmann, Luke T - Washington, DC
Sent: Tuesday, January 3, 2017 12:30 PM
To: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Subject: RE: % of revenue

Megan:

Please see attached.

Happy New Year !

- Luke

From: Brennan, Megan J - Washington, DC
Sent: Thursday, December 29, 2016 2:03 PM
To: Grossmann, Luke T - Washington, DC <[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

Subject: FW: % of revenue

Luke,

Will you please update this next week based on EOFY16.

Happy New Year.

Thanks,

Megan

From: Grossmann, Luke T - Washington, DC
Sent: Monday, August 08, 2016 11:00 AM
To: Brennan, Megan J - Washington, DC
Subject: RE: % of revenue

Megan:

Please see attached. The (b)(5), (b)(3), and projected year end came from Sales, and the expected revenue is from our current year end projection.

[redacted]
(b)(5)
[redacted]

[redacted]

[redacted]
(b)(5)
[redacted]

[redacted]

[redacted]

(b)(5)
[redacted]

[redacted]

[redacted]

(b)(5)
[redacted]

[redacted]

[redacted]

AMERICAN OVERSIGHT

[redacted]
(b)(5)
[redacted]

[redacted]

[redacted]
(b)(5)
[redacted]

[redacted]

Thanks,

- Luke

From: Brennan, Megan J - Washington, DC
Sent: Monday, August 08, 2016 9:44 AM
To: Grossmann, Luke T - Washington, DC <[redacted] (b)(6) [redacted]
Subject: % of revenue

Luke,

[redacted] (b)(5) [redacted]

(b)(5), (b)(3), 410(c)(2)

Thanks,
Megan

AMERICAN OVERSIGHT

% of Total Revenue	FY2016	FY2017	FY2018	FY2019	FY2019 Q1YTD	FY2020 Q1YTD
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted] (b)(5) [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

- [redacted]
- [redacted]
- [redacted]

AMERICAN OVERSIGHT

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Tuesday, April 14, 2020 6:13 PM
To: Krage Strako, Jakki - Washington, DC
Cc: Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Subject: Re: (b)(5), (b)(3), 410(c) (2)

Jakki,

We will discuss; n [redacted] (b)(5) [redacted]
[redacted] (b)(5)

Thanks,

Megan

On Apr 14, 2020, at 4:59 PM, Krage Strako, Jakki - Washington, DC < [redacted] (b)(6) [redacted] > wrote:

Megan
The (b)(5), (b)(3), 410(c) [redacted]
[redacted] (b)(5)

[redacted] (b)(5)

[redacted] (b)(5) [redacted] .

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted (b)(6)]
Sent: Tuesday, April 14, 2020 6:11 PM
To: Walker, Janice D - Washington, DC
Subject: Re: New York Magazine story

[redacted (b)(5)].

Thanks,

Megan

On Apr 14, 2020, at 5:57 PM, Walker, Janice D - Washington, DC [redacted (b)(6)] v> wrote:

FYI and attached are other updated stories on the stimulus ask. Thanks.

https://nymag.com/intelligencer/2020/04/the-postal-service-bailout-coronavirus-covid-19-congress.html

4:05 P.M.
The Postal Service Deserves a Permanent Bailout By Eric Levitz<https://nymag.com/author/eric-levitz/>@EricLevitz<http://twitter.com/EricLevitz>

Imagine if the United States had a federal agency so well run that it had maintained a 90 percent approval rating<https://www.people-press.org/2019/10/01/public-expresses-favorable-views-of-a-number-of-federal-agencies/> even as the public's trust in other institutions had cratered<https://news.gallup.com/poll/1597/confidence-institutions.aspx>. Imagine this entity also created hundreds of thousands of high-quality, middle-class jobs <https://money.cnn.com/2013/02/06/news/economy/postal-worker-jobs/index.html> at a time when such positions were in short supply — while providing a valuable, publicly subsidized service to rural areas in desperate need of federal support<https://www.politico.com/newsletters/morning-agriculture/2019/11/14/the-economic-gap-in-rural-america-782365>.
Now, let's say that some historic calamity dealt the U.S. a massive economic blow, triggering Great Depression–era levels of joblessness this year<https://nymag.com/intelligencer/2020/04/another-bloodbath-week-for-unemployment.html> and putting America on pace to suffer upwards of 9 percent unemployment through the end of 2021<https://www.cbo.gov/publication/56314>. Let's further stipulate that this crisis also happened to make the overwhelmingly popular agency's services indispensable for meeting consumers' needs<https://www.bostonglobe.com/2020/04/13/opinion/postal-service-has-never-been-more-valuable-or-more-endangered/> and preserving the integrity of U.S. elections<https://nymag.com/intelligencer/2020/04/seven-states-limit-voting-by-mail-to-trump-approved-groups.html>.
Finally, let's say American taxpayers could fully fund this hypothetical agency for about $14 billion a year<https://www.wsj.com/articles/postal-service-warns-of-22-billion-hole-from-coronavirus-11586463104> — in other words, for about one-tenth of the amount of money<https://nymag.com/intelligencer/2019/12/afghanistan-papers-ndaa-congress-defense-bill.html> Congress has added to the Pentagon's annual budget since Donald Trump took office. Would you describe this agency as disastrously unaffordable and demand that it slash jobs, reduce employee benefits, and cut service to low-density areas as soon as possible?
If you are President Trump, a congressional Republican, or a centrist Washington Post columnist<https://www.washingtonpost.com/opinions/a-disaster-brewed-for-years-in-the-postal-service-the-coronavirus-has-engulfed-it-in-crisis/2020/04/13/57ded354-7db0-11ea-9040-68981f488eed_story.html>, then the answer is yes.

AMERICAN OVERSIGHT

The agency I describe is, of course, not some utopian bureaucracy but the actually existing United States Postal Service (USPS). In real life, however, the USPS is not funded by congressional appropriations. Rather, since the 1970s, Congress has required the Postal Service to simultaneously:

• Finance its own operations, as though it were a business.

• Provide mail service to every part of the country — and charge Americans the same (affordable) postal rates no matter where they live, even if such Americans happen to reside in rural hinterlands that private carriers ignore because they cannot be profitably served.

This dual mandate was always a challenge. But as the internet's growth reduced demand for snail mail, it became nigh impossible for the USPS to meet both of these requirements without cutting jobs and employee compensation. And, in 2006, a Republican Congress deliberately made the agency's predicament worse<https://ips-dc.org/how-congress-manufactured-a-postal-crisis-and-how-to-fix-it/> by (needlessly) forcing it to prepay all its employees' pension and retirement health costs decades in advance. All this rendered the Postal Service technically insolvent<https://www.vox.com/2020/4/12/21218151/usps-bailout-privatization-amazon-trump> before COVID-19 made its presence felt in the U.S. Now that the crisis has also drastically reduced America's overall mail volume, the agency's revenue is in free fall. According to Postmaster General Megan Brennan, USPS will incur $22 billion in new losses over the next 18 months.

Congressional Democrats would like to help the Postal Service through this troubled time by providing it with a federal bailout. The Trump administration would like to use the agency's financial crisis to both force through cuts<https://home.treasury.gov/news/press-releases/sm566> to postal workers' compensation and (for God knows what reason) screw over its own rural base by allowing the agency to charge low-density parts of the country higher rates. The president, meanwhile, ostensibly wants the USPS to bilk Jeff Bezos until he stops funding journalism critical of Republicans<https://www.vox.com/2020/4/12/21218151/usps-bailout-privatization-amazon-trump> (this might be sound policy for punishing Trump's personal enemies, but it would not actually solve the Postal Service's funding woes<https://nymag.com/intelligencer/2019/12/if-trump-is-re-elected-he-will-come-for-your-amazon-prime.html>).

Trump may boast the most absurd (and blatantly corrupt) position in this debate. But Beltway centrists who present "structural reforms" to the USPS as an objective, apolitical necessity are arguably more dangerous. In truth, there's nothing wrong with the Postal Service's business model that can't be fixed by ceasing to run this essential government agency as though it were a business. The USPS' growing crisis of profitability presents America with a choice: It can maintain the Postal Service in its current form by providing the agency with federal funding, or it can force the agency to cut jobs, benefits, and service provision.

The Washington Post's Charles Lane does not want Americans to understand that the former is an option. Or at least this is what his recent op-ed on the subject<https://www.washingtonpost.com/opinions/a-disaster-brewed-for-years-in-the-postal-service-the-coronavirus-has-engulfed-it-in-crisis/2020/04/13/57ded354-7db0-11ea-9040-68981f488eed_story.html> would suggest. Observe how the columnist characterizes the Postal Service's plight to his readers:

For years, experts warned<https://www.washingtonpost.com/opinions/the-time-for-real-postal-reform-is-now/2012/04/14/gIQAA1oyHT_story.html?tid=lk_inline_manual_1&itid=lk_inline_manual_1> the federal government that a disaster<https://fas.org/sgp/crs/misc/R44603.pdf> was brewing, yet elected officials of both parties took no action.

And so here we are, scrambling to prevent a possible national tragedy, having squandered precious time that could have been spent preparing for the inevitable.

All of the above refers, of course, to the financial crisis engulfing that venerable, and vital, institution known as the U.S. Postal Service<https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/?tid=lk_inline_manual_3&itid=lk_inline_manual_3>.

… [T]he service amassed more than $77 billion in losses<https://www.govexec.com/management/2019/11/postal-service-doubles-annual-losses-88-billion/161317/> over the past 12 years, according to subsequent GAO analysis<https://www.gao.gov/key_issues/us_postal_service_financial_viability/issue_summary> … "Urgent" change was needed, the GAO said in 2010, to right-size a far-flung network of post offices and other USPS installations, and to reduce labor costs that accounted for 80 percent of spending.

AMERICAN OVERSIGHT

… Nothing fundamental was done, despite repeated legislative efforts, because Congress refused to act. Congress balked because beneficiaries of the status quo — subsidized commercial mailers, rural congressional districts and postal unions — resisted structural change.

Lane eventually allows that, in the present crisis, some federal aid to the USPS is "clearly warranted," but adds, "the agency cannot survive over the long term without the structural change that has been postponed for too long."
The columnist never acknowledges that the Postal Service was not always expected to cover its own costs, or that requiring it to do so was (and is) a political choice. Instead, he suggests that it is an objective, mathematical fact that the Postal Service "cannot survive" unless it slashes compensation for its workers and service for rural Americans.
This rhetoric is not only dishonest but dangerous. The COVID-19 pandemic has provided a harrowing object lesson in the importance of maintaining public faith in expert opinion. Many have rightly criticized the anti-vaxxer movement and right-wing cranks for undermining the trust in authorities on public health. But centrists who disguise advocacy for their tendentious policy preferences in appeals to "expert" opinion also bear some responsibility for the rising tide of anti-intellectualism.
In Lane's accounting, the Postal Service has lost about $6.4 billion a year over the past decade. Since Trump took office, the Pentagon's annual budget has grown by $130 billion. In other words, Congress could completely eliminate the Postal Service's "financial crisis" by (1) reducing the Defense Department's Trump-era raise by a tiny fraction, or (2) increasing America's annual deficit spending by a tiny fraction, or (3) raising federal taxes by a tiny fraction.
Why, exactly, should these policy options be viewed as so self-evidently absurd that a respected commentator can write as though they do not exist?
After all, America has no crisis of fiscal capacity<https://nymag.com/intelligencer/2020/02/pete-buttigieg-deficit-demagoguery-is-dangerous.html>. In recent weeks, Congress approved $2.2 trillion in deficit spending — and inflation remains undesirably low<https://www.ftadviser.com/investments/2020/04/09/the-outlook-for-inflation/> while the U.S. dollar remains stronger on international markets<https://fortune.com/2020/03/22/king-dollar-headache-global-economy-coronavirus/> than policy-makers would like. Simply put, if we can afford to reward the Pentagon's calamitous failures with a $130 billion bonus, we can surely afford to solve the Postal Service's financial problems by printing another $14 billion each year (or whatever single-to-low double-digit billion-dollar sum is required to defray the agency's losses).
What's more, if the present crisis has highlighted our country's immense fiscal capacity, it has also exposed America's dearth of state capacity<https://nymag.com/intelligencer/2017/05/is-america-becoming-a-failed-state.html>: America is a country that can painlessly inject trillions of dollars into its economy but can't actually put checks into its citizens' bank accounts without a few months of advance warning<https://www.cnbc.com/2020/04/02/paper-stimulus-checks-could-be-delayed-by-up-to-5-months.html>. In this context, maintaining a government agency that boasts functioning offices in every corner of the country might be more valuable than avoiding an infinitesimal increase in the federal deficit. For much of its history, the Postal Service provided Americans with a public option for basic banking services.<https://nymag.com/intelligencer/2018/04/kirsten-gillibrand-proposes-public-option-for-banking.html> If Congress gave the USPS the authority to reestablish such services, and offer all Americans a free bank account (as congressional Democrats have proposed), then the federal government would be able to dispense rapid relief to individuals in future crises and recessions, potentially averting many billions of dollars in lost economic activity in the process.
To be sure, one can reasonably argue that America has public needs more pressing than indefinitely maintaining six-day-a-week mail delivery, even as the internet steadily reduces demand for that service. Perhaps, if we could cut mail service to five days a week — and seamlessly transfer the resulting surplus of manpower and resources into green-energy projects or high-quality eldercare — we would be wise to do so. But in the United States we actually live in, a dollar saved on the Postal Service would very likely become a dollar earned for the beneficiaries of regressive tax cuts <https://www.washingtonpost.com/business/2020/04/14/coronavirus-law-congress-tax-change/> or the military-industrial complex.
Regardless, the case for cutting public jobs and restricting mail service in the middle of a pandemic-induced depression seems quite weak — so weak that its centrist proponents would rather deceive the public into believing there is no alternative than argue for their position forthrightly.

<CoronavirusStimulusMediaMonitoring41420.docx>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]
Sent: Tuesday, April 14, 2020 3:43 PM
To: Corbett, Joseph - Washington, DC; Marshall, Thomas J - Washington, DC
Cc: Berthold, Mark S - Washington, DC; Schafer, Elizabeth M - Washington, DC
Subject: RE: [EXTERNAL] Re: Treasury Call

Joe,

[redacted] (b)(5) [redacted]

Thank you.

Megan

From: Corbett, Joseph - Washington, DC
Sent: Saturday, April 11, 2020 8:54 PM
To: Brennan, Megan J - Washingt[redacted] (b)(6) [redacted]>; Marshall, Thomas J - Washington, DC [redacted]
Cc: Berthold, Mark S - Washin[redacted] (b)(6) [redacted]>; Schafer, Elizabeth M - Washington, DC [redacted]
Subject: RE: [EXTERNAL] Re: Treasury Call

Have been talking with [redacted] (b)(5), (b)(3), [redacted] (b)(5) [redacted] I'll follow up on Monday.
From: Brennan, Megan J - Washington, DC
Sent: Friday, April 10, 2020 3:13 PM
To: Corbett, Joseph - Washington, DC [redacted] (b)(6) [redacted]>>; Marshall, Thomas J - Washington, DC <[redacted]
Subject: Fwd: [EXTERNAL] Re: Treasury Call

Thoughts?
Thanks,

Megan

Begin forwarded message:
From: David Williams <[redacted] (b)(6) [redacted]
Date: April 10, 2020 at 3:12:24 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] Re: Treasury Call
Good Afternoon Megan
I know that you are furiously busy and it's hard to focus on the normal business opportunities

[redacted] (b)(5) [redacted]

Dave Williams

AMERICAN OVERSIGHT

Sent from my iPhone

On Apr 10, 2020, at 2:28 PM, Brennan, Megan J - Washington, DC
[redacted] (b)(6) [redacted] >> wrote:

Good afternoon Governors,

As information, Joe and Tom and several members of their teams had a call with Treasury yesterday afternoon

[redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

We will be prepared to discuss the situation further and to make our recommendations [redacted] (b)(5) [redacted]

Thank you.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Tuesday, April 14, 2020 12:08 PM
To: Walker, Janice D - Washington, DC
Cc: Marshall, Thomas J - Washington, DC
Subject: Vote by Mail

Do we have a reactive statement [redacted](b)(5)[redacted]

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Tuesday, April 14, 2020 6:12 AM
To: Cronkhite, Isaac S - Washington, DC
Subject: FW: [EXTERNAL] Re: Your Email to the PMG
[redacted] (b)(5) [redacted]

Thanks,

Megan

-------- Original message --------
From: [redacted](b)(6)[redacted]
Date: 4/13/20 8:52 PM (GMT-05:00)
To: "Kiernan, Kristen C - Clearwater, FL" [redacted](b)(6)[redacted]erry, Kenneth - Tampa, FL" [redacted](b)(6)[redacted]"Hardin, Stephen R - Tampa, FL" [redacted]"Brennan, Megan J - Washington, DC" <[redacted]>
Cc: "(b)(6) [redacted]
Subject: [EXTERNAL] Re: Your Email to the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Thank you for the response to my email.

I did return to work on Saturday April 4, 2020. I was required to give a current Ca17 which I handed (b)(6) a "copy" of my last two CA17's that morning prior to clocking in for work. The same copies I offered on Saturday March 28th 2020 and was denied to work, sent home, and clocked out without a 1260. I was clocked out after 30 minutes instead of the hour and thirty minutes I was there. This Mafia style management needs to stop. Still at that point I was not offered a job modification, but was allowed to work under the direction of (b)(6) and his determination of what these CA17's would allow of me. I have yet to see any medical certifications from any member of management in (b)(6) (b)(6) . I reported to work on Monday April 6th, 2020 and again was allowed to work under the direction of Scott Keith with out any offer of a job modification. This day I did my assigned route with under time. I was then directed to go help a new cca that had never done the route he was on and had a vehicle breakdown for more than three and a half hours. I was directed at the same time to go help a full time regular carrier on their route once I completed the first task. In all on April 6th, 2020 I carried the equivalent of two full routes in a single day. I have once again injured myself on this day. I do have an appointment with my MD and orthopedic DR on Wednesday March 15th 2020. With this injury there is great discomfort, sharp shooting pain, numbness in my right hand, and the inability to sleep at night.

The amount of volume in the times that are expected of me are far and beyond any expectation from any other carrier in (b)(6) (injured or not). I am held to standards double than my coworkers, while my coworkers are not held to

AMERICAN OVERSIGHT

any standards at all. This is retaliation. (b)(6) and the supervisors all know that I have three (3) DOL/OWCP approved injuries. I'm constantly harassed about my times and performances.

On September (b , 2019 I directly reported an injury in text with a picture of the injury to station Manager (b)(6) who was closing the main office that night and directly order me to go assist yet another carrier after doing a piece of a route, my own route, and helping a separate carrier. It took thirty (30) days to get a CA1 for a dislocated index finger on my right hand. I myself after 24 hours put my finger back into the joint.

I can not stress my concerns enough stated in my email to the postmaster general. Everything that employees are told to report I have reported and nothing is being done other than I'm being called a disgruntled employee. I have proof, time and time again of harassment, retaliation, and discrimination. I am in fear of my safety when I'm at work. I'm in fear of my own health when I'm at work.

Retaliation and harassment has become so prevalent that I am in fear of bodily harm including death under the management of (b)(6) . (b)(6) and his Hitler style of management have made it clear that they will NOT stop at nothing "anything" until I'm fired.

I'm in fear of my job as stated in my email to the PMG. I fear more retaliation and harassment from all levels of management in (b)(6) Despite the 20 or so II interviews I have been given in the last year and a half there is absolutely no discipline in my file.

(b)(6) demanding medical documentation is a violation of my right to privacy under the HIPAA act. I send my documentation to HRM if he needs information then HRM can let him know what restrictions I should have. This entire time under [redacted] (b)(6) [redacted] management has lost and misplaced my medic documentation. My medical documentation has been seen on supervisor desk, on the floor, on other carriers' ledge, thrown into drawers and discussed with other employees.

If there is no resolution the next letter is going to my representative, senator, and the POTUS and will be copied to the PMG FOR FAILURE OF ACTION.

It is appalling and embarrassing to be treated in this manner in front of my colleagues. I have never been told to leave so many times by an employer. This action is disturbing in itself. I hope for prompt action as I have tried to escalate all these behaviors and actions just to be labeled a disgruntled employee. I want to get better and be able to do my job without retaliation and harassment from a Mafia style management (b)(6) likes to dictate.

The 2499 can be emailed to Dr. (b)(6) [redacted] (b)(6) c/o (b)(6) r for review before I agree and sign it. If there is a problem with my doctor reviewing the job modification please explain in email and copy Dr. (b)(6) in the email.

If you have further questions please feel free to contact me at anytime via email at [redacted] (b)(6) [redacted]

This is from DOL

[cid:E9B84DCA-DBA6-4050-B303-A18BC05D194A]

On Apr 13, 2020, at 3:14 PM, Kiernan, Kristen C - Clearwater, FL (b)(6), (b)(3), 410(c)(2) wrote:

?
Mr. (b)(6)

I am currently the A/Manager of Human Resources for the Suncoast District. I read your recent email to the Postmaster General. I am sorry that you are so frustrated. Mr. (b) , the HRM Manager, has tried to contact you about returning to

AMERICAN OVERSIGHT

work. I want to be sure you know to report to work tomorrow. Your station manager has a job offer for you that is within your restrictions.

Please report to work tomorrow. If you have any further issues/concerns, please don't hesitate to contact me directly.

Thank you!

Kristen Kiernan
A/Manager Human Resources
Suncoast District
(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Monday, April 13, 2020 5:34 PM
To: Grossmann, Luke T - Washington, DC
Subject: [redacted](b)(5)[redacted] (b)(5), (b)(3), 410(a)(2) [redacted]

Please confirm

Thanks,

Megan

Begin forwarded message:

From: "Elston, Michael J - Washington, DC" [redacted](b)(6)[redacted]
Date: April 13, 2020 at 5:33:17 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted](b)(6)[redacted]
"Marshall, Thomas J - Washington, DC" [redacted]
Subject: [redacted] Amazon NSAs [redacted]

[redacted](b)(5)[redacted] Please clarify [redacted](b)(5)[redacted]

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
[redacted](b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Monday, April 13, 2020 4:13 PM
To: Wohlganger, Ed - Washington, DC
Subject: Fwd: [EXTERNAL] Lost Of Revenue, packages in mailroom

Thanks,

Megan

Begin forwarded message:

From: [redacted]
Date: April 13, 2020 at 4:10:20 PM EDT
To: [redacted]
Subject: [EXTERNAL] Lost Of Revenue, packages in mailroom

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Dear Post Master,

I have a solution for the lost of Revenue, many of the Package Couriers like Amazon, UPS, Etc. are using mailrooms as their drop off, instead of delivering to consumer's door. Why not make them pay more for their Packages? Sometime the mailroom is so full of packages, you cannot get into your mailbox. I live in a High-rise Building, on the first floor, Amazon will leave my packages in the mailroom instead of delivering to my door. Maybe you can put a Directive out prohibiting these Couriers from using the mailrooms as their drop off. L.A., CA. have a lot of High-Rise Buildings and Apartments, we pay these Couriers to deliver our packages to our door!

The complaints to Amazon Etc. are ignored. Maybe you can stop this practice.

Sincerely
[redacted]

Sent from my iPad

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Monday, April 13, 2020 12:30 PM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] WaPo Article today re: White House & your fight

[redacted](b)(6)

Megan

Begin forwarded message:

From: (b)(6) [redacted](b)(6)[redacted]
Date: April 11, 2020 at 1:36:04 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]>
Subject: [EXTERNAL] WaPo Article today re: White House & your fight

Dear Ms Brennan,

I know you most likely won't have time to read this I just wanted to write and express my support for the US Post Office and the important work you all do and continue to do for our nation every day. Some of us still depend on you to deliver much needed medication and other supplies to our homes in spite of what the ignorant leaders in the White House think.

Please continue to negotiate with Trump, you have all the leverage here. He only understands one thing punching back hard. Play hardball. Put out a tweet or statement suspending mail service due to lack of funding and the healthcare crisis.

Once his voters miss their IRS refund checks and COVID-19 relief checks, you can double down on your ask. He's a simple guy. He only wants one thing his re-election.

Good luck!

(b)(6)
Concerned Citizen

Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Monday, April 13, 2020 11:22 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Fw: Special Thanks to our U.S. Postal Service workers

Thanks,

Megan

Begin forwarded message:

From: "(b)(6) [redacted] (b)(6) [redacted]
Date: April 13, 2020 at 10:25:44 AM EDT
To: "Brennan, Megan J - Washington, DC" [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] Fw: Special Thanks to our U.S. Postal Service workers

FYI, I forwarded the below message to several news stations as possible to make sure much gratitude are show to all your postal employees.

----- Forwarded Message -----
From: (b)(6) [redacted]
To: [redacted]
(b)(6) [redacted]
Sent: Monday, April 13, 2020, 9:57:42 AM EDT
Subject: Special Thanks to our U.S. Postal Service workers

We must make every effort possible to give thanks and praise to all those deserving special recognition for a job well done! as we struggle as a nation to overcome the corona-virus pandemic. Most of the different news stations and televised shows are giving thanks to FedEx and Amazon, etc., but please DO NOT forget the timely services the nation continues to receive from U.S. Postal Service personnel that includes them receiving and delivering mail and special packages from our loved ones that are mostly ordered on-line from Amazon.

P.S. Lets recognize the fact that throughout the corona-virus epidemic the nation continues to receive our mail everyday and on time for the dedicated postal workers who are away from their loved ones to make sure we continue receiving our mail while struggling throughout the workday everyday with fears of contracting the corona-virus.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Monday, April 13, 2020 10:51 AM
To: Elston, Michael J - Washington, DC
Cc: Marshall, Thomas J - Washington, DC
Subject: Re: [EXTERNAL]

I don't think that is a (b)(5)

Thanks,

Megan

> On Apr 13, 2020, at 10:49 AM, Elston, Michael J - Washington, DC [redacted](b)(6)[redacted] wrote:
>
>
>
> -----Original Message-----
> From: M. -Mike- Duncan Robert [redacted](b)(6)[redacted]
> Sent: Monday, April 13, 2020 10:49 AM
> To: Elston, Michael J - Washington, DC <[redacted](b)(6)[redacted]>
> Subject: [EXTERNAL]
>
>
>(b)(5)
> Conversation
>
> Donald J. Trump
> @realDonaldTrump
> I am right about Amazon costing the United States Post Office massive amounts of money for being their Delivery Boy. Amazon should pay these costs (plus) and not have them bourne by the American Taxpayer. Many billions of dollars. P.O. leaders don't have a clue (or do they?)!
>
> Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted (b)(6)]
Sent: Monday, April 13, 2020 9:10 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Trump Stamp idea - to save the Postal Service

Thanks,

Megan

Begin forwarded message:

From: [redacted (b)(6)]
Date: April 13, 2020 at 9:04:31 AM EDT
To: "Brennan, Megan J - Washington, DC" [redacted (b)(6)]
Subject: [EXTERNAL] Trump Stamp idea - to save the Postal Service

Dear PMG,

I love the USPS. It clear the President is determined to put you out of business or privatize you probably all because of some personal problem he has with Amazon and Jeff Bezos. My long shot idea is for USPS to unveil either a Trump Postage stamp or a MAGA stamp or both. Better yet, he keeps calling for higher prices so charge $1.00 or $1.10 for it, but it still is only worth one first class stamp. Announce it now but schedule it to come out in 2021 so as to buy time. Trump's ego is so huge he very well may want to ensure the Postal Service endures long enough to see this come to fruition. It's a crazy idea, but he's a crazy person so it just might work.

I hope you will consider this idea and thank you for all you are doing for to save the Postal Service.

Thanks,

Joe

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Sunday, April 12, 2020 7:12 PM
To: Wohlganger, Ed - Washington, DC
Subject: Fwd: [EXTERNAL] IS THIS THE USPS OPERATES??? SAD!!!!!

Thank you.

Megan

Begin forwarded message:

From: (b)(6) <[redacted](b)(6)[redacted]>
Date: April 12, 2020 at 6:33:56 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]>
Subject: [EXTERNAL] IS THIS THE USPS OPERATES??? SAD!!!!!
Reply-To: [redacted](b)(6)[redacted]

I recently filed a complaint about this with the USPS, and got NO RESPONSE, NOTHING, NO CALL, NO NOTHING, except a survey was emailed to me asking if I was satisfied with how my complaint was handled. I'll try ONE MORE TIME, before I go to higher authorities.
I recently leased an apartment at (b)(6), Texas (b)(6)
The USPS has cluster boxes for residents to RECEIVE mail only, but NO BOX FOR OUTGOING LETTERS. Outgoing letters need to be dropped off at apartment leasing office during their normal office hours to be handed off to mailman, or I have to drive to the P.O. to mail a letter.
The large boxes to receive packages are OUT OF SERVICE. Packages are handed over to leasing office personnel and leasing personnel will disburse packages to residents. This is an unsecure area. . .people walking in and out off the street, maintenance people walking in and out . . .seems like a very questionable arrangement and out of the ordinary arrangement.
Recently the leasing office shut down because of Coronavirus . . .not receiving anything except rent money, no packages, no outgoing mail.
I was to receive a package of needed essentials from family last Friday. Package was returned to P.O., "attempted to deliver but did not have access to drop off location". My address and apt. number was on the package and nothing blocking path to my apartment, just ask Amazon, UPS, or FedEx. . . .they can find me. I'm (b) years old. I don't need to be chasing my mail all over exposing myself to this virus.
In other communities that I've lived in with cluster boxes, if large pkg. boxes were out of service, postal employees delivered packages to each individual address . . .NO, NOT DELIVERED TO BUILDERS SALES OFFICE OR HOA OFFICE. And there was a slotted box for outgoing letters so that people could mail their letters at anytime and not have to wait until sales office opened, or have to drive to P.O.
WHY IS THIS PLACE DIFFERENT??????

Sent from Yahoo Mail on Android<https://go.onelink.me/107872968?pid=InProduct&c=Global_Internal_YGrowth_AndroidEmailSig__AndroidUsers&af_wl=ym&af_sub1=Internal&af_sub2=Global_YGrowth&af_sub3=EmailSignature>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Sunday, April 12, 2020 7:11 PM
To: Marshall, Thomas J - Washington, DC
Subject: Re: Washington Post article on stimulus money and USPS

[redacted](b)(5)[redacted]

Thank you.

Megan

On Apr 12, 2020, at 5:45 PM, Marshall, Thomas J - Washington, DC <[redacted](b)(6)[redacted]> wrote:

[redacted](b)(5)[redacted]s.

Sent from my iPhone

On Apr 12, 2020, at 5:13 PM, Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]> wrote:

[redacted](b)(5)[redacted]

Thank you.

Megan

On Apr 12, 2020, at 4:47 PM, Marshall, Thomas J - Washington, DC [redacted](b)(6)[redacted]> wrote:

[redacted](b)(5)[redacted]

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 12, 2020 12:38 PM
To: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Subject: RE: Washington Post article on stimulus money and USPS

Happy to join.

AMERICAN OVERSIGHT

From: Brennan, Megan J - Washington, DC
Sent: Sunday, April 12, 2020 12:38 PM
To: Marshall, Thomas J - Washington, DC <t[redacted](b)(6)[redacted]>>
Subject: Re: Washington Post article on stimulus money and USPS

Absolutely [redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]
Thanks,

Megan

On Apr 12, 2020, at 12:34 PM, Marshall, Thomas J - Washington, DC
(b)(6)[redacted]v>> wrote:
Reinforces [redacted](b)(5)[redacted]

From: Brennan, Megan J - Washington, DC
Sent: Sunday, April 12, 2020 12:26 PM
To: Walker, Janice D - Washington, DC <[redacted](b)(6)[redacted]>>
Cc: Marshall, Thomas J - Washington, DC <[redacted](b)(6)[redacted]>>
Subject: Re: Washington Post article on stimulus money and USPS

[redacted](b)(5)[redacted]
Thanks,

Megan

On Apr 12, 2020, at 11:23 AM, Walker, Janice D - Washington, DC
<[redacted](b)(6)[redacted]>> wrote:
FYI below. Thanks.

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 10:44 AM
To: Walker, Janice D - Washington, DC <J[redacted](b)(6)[redacted]>
Subject: Re: Washington Post article on stimulus money and USPS

Thanks Janice
Sent from my iPhone

On Apr 12, 2020, at 10:35 AM, Walker, Janice D - Washington, DC
<J[redacted](b)(6)[redacted]>> wrote:
Ron,
His reply [redacted](b)(5)[redacted]

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 8:12 AM
To: Walker, Janice D - Washington, DC [redacted](b)(6)[redacted]>
Subject: Re: Washington Post article on stimulus money and USPS

AMERICAN OVERSIGHT

(b)(5) [redacted]

Thanks for checking.

Happy Easter!
Ron
Sent from my iPhone

On Apr 12, 2020, at 8:03 AM, Walker, Janice D - Washington, DC
[redacted] (b)(6) [redacted] > wrote:
Hi Ron,

We can check. [redacted] (b)(5) [redacted]

Happy Easter!

Janice

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 7:09 AM
To: Walker, Janice D - Washington, DC [redacted] (b)(6) [redacted]
Subject: Re: Washington Post article on stimulus money and USPS

Janice,
[redacted] (b)(5) [redacted]

Thanks
Sent from my iPhone

On Apr 11, 2020, at 3:06 PM, Walker, Janice D - Washington, DC
<[redacted] (b)(6) [redacted] > wrote:
https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/

White House rejects bailout for U.S. Postal Service battered by coronavirus The pandemic has pushed USPS to the brink, but Trump and Mnuchin shot down emergency aid By Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/>
April 11, 2020 at 11:41 a.m. EDT

Through rain, sleet, hail, and even a pandemic, mail carriers serve every address in the United States, but the coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_2&itid=lk_inline_manual_2> crisis is shaking the foundation of the U.S. Postal Service in new and dire ways.

The Postal Service's decades-long financial troubles have worsened dramatically as the volume of the kind of mail that pays the agency's bills — first-class and marketing mail — withers during the pandemic. The USPS needs an infusion of money, and President Trump has blocked potential emergency funding for the agency that employs around 600,000 workers, repeating instead the false claim that higher rates for Internet shipping companies Amazon, FedEx and UPS would right the service's budget.

AMERICAN OVERSIGHT

Trump threatened to veto the $2.2 trillion Coronavirus Aid, Relief, and Economic Security, or Cares, Act if the legislation contained any money directed to bail out the postal agency, according to a senior Trump Administration official and congressional official.

“We told them very clearly that the president was not going to sign the bill if [money for the Postal Service] was in it,” the Trump Administration official said. “I don’t know if we used the v-bomb, but the president was not going to sign it, and we told them that.”

Instead, Sens. Gary Peters (D-Mich.) and Ron Johnson (R-Wis.) added a last minute $10 billion Treasury Department loan to the Cares Act to keep the agency on firmer ground through the spring of 2020, according to a Democratic committee aide.

Lawmakers originally agreed to a $13 billion direct grant the Postal Service would not have to repay. That effort was blocked by Treasury Secretary Steven Mnuchin who warned such a move could blow up the relief bill. A committee aide said Mnuchin told lawmakers during negotiations: “You can have a loan or you can have nothing at all.”

Only the $10 billion loan to the Postal Service made it into law, over Mnuchin’s objections.

Without the loan, which awaits approval by the Treasury Department, USPS would be “financially illiquid” by Sept. 30, according to estimates provided to lawmakers. Advocates for the Postal Service worry the agency is in a vulnerable position. As its main funding source dwindles, the Postal Service could be seen as ripe for a makeover; conservatives have long talked about privatizing the mail delivery in the United States.

The Postal Service projects it will lose $2 billion each month through the coronavirus recession while postal workers maintain the nationwide service of delivering essential mail and parcels, such as prescriptions, food and household necessities.

That work often comes at great personal risk. Nearly 500 postal workers have tested positive for the coronavirus and 462 others are presumptive positives, USPS leaders told lawmakers. Nineteen have died; more than 6,000 are in self-quarantine because of exposure.

While the Trump Administration and Mnuchin pushed through private-sector bailouts in the Cares Act — $350 billion to the Small Business Administration loan program, $29 billion to passenger airlines and air cargo carriers, and economic incentives for the construction, energy and life sciences industries, among others — Mnuchin has signaled any postal relief funds in a “Phase IV” stimulus package under negotiation would amount to a poison pill.

Postmaster General Megan Brennan asked lawmakers Thursday for another $50 billion — $25 billion to offset lost revenue from declining mail volume due to the coronavirus and $25 billion for “modernization” — plus another $25 billion Treasury loan and a mechanism to pay down $14 billion in existing public debt.

House Democrats, led by Virginia Rep. Gerald E. Connolly, cautioned that without the funding, the Postal Service may not make it past September without missing payrolls or service interruptions. Senate Republicans insist the $10 billion loan from the Cares Act provided sufficient short-term liquidity, the staffer said, and the Senate would not vote to extend more money to an agency unlikely to make good on its borrowing.

“I’m so frustrated at how difficult it has been for a long time to galvanize attention and action around an essential service,” Connolly said in a phone interview. “And maybe the pandemic forces us all to refocus on this service and how essential it is and how we need to fix it while we can before it gets into critical condition.”

Trump has long been antagonistic of the post office, calling it once in a tweet Amazon’s “delivery boy<https://twitter.com/realdonaldtrump/status/981168344924536832?lang=en>.” The Postal Service often serves as a

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vendor for Amazon, UPS, FedEx and other shipping companies, delivering the “last mile” service to often rural and remote areas. It is a crucial service for the Postal Service, for which package delivery is a growing part of its business.

Much of Trump’s invective on the Postal Service is aimed at Amazon’s founder and chief executive Jeff Bezos, who owns The Washington Post. Trump has advocated for increasing the prices on Amazon deliveries, against the recommendation of shipping experts and the agency’s own Board of Governors, a majority of whom Trump appointed.

“They should raise, they have to raise the prices to these companies that walk in and drop thousands of packages on the floor of the post office and say, ‘Deliver it,'" Trump said at a news conference Wednesday. “And they make money, but the post office gets killed. Okay? So they ought to do that, and we are looking into it, and we’ve been pushing them now for over a year.”

Raising rates too much would lead private-sector competitors to develop their own cheaper methods to deliver packages, said Lori Rectanus, director of physical infrastructure at the Government Accountability Office. Even if a rate increase generates revenue, that money would be marginal to the total U.S. Postal Service debt, almost all of which comes from a congressional requirement to prepay pension and retiree health care costs for all employees, even those who haven’t yet retired.

Under normal market conditions, the Postal Service nearly breaks even, save for the pension account debt, despite cratering volume on deliveries in recent years. In 2010, USPS delivered 77.6 billion items of first-class mail. In 2019, it delivered only 54.9 billion first-class items. The service handled 3.1 billion packages in 2010 and 6.2 billion in 2019, although processing packages doesn’t earn the agency as much revenue as first-class mail delivery.

The coronavirus has completely upended consumer behavior and the quantity of items in the mail. Volume in the first week of March declined 30 percent, postal agency officials told lawmakers. At the end of June, the agency projects volume to be down 50 percent, and it could lose $23 billion over the next 18 months.

“We are at a critical juncture in the life of the Postal Service,” Brennan, the postmaster general, said in a statement. “At a time when America needs the Postal Service more than ever, the reason we are so needed is having a devastating effect on our business.”

The Postal Service has faced financial troubles for more than a decade, as digital communication morphed and took off, giving lawmakers many opportunities to debate its future. The Postal Service is so foundational to the country it’s enumerated in the Constitution.

The agency’s troubles have renewed conservative conversations about structural changes that would force the Postal Service to act more like a corporation, with steps such as eliminating the prepaid pension requirement and easing its universal service obligation to deliver to every address in the United States, including ones so remote.

“If we’re concerned about the Postal Service and its workers,” said Romina Boccia, an economist at the right-leaning Heritage Foundation, “the best thing we can do is to free up the Postal Service to operate like a business so they can try to get back into the black.”

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]>
Sent: Sunday, April 12, 2020 12:57 PM
To: Robert Mike Duncan
Cc: Marshall, Thomas J - Washington, DC; Stroman, Ronald A - Washington, DC; Elston, Michael J - Washington, DC
Subject: WI Senators OIG Referral Absentee Ballots

Chairman Duncan,

As information, I was notified Friday that Senators (b)(5) [redacted]

(b)(5) [redacted]

(b)(5) [redacted] I will keep you informed of what we learn.

Thank you.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Sunday, April 12, 2020 12:40 PM
To: Stroman, Ronald A - Washington, DC
Cc: Williams Jr, David E (COO) - Washington, DC
Subject: Re: City of Milwaukee

(b)(5) We have a call with Chairman Johnson Tuesday.

Thanks,

Megan

On Apr 10, 2020, at 4:57 PM, Stroman, Ronald A - Washington, DC (b)(6) > wrote:

Dave,

Thanks for the update. (b)(5)

(b)(5)

If you agree, I look forward to a further discuss on this.

Ron

From: Williams Jr, David E (COO) - Washington, DC
Sent: Friday, April 10, 2020 4:36 PM
To: Brennan, Megan J - Washington, DC >; Stroman, Ronald A - Washington, DC (b)(6) >
Subject: FW: City of Milwaukee

Good afternoon Megan & Ron,

Below is a summary of a conversation between Rick Moreton, District Manager, Lakeland and the Executive Director of Voting Commissions in Milwaukee.

Thanks

Dave

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From: Vacca, Salvatore N - South Florida District, FL
Sent: Friday, April 10, 2020 3:42 PM
To: Williams Jr, David E (COO) - Washington, DC [redacted] (b)(6) [redacted]
Subject: FW: City of Milwaukee

Dave: I had the DM reach out to the Executive Director of Voting Commissions in Milwaukee today. The Director was pleased with our service [redacted] (b)(5) [redacted]

I also discussion the proper communications in advance of all elections; [redacted] (b)(5) [redacted]

Sal

From: Moreton, Richard T - Lakeland District, WI
Sent: Friday, April 10, 2020 2:06 PM
To: Vacca, Salvatore N - South Florida District, FL <[redacted] (b)(6) [redacted]
McInturf, Michael - Carol Stream, IL <[redacted]
Subject: City of Milwaukee

Sal and Mike,

I spoke with Neil Albrecht, Executive Director of Voting Commission Milwaukee. We had a great conversation. I did email Neil all of my contact information and did ask him to reach out to me if he had any issues or needed anything. [redacted] (b)(5) [redacted]

- [redacted] (b)(5) [redacted]
- [redacted] (b)(5) [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- Stated no issues with the Postal Service

Neil asked me if I could provide him feedback [redacted] (b)(5) [redacted]

Rick Moreton
District Manager

AMERICAN OVERSIGHT

Lakeland District
(b)(6)
#PostalProud

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Sunday, April 12, 2020 8:46 AM
To: Seaver, Kristin A - Washington, DC
Subject: Re: [EXTERNAL] AMAZON

[redacted](b)(5)[redacted]

Thanks,

Megan

On Apr 11, 2020, at 4:24 PM, Seaver, Kristin A - Washington, DC <[redacted](b)(6)[redacted]>> wrote:

[redacted](b)(5)[redacted]

From: Brennan, Megan J - Washington, DC
Sent: Saturday, April 11, 2020 4:15 PM
To: Krage Strako, Jakki - Washington, DC [redacted](b)(6)[redacted]>>; Seaver, Kristin A - Washington, DC [redacted]>>
Subject: Fwd: [EXTERNAL] AMAZON

Thank you.

Megan

Begin forwarded message:
From: (b)(6) <[redacted](b)(6)[redacted]>
Date: April 11, 2020 at 3:48:16 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]>
Subject: [EXTERNAL] AMAZON

USPS should be negotiating with AMAZON right now. They having shipping problems and the POSTAL SERVICE has the answers. It's a win win for everyone!

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Sunday, April 12, 2020 8:46 AM
To: Guilfoil, Mark A - Washington, DC
Cc: Seaver, Kristin A - Washington, DC
Subject: Fwd: [EXTERNAL] USPS- Face masks
(b)(5)

Thanks,

Megan

Begin forwarded message:

From: "Nadia" (b)(6)
To: "Brennan, Megan J - Washington, DC" <(b)(6)
Subject: [EXTERNAL] USPS- Face masks

Dear Mrs. Brennan,

Hope you and your family are well and staying safe at this time.

My name is (b)(6), and I'm reaching out to you, due to current situation with COVID-19, and wanted to see if you would be interested in face masks for all USPS employees.

My brother and I know the biggest retail owner in US, and right now due to COVID-19 situation, our friend moved all his production to sewing face masks.
These face masks are made from cotton/polyester fabric and are intended for general population (please keep in mind these are not medical masks).

Our friend's company does a weekly production of 100 million masks (human-touch-free production), and they sell a lot.

His clients, to name a few, that purchased his product in millions are: Amazon, CVS, Target, Walmart, Costco, Dollar Tree, Smart &Final, Starbucks, Chipotle, Dallas Cowboys….

If you think that this maybe something that is of an interest to you and your company, I would appreciate if you could reach out to me or my brother; or if you can please direct us to people you think will be interested in.
For your convenience I will attach all product details.

Be well and stay safe!

Best regards,
(b)(6) (b)(6)

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(b)(6)

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Friday, April 10, 2020 2:30 PM
To: Cronkhite, Isaac S - Washington, DC
Subject: Fwd: [EXTERNAL] Congratulations & Suggestion

(b)(5)

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <d(b)(6)om>>
Date: April 10, 2020 at 2:28:14 PM EDT
To: (b)(6), (b)(3), 410(c)(2) <mailto:(b)(6)
Subject: [EXTERNAL] Congratulations & Suggestion

Dear Ms. Brennan,

My name is (b)(6) and first of all, I would like to say congratulations on your retirement, whenever that may be.

I do have to say, that working as a Postal Mail Carrier was hectic and lovely at the same time. It was a love\hate relationship.

I worked for the Post Office as a City Carrier Assist from September, 2017 - October, 2019 (2 years, 1 month). I left for another job because the prospect to become a Career Carrier didn't look like it was going to happen any time soon. As it turned out, I was offered Career Carrier approximately a month after I resigned from the Post Office.

I would love to go back and work as a Carrier at the U.S. Post Office, but because I had already resigned, I cannot return as a Career Carrier and I could not be reinstated with my seniority. I do not want to start over at the bottom of the seniority list.

This is my suggestion: Create a position that, for people like me, would give the branch that I worked at or any branch the flexibility to bring me back as an fill in. With all that is going on now, the virus, prime time beginning, I could go in in extreme circumstances and carry a route. I have the experience and a great record for the 2 years I worked at the Post Office. Or have me come in and deliver Amazon every Sunday. I would be considered a real part timer And I would really enjoy it.

I hope that you consider this suggestion.

Thank you for your attention in this matter, (b)(6)
((b)(6)

(b)(6))

Sent from my iPad

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Friday, April 10, 2020 2:29 PM
To: Robert "Mike" Duncan; John M. Barger; Ron Bloom; Roman Martinez IV; David C. Williams
Cc: Marshall, Thomas J - Washington, DC; Corbett, Joseph - Washington, DC; Stroman, Ronald A - Washington, DC; Elston, Michael J - Washington, DC
Subject: Treasury Call

Good afternoon Governors,

As information, Joe and Tom and several members of their teams [redacted]

We will be prepared to discuss the situation further [redacted]

Thank you.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Friday, April 10, 2020 8:35 AM
To: Walker, Janice D - Washington, DC; Marshall, Thomas J - Washington, DC; Corbett, Joseph - Washington, DC
Subject: Fwd: [EXTERNAL] Small business aid stuck in Senate limbo

[redacted](b)(5)[redacted]

Thank you.

Megan

Begin forwarded message:

From: POLITICO Huddle [redacted](b)(6)[redacted]
Date: April 10, 2020 at 8:21:22 AM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]
Subject: [EXTERNAL] Small business aid stuck in Senate limbo
Reply-To: "POLITICO, LLC" <reply-fe8a1c757362017e71-630309_HTML-685624503-1376319-0@politicoemail.com>

Presented by America's Health Insurance Plans: A play-by-play preview of the day's congressional news

Apr 10, 2020 View in browser<http://go.politicoemail.com/?qs=da2b481a279307e5dd3121de5d71de5f1cf365285dc052fcd41d5e56aad4b372b1f7f0ff014618efcb529685127a9e7e>

[Huddle logo]

By Melanie Zanona<mailto:mzanona@politico.com>

Presented by America's Health Insurance Plans

with an assist from Heather Caygle and Kyle Cheney

SENATE STALEMATE -- Congress is at an impasse over small business aid. As expected, Senate Democrats blocked an effort by Majority Leader Mitch McConnell to fast-track a vote on legislation providing an extra $250 billion for a small business loans program, which was created by the last economic rescue package and is already on track to run out of money. Democrats are also pushing to include emergency funding for hospitals, states and local governments, but Republicans want to focus on the pots of money that are more immediately in danger of drying up.

So, now what? The Senate has adjourned and won't be back until Monday. But during a Senate GOP conference call yesterday with Vice President Mike Pence, McConnell signaled that he hasn't ruled out cutting a deal with Democrats, report Burgess and Heather. But if an agreement can't be reached over the weekend, McConnell may bring up the bill

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again on Monday and once again dare Democrats to vote against it. All the latest: https://politi.co/2UVn0Us<http://go.politicoemail.com/?qs=da2b481a279307e51c2e0479ac79c37b8709ad34c65802151d03cf634299490777edd6cfcff15b59b8dd321b11d7a63e>.

Other relief plans floating around ... Rep. Pramila Jayapal (D-Wash.), co-chair of the Congressional Progressive Caucus, is introducing legislation this morning aimed at preventing mass layoffs by creating "a streamlined program to provide a three-month federal guarantee for 100 percent of worker salaries of up to $100,000 to ensure employers of all sizes keep workers on the payroll and continue to provide employer-sponsored benefits," according to a press release ... Sen. Josh Hawley (R-Mo.) is calling <http://go.politicoemail.com/?qs=da2b481a279307e596ac4729827edcc5b70f63959286cebe960a1e28cf34269387549da3a09aa66e23ef57c0abef3a2d> for the federal government to pay 80 percent of workers' wages until the crisis is over.

Related reads: "'Surprise' billing fix could hitch ride on next coronavirus relief bill," by Susannah Luthi: https://politi.co/2wtsWL3<http://go.politicoemail.com/?qs=da2b481a279307e51ddbe95d8b9c82cae3097fab43b8c18b0f310841a02d035f993ffc2380e7dab6af94fa2b9a7f4445>; and "Democrats ramp up talks with Mnuchin on next COVID-19 relief deal," via The Hill's Alexander Bolton: https://bit.ly/34rBbUz<http://go.politicoemail.com/?qs=da2b481a279307e5cc48f65699145ecd62401f02236dcb053e806f3536e9473455d3968ac98ebcdc22edac90694d3b69>.

A message from America's Health Insurance Plans:

No one should hesitate to get tested or treated for COVID-19 because of concerns about costs. Health insurance providers have proactively eliminated patient cost sharing for COVID-19 testing and treatment - no copay, no coinsurance required. Click here for a one-pager<http://go.politicoemail.com/?qs=9824d31c5eda42053dfc7b1102c26e0b0838e64cf789de912dc1a6d4c79ff7dcde912cf676fed49253cb70ed1db3917f> to learn how we're protecting Americans.

AND ACROSS THE CAPITOL ... Speaker Nancy Pelosi said there will not be any fireworks when the House convenes for a pro forma session today, telling Heather and Bres in a half hour interview last night that the negotiations on an interim relief package are essentially on hold over the holiday weekend. The speaker also gave her clearest indication yet that it's unlikely the House returns around April 20 as congressional leaders were initially hoping. "I would never venture a guess. I certainly don't think we should do it sooner than we should," Pelosi said. "This has taken an acceleration from when we started this...Little did we know then that at this point, we'd be further confined."

Pelosi also warned against President Donald Trump rushing to open the country too soon against the advice of health experts. Earlier Thursday, Trump had said he hoped to reopen the country "very, very, very, very soon." Pelosi's response: "I would hope that the scientific community would weigh in and say, 'You can't do this, it is only going to make matters worse if you go out too soon.'" The story: https://politi.co/2VhK7rn<http://go.politicoemail.com/?qs=da2b481a279307e5603bb57ef859bd7a468308c4c7fd9394a62ef61e3fc6e1300ae9b22374ffc00b55475986dc328192>.

Other highlights from the interview:

-- Pelosi doesn't have time to watch Trump's daily coronavirus briefings: "I just don't have time for that, I am a busy person. I have a day job, and it's not to watch the president contradict himself on TV."

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-- The speaker isn't ruling out coronavirus being the dominating issue at the ballot box in November: "That is the big question of everything. ...This may have an impact in terms of eclipsing any messaging... [but] we will be having an agenda as we go forward that opens up opportunities for people."

-- She hasn't spoken to Joe Biden yet since Sen. Bernie Sanders suspended his campaign. But that didn't stop her from gushing about the former vice president: "I think he's fabulous. He's a person of great values, great patriotism ...I think he'll be a great nominee, and an even greater president of the United States."

Related read: "For McConnell, virus carries echo of his boyhood polio," from The AP's Lisa Mascaro: https://bit.ly/2wqCVAK<http://go.politicoemail.com/?qs=da2b481a279307e55d624c1ae252385d9744917e5034b4d63635b9da91adeb8c3d54676dff0b5288b8130de4d1d3f45c>.

TODAY - A VIRTUAL INTERVIEW WITH THE AMBASSADOR OF SPAIN: Spain has been hit hard by the coronavirus pandemic, suffering nearly 14,000 deaths. Join Global Translations author Ryan Heath today at 11 a.m. EDT for a virtual interview with Santiago Cabanas, Spanish ambassador to the United States, to discuss lessons on containing the pandemic, the role the European Union should play in supporting member states and how free trade could help kick-start global economic recovery. Got a question? They'll answer as many as they can at the end. REGISTER HERE TO PARTICIPATE<http://go.politicoemail.com/?qs=da2b481a279307e5f15c23277ed7d4d69e3811c04ae1b3f30a4a6869c5ef4e1a280dfa442215548c43bf08b31373f9d0>.

YOU'VE GOT MAIL -- House Minority Leader Kevin McCarthy (R-Calif.) called it "disgusting" that Democrats are trying to expand mail-in voting in the next coronavirus relief bill, dismissing the idea as unnecessary. With coronavirus cases soaring, the issue has become a new political flashpoint — particularly after the electoral mess in Wisconsin this week. "That's disgusting to me," McCarthy told reporters during a press call Thursday. "Stop worrying about politics. Worry about what's in front of us. And that's the health of the nation ... and our economy."

The fierce pushback from McCarthy comes on the heels of Trump urging Republicans to "fight very hard when it comes to statewide mail-in voting." Trump — who has suggested the practice could undermine GOP political prospects — has also claimed that vote-by-mail is "corrupt." Yet there is no evidence to suggest that voter fraud exists on a wide scale anywhere in the election system.

And Democrats argue that mail-in voting is a public health issue: The virus could spread even further if elections are carried out as usual this fall. "We want to remove all obstacles to participation," Pelosi told reporters on her own call later Thursday. "No surprise that [McCarthy] might dismiss opening doors of participation as something that is a plus, especially in a time of pandemic." The story from your Huddle host: https://politi.co/2VnFZ9w<http://go.politicoemail.com/?qs=da2b481a279307e52752a5221c7826f9fdde1a88ba45e8ccc44c74dd26101bab5b3066c4bea3df0305a2fa1b4f1bbbb6>.

SPEAKING OF MAIL ... Postmaster General Megan Brennan and other Postal Service officials are asking Congress for $75 billion more in aid to prevent a collapse of the massive mail-carrier bureaucracy by the fall. Brennan briefed members of the House Oversight Committee on Thursday, indicating that the postal service is on track to run out of cash before the fiscal year expires on Sept. 30, fueled in part by a $13 billion loss in revenue attributed to coronavirus. That's despite a $10 billion borrowing boost provided in the recently passed $2 trillion coronavirus relief bill.

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Now, the Postal Service Board of governors is asking Congress for a $25 billion emergency appropriation, a $25 billion fund for postal service infrastructure modernization projects and an additional $25 billion in borrowing power from the Treasury. The Postal Service has been beset by financial woes for years, but it's also an enormous employer, with 650,000 workers spread across 31,600 retail locations. Democrats have also worried that the demise of the Postal Service would jeopardize urgent prescription deliveries for millions of Americans.

Related reads: "GOP aligns with Trump in vote-by-mail clash looming over next relief package," from CNN's Jeremy Herb and Manu Raju:
https://cnn.it/2VhhWsD<http://go.politicoemail.com/?qs=da2b481a279307e5e90f6ccd60931e0204330d28a33bb1cc0eb8fd8c4dbc8051b14a407d1234055b223bf6a9017d2929>; and "Coronavirus Is Threatening One of Government's Steadiest Services: The Mail," per NYT's Nicholas Fandos and Jim Tankersley:
https://nyti.ms/3e8wKlW<http://go.politicoemail.com/?qs=da2b481a279307e50039078efb496a641f47cdaab776b050877e188df81e311c2307442b32713a682ece181b95702748>.

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Image]<http://go.politicoemail.com/?qs=9824d31c5eda42050cb131254c388563871f2940c5ac4b9c2df9e628251322eb57038d171dc3315bd19e15fc2768cfd6>
[https://ad.doubleclick.net/ddm/ad/N7384.146504POLITICO0/B23988373.271334197;sz=1x1;ord=[timestamp]]

HAPPY GOOD FRIDAY! Welcome to Huddle, the play-by-play guide to all things Capitol Hill, on this April 10, where your host can't wait to add AOC's appearance on "RuPaul's Drag Race" to tonight's Friday quarantine line-up. Preview pics here.<http://go.politicoemail.com/?qs=da2b481a279307e593b7a7baf05b6c85d3ba4cb1d53d9c68f77a0feed5c978a2e6842b2f5730b8dabdfd8a833d9065e6>

THURSDAY'S MOST CLICKED: Burgess and Heather's report<http://go.politicoemail.com/?qs=da2b481a279307e56139b5faba47ef58f71e6ac68621821a749095a7408610d148723419950685ddbe2a93237036f92f> on the small business aid showdown was the big winner.

TALK OF THE TOWN -- Trump might be bragging about the ratings of his coronavirus press briefings — but some Republicans don't share his enthusiasm. More from the NYT: "Mr. Trump 'sometimes drowns out his own message,' said Senator Lindsey Graham of South Carolina, who has become one of the president's informal counselors and told him 'a once-a-week show' could be more effective. Representative Susan Brooks of Indiana said 'they're going on too long.' Senator Shelley Moore Capito of West Virginia said the briefings were 'going off the rails a little bit' and suggested that he should 'let the health professionals guide where we're going to go.'

"In interviews, Republican lawmakers, administration officials and members of his re-election campaign said they wanted Mr. Trump to limit his error-filled appearances at the West Wing briefings and move more aggressively to prepare for the looming recession. Some even suggested he summon a broader range of the country's leaders, including former Presidents George W. Bush and Barack Obama, in an all-hands-on-deck moment to respond to the national emergency." The story from Jonathan Martin and Maggie Haberman:
https://nyti.ms/2UWiViQ<http://go.politicoemail.com/?qs=da2b481a279307e53329a4a9ccc785cc692b5fc5b2ad998c8665e86e5c2eb630ac49c05ed99bca4ae5602dc4ef19291a>.

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OUR NEIGHBORS NEED HELP: Layoffs, school cancellations, health risks: Our neighbors need our help now more than ever. You can help . From grab-and-go dinners for kids to boxes of groceries for seniors, your support will help provide tens of millions of meals for people in the greater D.C. community in these unprecedented times. No one should go hungry during this pandemic. Together, we can make sure no one has to. Please support the Capital Area Food Bank's COVID-19 response today.<http://go.politicoemail.com/?qs=da2b481a279307e5f563f9b2f8c51228714aa128a963d697ac559c108826ff558469ec9b6f6ed793e2186e2e9bf3158a>

WHO'S IN CHARGE -- Republicans are sharpening their criticism of the World Health Organization. Marianne with the latest: "Sen. Todd Young is calling on World Health Organization Director General Dr. Tedros Adhanom Ghebreyesus to appear before a Senate Foreign Relations subcommittee to answer questions about the organization's handling of the coronavirus pandemic. The WHO in recent days has faced heated criticism from Senate Republicans and President Donald Trump, who argue the organization did not do enough to scrutinize China's response to the outbreak.

"In his letter to Tedros, Young criticized the WHO for praising China's initial response to the coronavirus and for relying on data from the Chinese government. ... Young called on Tedros to appear before the Senate Foreign Relations' Subcommittee on Multilateral Institutions for a hearing on how U.S. federal dollars may go to the WHO in the future. Young, in the interview, said he was optimistic Tedros would appear before the committee given that the United States is the organization's largest contributor country." More: https://politi.co/2Vwc3YT<http://go.politicoemail.com/?qs=da2b481a279307e5479ecde199af983bdbdf0ff58a784d4c5be446160f7d344081611860cc373215299af5e4495063dd>.

IS THERE A DOCTOR IN THE HOUSE? -- Health care workers who are running for Congress are having to balance campaigning with also being on the frontline lines of fighting coronavirus. Roll Call explains: "Both [Christine Mann and Cameron Webb] are also Democrats running for Congress, and they are among the handful of candidates in both parties who are campaigning while working on the front lines of a pandemic.

"Balancing a full-time job with a campaign is a difficult task even in normal times. And these candidates' day jobs are becoming more complicated and potentially more dangerous. But they say the current crisis has only strengthened their resolve to run for office, and it proves why health care professionals are needed in Congress. 'My message has always been: Put a doctor in the House,' Mann said." The dispatch from Bridget Bowman and Stephanie Akin: https://bit.ly/2VfUvjv<http://go.politicoemail.com/?qs=da2b481a279307e59efb9cf1c3c5cd47c1ce626cdc5f248dc974a3cceba1d6c5959d6390eb13e2fed23082c9581f5c28>.

GET WELL SOON -- Another member of Congress has tested positive for coronavirus. The Tallahassee Democrat with the story: "Florida Congressman Neal Dunn, R-Panama City, has tested positive for the coronavirus, his office announced Thursday. The 67-year old Dunn has represented all or parts of 19 counties, including Northeast Tallahassee, since 2016.

"Reached at his home in Panama City, Dunn said he was tested for exposure purposes and was resting. 'Congress is conducting business by phone and computer. I call it Death-by-Conference-Call,' said Dunn. Dunn went to the hospital Monday night when he began to feel ill but was not admitted. His test for COVID-19 came back positive Thursday. He had quarantined himself while awaiting the results and intends to remain home for at least another two weeks." More from James Call: https://bit.ly/2xiL6j5<http://go.politicoemail.com/?qs=da2b481a279307e51d08a51d2cd7709d9f5a5d375517342a0b04ab3e2e0e5bbe9d5f2dee9ff8410fc8a5086be351de05>.

STANDING BY SENATOR LOEFFLER -- The Senate GOP's campaign arm is sticking up for Sen. Kelly Loeffler, who is facing a political firestorm for stock trades during the pandemic. Marianne with more: "Sen. Todd Young, chairman of the

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National Republican Senatorial Committee, on Thursday reiterated his confidence in Kelly Loeffler's election bid, amid controversy over the Georgia Republican's stock trades.'Kelly Loeffler is a strong conservative voice for the people of Georgia,' Young (R-Ind.) said in an interview. 'She's effectively representing them and she will continue to be an effective United States senator for the people of Georgia after November.'

"Loeffler has come under fire over stock trades she made during the early days of the coronavirus outbreak, specifically that she traded millions in stocks after a classified Senate briefing on coronavirus. While Loeffler has defended her actions and said the trades were done by third-party advisers, she announced Wednesday in a Wall Street Journal op-ed that she would liquidate all of her individual stock holdings. Loeffler emphasized she made the move not because of any wrongdoing but to quiet any distractions." The latest: https://politi.co/2JQNUqi<http://go.politicoemail.com/?qs=da2b481a279307e540c24b8b44c3b080ca44c210fa56b5ec1cf4aa2363bfb01806834259d33f5c4f466c9dd9b081948e>.

A message from America's Health Insurance Plans:

From expanding public health capacity, to ensuring access to testing, to taking action to mitigate the economic and societal impact, we know these are serious and significant times. Health insurance providers are taking decisive actions to help patients and curb the spread of COVID-19. See how health insurance providers are taking action.<http://go.politicoemail.com/?qs=9824d31c5eda420508a52f7fe7dba6a2ce2806b197ba7e038168f4a82d0f0258ee2c72796a605ba2a92116d70911f334>

[https://s3.amazonaws.com/origin-static.politico.com/hosted/icon-red-circle%402x.png] TRANSITIONS

Matt Corridini, who previously worked for the Pete Buttigieg campaign and Rep. Seth Moulton (D-Mass.), started as the press secretary at Senate Majority PAC.

[https://s3.amazonaws.com/origin-static.politico.com/hosted/icon-red-circle%402x.png] TODAY IN CONGRESS

The House and Senate are OUT.

[https://s3.amazonaws.com/origin-static.politico.com/hosted/icon-red-circle%402x.png] AROUND THE HILL

Social distancing continues.

[https://s3.amazonaws.com/origin-static.politico.com/hosted/icon-red-circle%402x.png] TRIVIA

THURSDAY'S WINNER: Beth Gazley was the first person to guess that four U.S. senators have cast more than 10,000 votes: Mitch McConnell, Patrick Leahy, Chuck Grassley and Richard Shelby.

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TODAY'S QUESTION: From Beth: How often — and during what periods — has the U.S. Capitol building been used as a hospital? The first person to correctly guess gets a mention in the next edition of Huddle. Send your best guess to mzanona@politico.com<mailto:mzanona@politico.com>.

GET HUDDLE emailed to your phone<http://go.politicoemail.com/?qs=da2b481a279307e54dde7a6db9173b9fc5ad6537dfb89388041e025ed59f0a327156c67e691a48c4a8dd10bb759227c9> each morning.

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[https://static.politico.com/hosted/icon-twitter-circle-blue%402x.png]

Melanie Zanona
@MZanona<http://go.politicoemail.com/?qs=da2b481a279307e54bf31faff3d63a9d40cdb491f934abcb87fe75c1270bac93bbb4834d8c77739950a3ad6e4fe012a9>

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[https://static.politico.com/hosted/icon-politico-logo.png]

This email was sent to Megan.j.Brennan@usps.gov by: POLITICO, LLC 1000 Wilson Blvd. Arlington, VA, 22209, USA

Please click here<http://go.politicoemail.com/?qs=9824d31c5eda420573860f1ec318b2e574790f073d684599a508520ccd22b1536f9913bbff3d8c8e1f2c3f8028570bf3eeb17d9d3ab0632a> and follow the steps to unsubscribe.

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Thursday, April 9, 2020 4:02 PM
To: Walker, Janice D - Washington, DC
Subject: FW: NY Times story

FYI

Thank you.

Megan

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 9, 2020 3:44 PM
To: Bloom, Ron [redacted]; John Barger ([redacted])
Cc: Brennan, Megan J - Washington, DC [redacted]; Elston, Michael J - Washington, DC <[redacted]>
Subject: RE: NY Times story

[redacted]

[redacted]

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 9, 2020 3:00 PM
To: 'Bloom, Ron' [redacted]; 'John Barger (j[redacted]) <[redacted]>
Cc: Brennan, Megan J - Washington, DC [redacted]; Elston, Michael J - Washington, DC [redacted]>
Subject: NY Times story

AMERICAN OVERSIGHT

Governors, (b)(5)
https://www.nytimes.com/2020/04/09/us/politics/coronavirus-is-threatening-one-of-governments-most-ubiquitous-services-the-mail.html, and is also set forth below.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

Coronavirus Is Threatening One of Government's Most Ubiquitous Services: The Mail.
The Postal Service needs billions to continue funding its operations and make other payments, the agency told lawmakers.
By Nicholas Fandos<https://www.nytimes.com/by/nicholas-fandos> and Jim Tankersley<https://www.nytimes.com/by/jim-tankersley>
* April 9, 2020, 2:16 p.m. ET
*
WASHINGTON - The coronavirus pandemic is ravaging the United States Postal Service, with mail volume down by nearly a third already compared to same time last year and dropping quickly, as businesses drastically cut back on solicitations, advertisements and all kinds of letters that make up the bulk of mail service's bottom line.
The falloff comes even as package delivery has surged - but not by nearly enough to offset the losses from mail volume. The result, the Postal Service told Congress on Thursday, is a multibillion-dollar financial shortfall that could cause one of the government's oldest and most reliable entities to run out of cash by the end of September and throw regular delivery into doubt at a time when Americans may still be trapped at home.
Megan J. Brennan, the postmaster general, told lawmakers on the House Oversight and Reform Committee on Thursday that the agency believed it would need $25 billion in federal grants to cover lost revenue from the pandemic, plus an additional $25 billion to update aging infrastructure. Another $14 billion is needed to pay off long-term debt related to the Postal Service's retirement benefits program along with $25 billion in unrestricted borrowing authority to weather the rapidly unfolding crisis, she said, according to officials familiar with the information she shared privately, who described it on condition of anonymity.
Even with an increase in online shopping and package delivery to Americans cooped up at home, the agency could see a 50-percent reduction in total mail volume by the end of June, compared to the same period last year, Ms. Brennan told the lawmakers. Postal officials fear a sizable portion of that lost mail may never return.
In total, the Postal Service anticipates losing $13 billion in revenue this fiscal year because of the pandemic and another $54 billion in losses over 10 years.
"They are chilling numbers," said Representative Gerald E. Connolly, Democrat of Virginia, who leads the House subcommittee responsible for the Postal Service. "The reaction of a lot of my colleagues - their jaws were dropping. It is one thing to say the Postal Service is suffering. It is another to hear these specifics."
As Congress spends trillions of dollars to try to save private businesses with loans and grants, the Postal Service has emerged as an unusual sticking point, bogged down by a long-running debate over its future. The agency does not normally use taxpayer money, but has struggled in recent years under mounting debt.
House Democrats are ready to give the Postal Service most of what it is asking for. But President Trump has so far rejected direct relief, repeatedly saying the Postal Service could solve its own woes simply by raising prices on packages delivered for big online retailers like Amazon.
Steven Mnuchin, the Treasury secretary, squashed a bipartisan attempt to send the agency emergency funds last month, insisting instead that his department be given new authority to lend up to $10 billion to the Postal Service on terms it helps set, other officials familiar with the negotiations said.
Ms. Brennan told lawmakers on Thursday that the agency was already in talks with the Treasury about the potential loan, but its revenue predictions suggest that money would not be enough if the crisis continues.
For now, the mail service, which operates under government-mandated service requirements, has continued uninterrupted. Even as scores of its more than 600,000 person work force have fallen ill and some have died, mail sorters and carriers have continued to walk their routes in every corner of the country,<https://www.nytimes.com/2020/03/23/us/coronavirus-post-office-workers.html> in many cases the only

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physical lifeline Americans now have to the outside world. They deliver medicines, election ballots, coronavirus test kits and packages ordered online.
But the administration's position has fanned fears among some lawmakers, postal union representatives and others who rely on the service that Trump administration officials are willing to let the postal network essentially go bankrupt to force its leaders to accept an overhaul to the postal business model that many conservatives have long sought - one that could limit delivery service and aid commercial competitors like FedEx and UPS.
In a statement to The New York Times, Ms. Brennan said the Postal Service was "at a critical juncture," quickly losing revenue because demand for its most profitable postal products was "plummeting as a result of the pandemic."
"At a time when America needs the Postal Service more than ever, the reason we are so needed is having a devastating effect on our business," she said. "The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover."
She called on Congress to "shore up the finances of the Postal Service, and enable us to continue to fulfill our indispensable role during the pandemic, and to play an effective role in the nation's economic recovery."
Negotiators on Capitol Hill had reached a tentative deal last month to provide the Postal Service around $13 billion dollars in direct relief as part of the $2 trillion CARES Act. The figure would have been far below a proposal by House Democrats, but it had the buy-in of a key Republican negotiator: Senator Ron Johnson of Wisconsin, the chairman of the Senate Homeland Security and Governmental Affairs Committee, according to the officials familiar with the talks, where were not authorized to publicly discuss them.
But Mr. Mnuchin said the administration would not have it. The Treasury secretary told lawmakers that a direct infusion of cash was a non-starter, and advocated instead for creating the $10 billion in new lending authority. Department officials did not respond to a request to comment Thursday on postal issues.
Mr. Connolly said Thursday that he would recommend House leadership promptly back the new, higher figures presented by the Postal Service.
"We weren't shooting for the moon. We weren't solving all the problems. We were just trying to get them through," Mr. Connolly said. "The question is, will the Republicans join us?
Some Republican lawmakers remain open to direct cash payments, as well, under certain circumstances. Historically, the Postal Service has counted on strong support from Republicans representing rural districts, where their service is a lifeline to homes and small businesses. But it is unclear if they would allocate the funds without imposing reform requirements on the agency or if they are willing to overpower Mr. Mnuchin and the White House.
An independent executive agency, the Postal Service has not taken federal funding in decades, running instead off revenue raised from stamps and other postal products. But since the 2008 financial crisis, it has struggled to stay in the black, weighed down largely by a congressional mandate to pre-fund its retirement benefits programs.
The agency has stopped making those payments in recent years, running up billions of dollars in debt, while its mail delivery business has otherwise remained profitable. Lawmakers in both parties have proposed overhauls to the service along the way, but none have stuck.
The postal unions and Democrats fear that the Trump administration is now trying to take advantage of the coronavirus crisis to push through a long-sought overhaul<https://www.nytimes.com/2018/12/04/us/politics/trump-amazon-post-office.html> of the Postal Service that would benefit private package carriers and eliminate certain costly rural delivery routes.
Mr. Trump has frequently criticized the service for not charging higher prices to deliver packages for large online retailers like Amazon - a company he has sometimes singled out<https://www.nytimes.com/2018/04/12/us/politics/trump-postal-service-amazon.html?action=click&module=RelatedCoverage&pgtype=Article&region=Footer> in his Twitter tirades on postal issues. Aides have said the president's criticisms often followed critical stories about his administration published by the Washington Post, which is owned by Amazon founder Jeff Bezos.
He repeated the criticism this week, as he appeared to reject calls for a cash bailout. Asked about Mr. Connolly's proposal, he said the congressman should focus instead on raising package delivery prices.
"Tell your Democrat friend that he ought to focus on that, because if he focused on that, he could truly save the Post Office," the president said.
Mr. Trump ordered a review of the Postal Service and its pricing policies in 2018. His administration published the review<https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf> in December of that year. Its recommendations included steps that could reduce the frequency of mail delivery and

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increases in the prices of sending some packages. Online retailers criticized the recommendations, which they said could particularly hurt rural customers.

The report did not spur any action in Congress last year. But a longtime congressional advocate of changes to the service, Mark Meadows of North Carolina, recently took over as Mr. Trump's chief of staff. Critics of the report fear the White House could be trying to use the pandemic as another opening.

"At the end of the day, they have an agenda," said Mark Dimondstein, the president of the American Postal Workers Union, which represents 200,000 postal workers. "Raise prices, reduce worker benefits, and reduce services, make it appear more profitable and set it up for sale."

"The Covid crisis should not be used to achieve political aims," he added.

A lobbying group on postal issues that includes Amazon and other online retailers, the Package Coalition, raised concerns this week that the strings Treasury officials might attach to postal loans could raise prices during a pandemic that has made Americans more dependent on package delivery.

"The Treasury has the Postal Service over a $10-billion barrel, and the Postal Service is on the brink of bankruptcy," said the coalition's chairman, the former Army secretary John M. McHugh. "What do you do? We're worried they'll accept the terms."

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]
Sent: Wednesday, April 8, 2020 7:17 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Rufusal to Deliver - Gladwin, MI

Thanks,

Megan

Begin forwarded message:

From: (b)(6) [redacted] (b)(6) [redacted]
Date: April 7, 2020 at 7:11:07 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] Rufusal to Deliver - (b)(6) MI

Postmaster General Brennan,

I am writing you today to express my concerns with the rural delivery system utilized by the United States Postal Service. This concern is especially acute during this national emergency commonly known as Covid-19.

During this national emergency my wife and daughter took refuge at our summer home in (b)(6), Michigan which is serviced by the (b)(6) Michigan post office. I decided to say back home in suburban Detroit to look after my son who is a firefighter serving on the front line. Michigan is currently under stay-at-home order issued by the Governor which requires all but essential workers to shelter-in-place. To that end my family and I are doing our part. My wife and daughter are hunkered-down in (b)(6) and son and I are sheltering-in-place in (b)(6), MI. We are doing what's required to keep everyone safe. As ordered by the Governor we only leave for the essentials that we need (food) and those trips are made sparingly and efficiently. It is incumbent upon all of us to do what we can to "flatten the curve".

Last week, I ordered some cleaning supplies for my wife through Amazon and had it delivered to our lake house at (b) (b)(6), Gladwin, MI (b)(6) Amazon reported that order as "not deliverable." I contacted the (b)(6) Post Office and was told that since this address does not receive first class mail this package could not be delivered. It was further explained that this is done that way because that is how rural carriers are paid. I was offered the option of pick-up the package at the post office.

How ridiculous is that? A package mailed through our national postal system cannot be delivered since this address did not receive a first class letter first? Many people in Michigan are staying secluded at their summer homes to avoid as much social contact as possible. They are doing the responsible thing, the America thing and yet the postal service is not there to support this effort. Many people don't commonly receive mail at their summer addresses. They receive their mail at their primary address back in the city, but that luxury is not available to them today as they shelter-in-place. These packages now carry essentials and sometimes life sustaining essentials, yet we are going to enforce some sort of expense saving measure that the Postal Service sues to improve their bottom line.

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While I was offered the option to pick-up the package at the post office doing so is a violation of an Executive Order, a criminal offense. When I explained to the Post Master that my wife and daughter would be observing the law she indicated that the post office was packed with people picking-up packages. How can the Post Office let this happen? Barber shops are closed, restaurants are limited to single person pick-up with appropriate social distancing, grocery stores have special hours to protect our seniors yet the post office in (b)(6) is packed because they won't deliver packages.

I find the position of the Postal Service appalling if not disgusting. You have created an expense saving rule that doesn't belong in a national crisis. Some people desperately need these deliveries. Some packages contain medicine or other lifesaving devises. The people that need these items likely have compromised immune systems, yet they are forced into a dangerous situation visiting the post office to get what they need. This needs to stop immediately and deliveries of all mail items must be made by the Postal Service without prejudice.

I await your reply.

(b)(6)

_____

[https://secureimages.mcafee.com/common/affiliateImages/mfe/logo.png]<https://home.mcafee.com/utm_medium=email&utm_source=link&utm_campaign=sig-email&utm_content=emailclient?utm_medium=email&utm_source=link&utm_campaign=sig-email&utm_content=emailclient> Scanned by McAfee<https://home.mcafee.com/utm_medium=email&utm_source=link&utm_campaign=sig-email&utm_content=emailclient?utm_medium=email&utm_source=link&utm_campaign=sig-email&utm_content=emailclient> and confirmed virus-free.

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Tuesday, April 7, 2020 7:57 PM
To: Krage Strako, Jakki - Washington, DC
Subject: FW: WSJ: Amazon to suspend delivery service that competes with UPS, FedEx

Jakki,

[redacted]

Thanks,

Megan

-------- Original message --------
From: "Walker, Janice D - Washington, DC" [redacted]
Date: 4/7/20 7:22 PM (GMT-05:00)
To: _Executive Leadership Team [redacted] "Costello, Timothy R - South Florida District, FL" [redacted], "Owens, Sharon - Merrifield, VA" [redacted], COVID 19 Command Officers [redacted]
Cc: "Adams, Jeffery A - Washington, DC" <[redacted], "Partenheimer, David A - Washington, DC" [redacted]
Subject: FW: WSJ: Amazon to suspend delivery service that competes with UPS, FedEx

And in other news...

https://www.wsj.com/articles/amazon-to-suspend-delivery-service-that-competes-with-ups-fedex-11586296112

Amazon to Suspend Delivery Service That Competes With UPS, FedEx E-commerce giant to halt third-party deliveries to focus on handling the surge in its own customers' orders

By Paul Ziobro
Updated April 7, 2020 6:43 pm ET

Amazon.com Inc<https://quotes.wsj.com/AMZN>. will halt a delivery service for non-Amazon<https://quotes.wsj.com/AMZN> packages, according to people familiar with the matter, as it re-evaluates the nascent offering that competes directly with FedEx Corp<https://www.wsj.com/market-data/quotes/FDX>. and United Parcel Service Inc<https://www.wsj.com/market-data/quotes/UPS>.
Amazon told shippers the service, known as Amazon Shipping, will be paused starting in June. It was available in just a handful of U.S. cities.
Under the program, Amazon drivers would pick up packages from businesses and deliver them to consumers, rather than ship orders from Amazon warehouses.
"We understand this is a change to your business, and we did not take this decision lightly," Amazon said in a note to shippers reviewed by The Wall Street Journal. "We will work with you over the next several weeks so there is as little disruption to your business as possible."

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Amazon is suspending the service because it needs its people and capacity to handle a surge in its own customers' orders, according to a person familiar with the matter. The company has said it wants to hire 100,000 warehouse workers and is focusing on shipping essential items during the coronavirus outbreak<https://www.wsj.com/articles/amazon-prioritizes-medical-supplies-household-staples-from-merchants-amid-coronavirus-11584447888?mod=article_inline>.

Amazon in the past had sought to woo shippers to the new service by offering simpler rates, including the elimination of many fees and surcharges<https://www.wsj.com/articles/amazons-pitch-to-woo-shippers-fewer-fees-than-fedex-ups-11548251763?mod=article_inline> that other carriers add on to pad their revenues. It tested the program in London and Los Angeles, but didn't make it widely available in the U.S.

Amazon remains a force in the shipping industry, with over 30,000 vehicles, 20,000 trailers and dozens of aircraft that move packages across the country. In addition to its own delivery drivers, Amazon also hands off a significant chunk of its home deliveries to UPS<https://www.wsj.com/market-data/quotes/UPS> and the U.S. Postal Service.

Amazon last year ended a shipping contract with FedEx<https://www.wsj.com/market-data/quotes/FDX>, which increasingly viewed the online merchant as a competitive threat because of its growing shipping prowess.

FedEx and UPS have experienced a Christmas-like boom in home deliveries in recent weeks as people shop from home, while shipments have deteriorated to stores or businesses that have closed<https://www.wsj.com/articles/as-coronavirus-spreads-drivers-face-wary-customers-temperature-checks-11584619201?mod=article_inline>.

Meanwhile, the virus has upended the daily routine of delivering packages. Amazon, FedEx and UPS have each had to implement new safety measures and scramble to provide protective equipment<https://www.wsj.com/articles/amazon-struggles-to-find-its-coronavirus-footing-its-a-time-of-great-stress-11585664987?mod=article_inline> as some workers test positive for the coronavirus.

A UPS spokesman declined to comment.

FedEx said its ground network is well prepared to manage the current surge in e-commerce. "We are continuing to work with our small business customers during this time to support their growth," a FedEx spokeswoman said.

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Tuesday, April 7, 2020 6:43 PM
To: Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Subject: FW: President's press conference

Thank you.

Megan

-----Original Message-----
From: Stroman, Ronald A - Washington, DC
Sent: Tuesday, April 7, 2020 6:41 PM
To: Marshall, Thomas J - Washington, DC <[redacted] (b)(6) [redacted]; Brennan, Megan J - Washington, DC
(b)(6) [redacted]
Subject: RE: President's press conference

(b)(5)
(b)(5)

He also said, (b)(5)

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 7, 2020 6:35 PM
To: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]>; Stroman, Ronald A - Washington, DC
[redacted] (b)(6) [redacted]
Subject: RE: President's press conference

From what I am hearing, [redacted] (b)(5) [redacted] said the reason we are losing money is that we refuse to raise prices on the last mile, despite the fact that he has been telling us to do so for two years. [redacted] (b)(5) [redacted]

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 7, 2020 6:27 PM
To: Walker, Janice D - Washington, DC [redacted] (b)(6) [redacted]>
Cc: Brennan, Megan J - Washington, DC [redacted]>; Stroman, Ronald A - Washington, DC
[redacted] (b)(6) [redacted]
Subject: FW: President's press conference

Janice, can you get the President's quote for us?

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Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Grant, Helen R - St Louis, MO
Sent: Tuesday, April 7, 2020 6:26 PM
To: Marshall, Thomas J - Washington, DC [redacted] (b)(6) [redacted]
Subject: President's press conference

(b)(5)

Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Tuesday, April 7, 2020 7:02 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Fwd: USPS Case Confirmation For Service Request [redacted](b)(5)[redacted]

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <[redacted](b)(6)[redacted]>
Date: April 6, 2020 at 10:45:41 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]>
Cc: USPS Care Center Customer Support <USPSCustomerSupport@usps.gov>
Subject: [EXTERNAL] Fwd: USPS Case Confirmation For Service Request [redacted](b)(5)[redacted]

I think it's extremely sad that my parents who've utilized the SAME post office since I was a kid can't have the decency during the corona virus pandemic to have items placed on hold. I utilized amazon to send packages which the sellers decided to us USPS to send items to who've informed me that putting in a PO Box doesn't work. I have proof of these conversations which is why I gave a PHYSICAL street address. I sent my family necessary items like a thermometer, hand sanitizer, and alcohol due to lack of supplies and the Post office in south fallsburg manages to send it right back through MORE hands for potential exposure to just have it sent RIGHT back? How is this even human decency? I need YOU or someone you appoint who WILL take care of things to intervene and send these items BACK to the address I included if NEEDED to the PO BOX (b)(6) since that's ALL that was needed. Which I'm sure is cheaper than having it all delivered to the street address. PLEASE have someone fix this. I am EXTREMELY upset about this situation and lack of empathy that Ezra Heller expressed as if not placing a PO Box was the reason it got returned when it simply could've been held so my parents can go pick them up. THIS IS something that can be done. i have not had an appropriate nor satisfactory resolution to this issue. I have more packages coming that seems to have an issue with being delivered and I don't want to include third party agencies but will have no choice if I do not receive a response. I did not have anyone reach back out to me For this issue. I'm sure you are all backed up but I cannot get any help locally.

---------- Forwarded message ----------
From: (b)(6) <[redacted](b)(6)[redacted]>>
Date: Monday, April 6, 2020
Subject: USPS Case Confirmation For Service Request 07982386
To: USPS Customer Support <uspscustomersupport@usps.gov<mailto:uspscustomersupport@usps.gov>>

Hi I spoke with (b)(6) who let me know he doesn't know what happened to the other 2 packages but one got returned. He let me know he had to close the inquiry and i am asking to keep it open until the issue is resolved and the other two packages are kept For pickup. The status of the packages show as "undeliverable" on my end and am upset that they have not been found. Please send to your CEO, executive office, complaints team.

AMERICAN OVERSIGHT

On Saturday, April 4, 2020, USPS Customer Support <uspscustomersupport@usps.gov<mailto:uspscustomersupport@usps.gov>> wrote:
[https://usps.my.salesforce.com/servlet/servlet.ImageServer?id=015t00000001Yln&oid=00Dj0000000GyYH]

Dear (b)(6)

Thank you for contacting the United States Postal Service® and taking the time to share your concerns with us. Your inquiry has been processed and assigned to Service Request # (b)(6)

Your inquiry has been forwarded to the appropriate management team for research and response. You can expect initial contact within one-business day.

We invite you to visit our Frequently Asked Questions page at: https://faq.usps.com/s/ for help with your future mailing and shipping needs.

Thank you again for bringing this to our attention, and for your patience while we investigate this matter.

Regards,

USPS

ref:_00Dj0GyYH._500t0TOlp2:ref

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Monday, April 6, 2020 11:51 AM
To: Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC
Subject: From Axios: 1 big thing: Scoop — Inside the epic White House fight over a virus drug

[redacted] has shared an Axios story with you:

1 big thing: Scoop — Inside the epic White House fight over a virus drug
https://www.axios.com/newsletters/axios-sneak-peek-c6325dc6-960a-41e3-8fe0-23ad9ec0471d.html?chunk=0&utm_term=emshare#story0

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Sunday, April 5, 2020 10:29 AM
To: Robert Duncan; John Barger; Ron Bloom; Roman Martinez IV; David Williams
Cc: Marshall, Thomas J - Washington, DC; Stroman, Ronald A - Washington, DC; Elston, Michael J - Washington, DC
Subject: Pelosi eyes end of April to bring a fourth coronavirus relief bill to the floor | TheHill

FYI

https://thehill.com/homenews/house/491201-pelosi-wants-fourth-coronavirus-relief-bill-brought-to-house-floor-this-month

Pelosi eyes end of April to bring a fourth coronavirus relief bill to the floor

Speaker Nancy Pelosi</people/nancy-pelosi> (D-Calif.) said in a letter to fellow House lawmakers on Saturday that she wants to bring a second stimulus package to the floor by the end of this month to further relieve the American public during the coronavirus pandemic.

"It is my hope that we will craft this legislation and bring it to the floor later this month," Pelosi said in the letter, according to Bloomberg<https://www.bloomberg.com/news/articles/2020-04-05/speaker-pelosi-aims-to-bring-up-next-virus-stimulus-this-month>, adding that American communities "cannot afford to wait."

Pelosi added that the next stimulus package "must go further in assisting small businesses including farmers, extending and strengthening unemployment benefits and giving families additional direct payments."

The aggressive push from the California lawmaker comes as members of Congress disagree over the next steps to take regarding the economic fallout from the spread of the coronavirus.

Some House Republicans are particularly wary of a fourth coronavirus relief package.

On Friday, a group of GOP lawmakers — led by House Freedom Caucus Chairman Andy Biggs (R-Ariz.) — wrote President Trump</people/donald-trump> a letter advising against rushing to sign a fourth stimulus bill into law.

“Most of the relief funding from Phase 2 and Phase 3 has not even been distributed yet. We advise caution in considering an additional round of spending outside of the regular process before we have seen the results of the previous three rounds of spending,” the group wrote.

The group said the country’s debt stood at $23.6 trillion before the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed and that the mammoth bill was going to add at least $2 trillion to that figure.

“Every dollar we add to the debt today makes it increasingly less likely that we will be able to provide even the basic services our citizens have come to expect in the decades to come,” the group added.

But Pelosi underscored in a statement released Friday that while the first CARES Act provided money to bolster small businesses, their employees and others who are unemployed, there was much more to be done to help the country.

"It is imperative that we go bigger and further assisting small business, to go longer in unemployment benefits and provide additional resources to process [unemployed insurance] claims and to give families additional direct payments,"

AMERICAN OVERSIGHT

Pelosi said, according to the statement<https://pelosi.house.gov/news/press-releases/pelosi-statement-on-next-steps-on-coronavirus-response>.

She added, "We must also provide the desperately needed resources for our hospitals, community health centers, health systems and health workers on the frontlines of this crisis. We cannot succeed in defeating this virus unless we more strongly support state and local governments with significantly more resources."

Senate Majority Leader Mitch McConnell</people/mitch-mcconnell> (R-Ky.) has said that there will be<https://thehill.com/homenews/senate/491089-mcconnell-says-there-will-be-a-fourth-coronavirus-bill> a fourth bill, this time with a more "targeted response" to "what we got wrong." The bill would also have a further focus on health care, according to an interview the senator did with The Associated Press<https://apnews.com/ade6f4a0853ceb4c3500a8238ad6cd7f>. However, the GOP leader indicated that he was not in any rush to pass the bill.

Pelosi has already scaled back<https://thehill.com/homenews/house/491014-pelosi-scales-back-coronavirus-infrastructure-proposal> her latest ambitions for a coronavirus infrastructure proposal, saying that things such as improvements to drinking water systems and expanded access to broadband may have to wait.

"The acceleration of the coronavirus demands that we double down on the downpayment we made in CARES by passing a CARES 2 package," she continued in the statement. "We must extend and expand this bipartisan legislation to meet the needs of the American people."

The Hill has reached out to Pelosi's office for comment.

Updated 11:10 p.m.

Read more from The Hill:

Pelosi, McConnell clash over next coronavirus bill<https://thehill.com/homenews/house/491130-pelosi-mcconnell-clash-over-next-coronavirus-bill?rnd=1586081123>

Thank you.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Saturday, April 4, 2020 3:52 PM
To: Seaver, Kristin A - Washington, DC
Subject: SITREP

Add to my public policy...

(b)(5)

Thank you.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC (b)(6) [redacted]
Sent: Saturday, April 4, 2020 1:43 PM
To: Stroman, Ronald A - Washington, DC; Colin, Joshua D - Pittsburgh, PA; Seaver, Kristin A - Washington, DC; Krage Strako, Jakki - Washington, DC; Williams Jr, David E (COO) - Washington, DC
Subject: Coronavirus payments: IRS to begin issuing checks April 9, but some Americans won't receive payments until September - The Washington Post

All,

(b)(5) .

(b)(5) [redacted]

https://www.washingtonpost.com/politics/irs-to-begin-issuing-1200-coronavirus-payments-april-9-but-some-americans-wont-receive-checks-until-september-agency-plan-says/2020/04/02/8e0cfc84-751e-11ea-85cb-8670579b863d_story.html?utm_campaign=wp_post_most&utm_medium=email&utm_source=newsletter&wpisrc=nl_most

IRS to begin issuing $1,200 coronavirus payments April 9, but some Americans won't receive checks until September, agency plan says Lisa Rein<https://www.washingtonpost.com/people/lisa-rein/>
[The Internal Revenue Service plans to start electronically sending some payments to Americans, but others will be mailed.]The Internal Revenue Service plans to start electronically sending some payments to Americans, but others will be mailed. (Bill O'Leary/The Washington Post)

The Internal Revenue Service plans to send electronic payments as soon as late next week to millions of Americans as part of the $2 trillion coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_1&itid=lk_inline_manual_1> law, a week sooner than expected, according to a plan circulated internally on Thursday.

However, $30 million in paper checks for millions of other Americans won't start being sent out until April 24, as the government lacks their banking information. And some of those checks won't reach people until September, the document shows, underscoring the reality that many Americans could have to wait five months to receive their checks.

The speed with which the money is disbursed will depend largely on people's method of filing taxes. Electronic payments can be distributed quickly, whereas the IRS must print paper checks and mail them separately. About eight in 10 taxpayers have signed up for direct deposit payments for their past tax refunds, a number that has grown in recent years.

Calculate how much you'll get from the $1,200 (or more) coronavirus checks<https://www.washingtonpost.com/graphics/business/coronavirus-stimulus-check-calculator/?tid=lk_interstitial_manual_6&itid=lk_interstitial_manual_6>

Treasury Secretary Steven Mnuchin said on April 2 that Americans with direct deposit information on file should see covid-19 economic relief in two weeks. (The Washington Post)

AMERICAN OVERSIGHT

At a White House press briefing Thursday, Treasury Secretary Steven Mnuchin said these eligible Americans will receive the money within two weeks.

“If we if have your [bank] information you’ll get it within two weeks,” Mnuchin said. “Social Security, you’ll get it very quickly after that. If we don’t have your information you’ll have a simple web portal, we’ll upload it. If we don’t have that, we’ll send you checks in the mail.”

He added that “In this environment, we don’t want to send checks and we want to put money directly into [taxpayers’] accounts.”

Sign up for our Coronavirus Updates newsletter to track the outbreak. All stories linked in the newsletter are free to access.<https://subscribe.washingtonpost.com/newsletters/#/bundle/health?method=SURL&location=ART_IS&tid=lk_interstitial_manual_10&itid=lk_interstitial_manual_10>

Patricia McLaughlin, a spokeswoman for the Treasury Department, the IRS’s parent agency, said in an email that “the overwhelming majority of eligible Americans” will receive stimulus payments within the next three weeks.

She said that Treasury expects 50 million to 70 million Americans to receive checks through direct deposit by April 15, offering a slightly different assessment than the IRS draft plan.

Taxpayers who haven’t provided direct deposit information on their 2018 or 2019 tax returns will be able to enter it in a portal the IRS is setting up to speed up receipt of their checks, McLaughlin said.

The IRS plan would distribute paper checks to the lowest-income Americans first, prioritizing payments for individual taxpayers with incomes of $10,000 or less on April 24.

Checks for earners of $20,000 or less would be in the mail May 1, followed by those with incomes of $30,000 on May 8, $40,000 on May 15, and continuing in income increments of $10,000 each week, according to the plan. The IRS plans to issue about 5 million checks each week.

Stimulus checks would be issued on Sept. 4 to joint taxpayers earning $198,000, the maximum allowed under the stimulus. All others would be sent on Sept. 11, in most cases because the IRS did not have prior tax information for them and they need to apply for the checks.

The tax agency is racing to set up payment systems as millions of Americans have been forced out of the labor force by the pandemic, with jobless claims soaring to a staggering 6.6 million<https://www.washingtonpost.com/business/2020/04/02/jobless-march-coronavirus/?tid=lk_inline_manual_21&itid=lk_inline_manual_21> last week.

The plan is to generate electronic checks on April 9, according to the payment schedule reviewed by The Washington Post. Depending on how quickly banks process the payments, they would be deposited by April 14 at the latest.

“If we know where to put the money, we’re going to press the button and put it there next week,” said an IRS official who was not authorized to speak publicly.

American adults who earned less than $75,000 will receive a $1,200 payment, and an additional $500 per child. The payment will be phased out for Americans who receive more than that, and adults that earned more than $99,000 will not receive the benefit, under the law.

About 145 million Americans are eligible for stimulus checks, depending on their income. Mnuchin had said he expected most Americans to get their payments by April 17. The IRS still has not said publicly how long it would take the agency to issue paper checks, or how it plans to decide who should get them first.

AMERICAN OVERSIGHT

Another 64 million Americans receiving Social Security and disability income will also receive checks, many of them electronically, after the Treasury Department announced Wednesday<https://www.washingtonpost.com/business/2020/04/01/bailout-checks-social-security/?tid=lk_inline_manual_29&itid=lk_inline_manual_29> that they can get payments even if they typically do not file a tax return.

Most taxpayers will not have to file a separate claim with the IRS to receive their checks. The new law directs the Treasury to look at Americans' 2019 or 2018 tax returns to determine if they are eligible for a payment.

The agency had strongly considered spacing payments out based on $25,000 income brackets but concluded in recent days that it needed to send the checks in smaller batches because its networks do not have the bandwidth to issue so many checks in one week, the IRS official said. A slower ramp seemed more manageable, the official said.

Thank you.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC (b)(6)
Sent: Saturday, April 4, 2020 1:29 PM
To: Marshall, Thomas J - Washington, DC
Subject: Re: Mnuchin Phone Call

Well done Tom. (b)(5)

Thank you.

Megan

On Apr 4, 2020, at 12:57 PM, Marshall, Thomas J - Washington, DC (b)(6) > wrote:

Just as an fyi, we are providing some talking points for the Governors (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 4, 2020 11:35 AM
To: Weidner, Keith E - Washington, DC < (b)(6) >
Subject: RE: Mnuchin Phone Call

Keith, my suggestions are on the attached. Are you also working with (b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 3, 2020 4:22 PM
To: Marshall, Thomas J - Washington, DC < (b)(6)
Subject: RE: Mnuchin Phone Call

Tom, a revised version is attached.

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 2, 2020 9:19 PM
To: Weidner, Keith E - Washington, DC < (b)(6)
Subject: RE: Mnuchin Phone Call

(b)(5)

(b)(5)

(b)(5)

AMERICAN OVERSIGHT

[redacted]

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 2, 2020 5:16 PM
To: Marshall, Thomas J - Washington, DC <[redacted](b)(6)[redacted]
Subject: RE: Mnuchin Phone Call

[redacted](b)(5)[redacted]

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 2, 2020 2:21 PM
To: Weidner, Keith E - Washington, DC [redacted](b)(6)[redacted]
Subject: RE: Mnuchin Phone Call

Keith, I thank our (b)(5) [redacted](b)(5)[redacted]

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Thursday, April 2, 2020 12:41 PM
To: Marshall, Thomas J - Washington, DC <[redacted](b)(6)[redacted]
Cc: Weidner, Keith E - Washington, DC [redacted]
Subject: RE: Mnuchin Phone Call

Thank you! [redacted](b)(5)[redacted]

Keith, Jennifer's [redacted](b)(6)[redacted]

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 2, 2020 12:38 PM
To: Elston, Michael J - Washington, DC [redacted]
Cc: Weidner, Keith E - Washington, DC [redacted](b)(6)[redacted]
Subject: RE: Mnuchin Phone Call

Mike, I (b)(5) . [redacted](b)(5)[redacted]
Thanks.

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

AMERICAN OVERSIGHT

From: Elston, Michael J - Washington, DC
Sent: Thursday, April 2, 2020 10:02 AM
To: Marshall, Thomas J - Washington, DC [redacted]
Subject: Mnuchin Phone Call

Tom,

As I mentioned last night, [redacted]

[redacted]

Let me know what you think.

Thanks,
Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
[redacted]

[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Saturday, April 4, 2020 10:14 AM
To: Williams Jr, David E (COO) - Washington, DC
Subject: Fwd: Business Insider story
[redacted] (b)(5) [redacted]

Dave,

[redacted] (b)(5) [redacted].

Thank you.

Megan

Begin forwarded message:

From: "Walker, Janice D - Washington, DC" [redacted] (b)(6) [redacted]
Date: April 3, 2020 at 7:30:52 PM EDT
To: [redacted] (b)(6) [redacted] "Ellis, David B - Washington, DC" [redacted] "Swigart, Michael A - Washington, DC" <[redacted]>, COVID 19 Command Officers [redacted]
Cc: "Partenheimer, David A - Washington, DC" [redacted] (b)(6) [redacted] "Adams, Jeffery A - Washington, DC" [redacted]
Subject: Business Insider story

https://www.businessinsider.com/coronavirus-usps-workers-say-doing-too-little-to-protect-them-2020-4
USPS mail carriers say the service isn't doing enough to protect them from the coronavirus and are mixing DIY sanitizer and buying gloves online to stay safe Business Insider spoke with two US Postal Service mail carriers this week who said their employer was doing too little to protect them during the coronavirus outbreak.
Ashley Collman April 3, 2020
Ashley Collman<https://www.businessinsider.com/author/ashley-collman>

4 hours ago

- They described unsanitary conditions in post offices and mail trucks and said they were not getting protective equipment like gloves and face masks.
- One resorted to making her own sanitizer at home from bleach, while the other has bought gloves and masks at inflated prices online.
- The USPS did not answer the workers' concerns directly but said in a statement that it was taking action to limit the risk of infection among its staff.

With many Americans under orders to stay at home, work has continued as usual for the United States Postal Service, deemed an "essential" business.
But mail carriers are concerned that their working conditions have made them sitting ducks during the coronavirus pandemic.

AMERICAN OVERSIGHT

Business Insider spoke with two mail carriers this week who said social distancing was not being enforced in their workplace, heightening the risk of the infection spreading.
They also said that post offices and trucks were not being kept clean and that they had not received protective gear like face masks or gloves.
Both were spending their own money on makeshift protection that they argued should be provided universally by their employers.
USPS has said it's enforcing social distancing, enhancing its cleanliness, and giving workers protection — but the mail carriers we spoke with said they hadn't seen any evidence of this.
Both asked to remain anonymous, fearing the loss of their jobs if they spoke publicly.
No protective equipment and unsanitary conditions One mail carrier in the Suncoast region of Florida said the Postal Service hadn't been supplying masks or gloves, or even keeping hand sanitizer in the office and trucks.
She said she was instead making a bleach solution at home to clean her truck.
"Given the fact that we see customers every single day, I just feel like they could do a better job in making sure we have safe, sanitized working conditions," she said.
"That's just not happening, largely in part due to a lack of availability" of protective products, she said.
Another mail carrier at a post office outside Stockton, California, said the only protection he was aware of was a big container of hand sanitizer his supervisor keeps on their desk.
[california carrier truck.JPG]
A postal worker in California sent us this picture of his dirty mail-carrier van. The two workers we spoke with expressed concern about the hygiene in their workplace.
"They aren't taking this very seriously in my opinion at all," he said. "We don't have masks. There isn't social distancing."
He added that in the back of the post office, "you're nearly shoulder to shoulder with everyone all the time."
His position at USPS requires him to fill in where he's needed, which means sharing trucks with other carriers, something he worries about.
Because he hasn't gotten masks or gloves from USPS, he's resorted to buying them on the internet at high prices — $60 for a pack of reusable masks off Etsy, and $50 for rubber gloves, he said.
The public don't take social distancing seriously The California carrier said the thing that worried him the most was how people kept flouting social-distancing measures to interact with him daily.
The Postal Service has discontinued the need for customer signatures and allowed workers to drop items off instead of passing them directly to a recipient. But that doesn't matter if people aren't keeping their distance.
"The public, to be honest, are even more clueless," he said. "I hate to put it that way. Everyone I encounter is nice and friendly.
"But we've been told not to go up to people, and the first thing 50% of the people do as soon as they hear me is walk out of their house — literally up to me — to grab the mail. Maybe because it's something to do. That's the scariest part of my day."
It's only a matter of time
[california post service bathroom.JPG]
The California carrier said this picture of a dirty bathroom at his post office was evidence that the agency is not cleaning seriously during the coronavirus outbreak.
Both mail carriers said they felt it was only a matter of time before they get the virus — or, worse, pass it to someone in their family.
The Florida carrier said the threat that she or one of her coworkers could get the virus was "very real" and "just waiting to happen."
"Who's to say someone in our office hasn't already had it?" she said.
"We're short-staffed, which means that those of us who are there are working for roughly 10 hours a day, six days on," she said, adding, "We're more fatigued and more susceptible to the virus."
The California carrier said he thought his chance of getting the virus was "bad."
He said that "as the days go by, I think until we get masks, it's probable" that he will get it.
Both said the USPS should make more of an effort to supply its workers with protective equipment and make hand sanitizer widely available.

AMERICAN OVERSIGHT

More than 250 Postal Service workers have been infected Both said they didn't know of any of their coworkers getting sick yet. But the same can't be said for the Postal Service as a whole. Dave Partenheimer, a USPS spokesman, told Business Insider on Thursday that 259 of the Postal Service's 630,000 employees had tested positive for COVID-19. Partenheimer did not say how many workers had died of the disease, but unions have reported the deaths of two mail carriers in New York City<https://www.nalc.org/news/nalc-updates/bronx-letter-carrier-passes-away-from-coronavirus> and Detroit<https://www.npmhu.org/media/news/body/Anthony-Smith-307-040120mjh.pdf> in recent days.
There was also a concerning ProPublica report<https://www.propublica.org/article/letter-carriers-say-the-postal-service-pressured-them-to-deliver-mail-despite-coronavirus-symptoms-and-often-without-hand-sanitizer> in which two workers said they were pressured to keep delivering mail even after they started to develop symptoms of COVID-19. Postal workers have raised similar concerns about the coronavirus with The New York Times<https://www.nytimes.com/2020/03/23/us/coronavirus-post-office-workers.html>, NPR<https://www.npr.org/2020/03/24/820330579/postal-workers-say-they-lack-supplies-training-to-protect-themselves-from-virus>, and Government Executive<https://www.govexec.com/workforce/2020/03/postal-workers-increasingly-concerned-agency-isnt-protecting-them-coronavirus/164151/>.
Vermont Sen. Bernie Sanders, who's running for president, sent a letter to the USPS<https://www.huffingtonpost.co.uk/entry/bernie-sanders-usps-postal-workers_n_5e83c28bc5b6a1bb764f457a?ri18n=true&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAFTJznV9XJO80EwUbmNGFOz3WkANVSJwMNwasU4YemY_6Yj5BbRwtO9fJB2PdcS6sdzUPhMPoz8JL5aMJETBNfGy0D4Kwh7JugdOe3F3uTgIB0MUIMLO-Mpf1fdk7q-WZ5ZISAwgNYi6oeyJu_b0mz0zdoCa6BaZxEbHXyJQC10o&guccounter=2> on Tuesday demanding answers about how it was protecting its workers.
As of Friday, more than 86,000 people had signed a petition<https://www.coworker.org/petitions/usps-must-ensure-rights-and-safety-for-employees-and-customers-during-covid-19-pandemic> calling for safety guarantees for postal workers, including "basic supplies like gloves, sanitizer spray, and face masks."
[coronavirus usps 2]
A USPS worker delivers mail in New York City on March 18. Cindy Ord/Getty Images<https://www.gettyimages.com/detail/news-photo/letter-carrier-delivers-mail-as-the-coronavirus-continues-news-photo/1213375591?adppopup=true>
Meanwhile, there have been concerns about how self-isolation and social-distancing measures could affect the USPS. Two US representatives have said<https://www.businessinsider.com/coronavirus-could-shut-down-post-office-by-june-congressional-leaders-2020-3> that the Postal Service could close as early as June because of a drop-off in mail volumes. Reps. Carolyn Maloney and Gerry Connolly said they backed a bill that would give $25 billion in emergency funding to the USPS. The stimulus bill enacted last week allowed it to borrow $10 billion and create temporary delivery points<https://www.businessinsider.com/coronavirus-bill-lets-post-office-make-amazon-like-delivery-points-2020-3> to help prevent workers from being exposed to the virus.
What the USPS had to say
Business Insider sent a detailed request for comment to the Postal Service on Thursday. Partenheimer did not directly answer the questions but forwarded a recent USPS statement on the matter.
Partenheimer said he wanted to stress "that the safety of our employees and customers is our highest priority." The statement he included broke down the ways that the USPS was addressing the coronavirus outbreak.
Here are some actions the service said it was taking:

- "Ensuring millions of masks, gloves and cleaning and sanitizing product are available and distributed to more than 30,000 locations every day."
- Introducing policies in USPS locations "to ensure appropriate social distancing, including through signage, floor tape, and 'cough/sneeze' barriers."
- Encouraging employees to "politely ask" customers to keep their distance so that they may drop off mail safely.
- Updating cleaning policies "in a manner consistent with CDC guidance relating to this pandemic."
- Giving information to employees to help them stay safe.

You can read the statement in full at the USPS's website<https://about.usps.com/newsroom/statements/usps-statement-on-coronavirus.htm>.

AMERICAN OVERSIGHT

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Friday, April 3, 2020 4:14 PM
To: Elston, Michael J - Washington, DC
Subject: Fwd: [EXTERNAL] Breaking News: White House says anyone 'in close proximity' to Trump or Pence will be tested for coronavirus

(b)(5)

Thank you.

Megan

Begin forwarded message:

From: The Hill <(b)(6)
Date: April 3, 2020 at 3:01:31 PM EDT
To: "Brennan, Megan J - Washington, DC" (b)(6)
Subject: [EXTERNAL] Breaking News: White House says anyone 'in close proximity' to Trump or Pence will be tested for coronavirus
Reply-To: The Hill <r-56972-28719-8BA0D911EAE145998890C101FF69DA7C@email.thehill.com>

View in your browser<http://click1.email.thehill.com/ViewMessage.do?m=innhznyc&r=zsfslfwm&s=aylsrvbzlmmcvcmyhllsslbgmbmwwplzvtg&q=1585940111&a=view>

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White House: Anyone 'in close proximity' to Trump or Pence will be tested for coronavirus<http://click1.email.thehill.com/fsjrtcqzyddwpcpdwbjyywrryqwldqdffnyzcglrbqbhy_ahlhpltknmhshlybmmm.html?a=56972>
Any person "in close proximity" to President Trump or Vice President Pence will be tested for the novel coronavirus starting Friday, the White House said.

“As the Physician to the President and White House Operations continue to protect the health and safety of the President and Vice President, starting today anyone who is expected to be in close proximity to either of them will be

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administered a COVID-19 test to evaluate for pre-symptomatic or asymptomatic carriers status to limit inadvertent transmission," deputy press secretary Judd Deere said Friday.
Read the developing report here<http://click1.email.thehill.com/scslwzjfpbbtgzgbtcmpptllpjthbjbddkpfzshlcjccj_ahlhpltknmhshlybmmm.html?a=56972>

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Friday, April 3, 2020 12:37 PM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Essential mail

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <[redacted](b)(6)[redacted]>
Date: April 3, 2020 at 10:50:00 AM EDT
To: "Brennan, Megan J - Washington, DC" [redacted](b)(6)[redacted]
Subject: [EXTERNAL] Essential mail

My husband is a mail carrier. He is now delivering in a very infected area of (b)(6) PA. They currently are now dealing with major increase of Amazon packages due to the infected worked at that HUGE facility!
He and all the workers there know what ESSENTIAL means and All are doing there jobs. What I want to know is.... WHY IN GOD'S NAME ARE THEY DELIVERING UNESSENTIAL MAIL to EVERY HOUSE in a HIGHLY INFECTED AREA!!!! Do you want them to get the coronavirus!! This I ask NATIONALLY!!! Why. MUCH of the mail I'm RECEIVING right now. Is UNESSENTIAL!!!!!
Again. Why!!!!???? So it can be thrown in the garbage. Do you see what is wrong with this picture. Or is it only the customers, employees and family members that see this problem.
Megan. You as post master seem to be the ONLY ONE who can do something about this situation... so DO SOMETHING, before the virus does it for you!
(b)(6)

Sent from Yahoo Mail for iPhone<https://overview.mail.yahoo.com/?.src=iOS>

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Thursday, April 2, 2020 6:34 PM
To: Seaver, Kristin A - Washington, DC; Barksdale, Gary R
Subject: FW: WH Press Conference

FYI - helping with whole of government response.

Thank you.

Megan

-----Original Message-----
From: Elston, Michael J - Washington, DC
Sent: Thursday, April 2, 2020 6:31 PM
To: Marshall, Thomas J - Washington, DC [redacted]; Brennan, Megan J - Washington, DC [redacted]
Subject: WH Press Conference

(b)(5)

Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Thursday, April 2, 2020 6:08 PM
To: Elston, Michael J - Washington, DC
Subject: WH Outreach

Mike,

(b)(5)

Thank you.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted] on behalf of Brennan, Megan J - Washington, DC <[redacted]
Sent: Thursday, April 2, 2020 1:24 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] **URGENT MATTER* (b)(6) POST OFFICE, DALLAS, TEXAS (b)(6)
Attachments: USPS Letter_2020.pdf

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
202-268-2550

From: (b)(6) [mailto (b)(6) [redacted]
Sent: Thursday, April 2, 2020 1:23 PM
To: [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] **URGENT MATTER* (b)(6) POST OFFICE, DALLAS, TEXAS (b)(6)

April 2, 2020

Hello USPS –

Two years ago, I moved to another neighborhood in Dallas, Texas. The (b)(6) l location on (b)(6), (b)(6) is my assigned post office. In the email below sent on February 26, 2018, I detailed challenges I and many other residents faced at this location. Hours after I sent that email, I received a concerned sounding call from (b)(6). While I was speaking with Ms. (b) e, I received a frantic sounding call from the location's Postmaster, (b)(6). Ms. (b) and I spoke 3 times on February 26th. She said she was taking notes and repeatedly assured me that all my concerns would be addressed. I believed her. She put me at ease. For months, I'd not received any professionalism or truth from the staff at (b)(6). To directly speak to USPS Regional Leadership, I felt that finally, I was being heard. The screenshot below details the phone calls between Ms. (b) and I from her desk phone (in red) and when Ms. L(b) called me from her car to share her personal cell phone number with me to contact her if anything arises in the coming weeks and months (in purple).
SEE ATTACHED FOR IMAGE

Weeks after Ms. (b) shared with me that staff at the (b)(6) location had been reassigned and better processes were now in place, it was refreshing to visit the location. There was even a greeter at the door helping to move traffic to the clerks. The clerks even thanked customers for their business and asked that the customers complete the survey at the bottom of the receipt. It was a stark contrast to the inferior service we had received months prior to. Sadly, this great customer service did not last very long.

I contacted Ms. (b) on June 25, 2018. She did not answer either call. I sent a text and screenshot of the package in question. The text detailed how the carrier had entered a status that was, once again, untrue. Within the same minute, Ms. (b) sent a text stating, "I can't talk right now. I'll call you back shortly." As of today, 647 days have passed, and Ms. (b) has yet to call me back.

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SEE ATTACHED FOR IMAGE

Not feeling confident, I did reach out to Ms. (b)(6) again on December 7, 2019. I left a voicemail. She did not respond to that call either. (see screenshot below) What was the point in Ms. (b)(6) pretending to be so concerned and outraged at this locations' behavior, when she had no intention of being concerned?
SEE ATTACHED FOR IMAGE

While I was hopeful that by Ms. (b)(6) providing a direct number to contact her if issues continued or new issues developed, the fact that she NOT ONE TIME answered this phone, returned my calls or acknowledged my voicemails is the explanation of why the (b)(6) Post office staff is so comfortable lying to residents about mail and package delivery. The behavior of Ms. (b)(6) the perfect example of when professionalism, honesty and integrity is absent in the actions of your most senior USPS representation, it will be reflected in the actions of your most junior USPS representation.

Date

Item

Notification

USPS Carrier Status

January 6

Shutterfly package

Out for Delivery

Delivery Attempted – No Access to Delivery Location

January 7

Shutterfly package

Out for Delivery

Delivery Attempted – No Access to Delivery Location

January 8

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Shutterfly package

Out for Delivery

Delivery Attempted – No Access to Delivery Location

January 9

Shutterfly package

Out for Delivery

I went to (b)(6) post office at 8:55a. “Cam” went to the carrier’s truck and retrieved my package. He stated that the carrier has been returning my package each day.

February 5

Amazon Sure Post

Out for Delivery

Delivery Attempted – No Access to Delivery Location

February 6

Amazon Sure Post

Out for Delivery

Delivery Attempted – No Access to Delivery Location

February 7

Amazon Sure Post

AMERICAN OVERSIGHT

Out for Delivery

I went to (b)(6) post office at opening. “Cam” went to the carrier’s truck and retrieved my package.

April 1

Remembered Luxuries

Out for Delivery

Delivery Attempted – No Access to Delivery Location

Much like in 2018, when I visited the (b)(6) post office in January and February, the lobby would quickly fill with residents complaining and frustrated about not receiving mail or inaccurate status about the attempt of their packages. Would someone please explain to me, why are the carriers allowed to update the status about our mail and packages with details that are simply not true? My package that was “Attempted to be Delivered” on April 1, 2020 is another example of your carrier not delivering his/her mail. According to Informed Delivery, on April 1st I was supposed to receive a letter along with a package (b)(6) Neither arrived. I attached a clip from my Nest doorbell camera to this email around the time that the carrier stated he/she attempted to deliver my package. This status is untrue. You carrier never came to my home on April 1st! I also included a picture of my home. Nothing prevents your carrier from accessing my porch or front door. Again, this status is untrue. I started to go to the Joe Pool post office this morning to retrieve my package but decided not to do the job that you’re paying someone else to do. I will wait, until it arrives. If it ever does arrive.
SEE ATTACHED FOR IMAGE

It is my request, that someone please investigate the Joe Pool post office and its carriers. During these very challenging times, the last thing residents should be worried about is whether our mail will arrive when it is supposed to.

Regards,

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Thursday, April 2, 2020 12:34 PM
To: Cronkhite, Isaac S - Washington, DC; Williams Jr, David E (COO) - Washington, DC; Seaver, Kristin A - Washington, DC; Walker, Janice D - Washington, DC
Subject: RE: [EXTERNAL] Time to ask for White House meeting

Janice,

Please read – let's get our message on that thread.

Thank you.

Megan

From: Cronkhite, Isaac S - Washington, DC
Sent: Thursday, April 2, 2020 11:45 AM
To: Brennan, Megan J - Washington, DC <[redacted] (b)(6) Williams Jr, David E (COO) - Washington, DC [redacted] (b)(6) [redacted]; Seaver, Kristin A - Washington, DC [redacted]
Subject: RE: [EXTERNAL] Time to ask for White House meeting

The full tweet…

A big thanks to all the workers of ups, usps, Amazon, etc. who are still going to work every day risking their health to make sure people get their packages in this time of dire need #ThanksForDelivering

The #ThanksForDelivering hashtag has a ton of great tweets from people and organizations thanking delivery people. UPS has a big presence on that thread…

From: Brennan, Megan J - Washington, DC
Sent: Thursday, April 2, 2020 11:36 AM
To: Williams Jr, David E (COO) - Washington, DC [redacted]; Seaver, Kristin A - Washington, DC [redacted] (b)(6) [redacted] >>; Cronkhite, Isaac S - Washington, DC [redacted]
Subject: Fwd: [EXTERNAL] Time to ask for White House meeting

Thank you.

Megan

Begin forwarded message:
From: "M. -Mike- Duncan Robert" [redacted] (b)(6) [redacted]
Date: April 2, 2020 at 9:27:36 AM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted] (b)(6) [redacted]
Subject: [EXTERNAL] Time to ask for White House meeting
@realDonaldTrump: RT @nickmalinowskii: A big thanks to all the workers of ups, usps, Amazon, etc. who are still going to work every day risking their health...

AMERICAN OVERSIGHT

Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Wednesday, April 1, 2020 7:59 PM
To: Wohlganger, Ed - Washington, DC
Subject: Fwd: [EXTERNAL] Dover Annex / 3rd time Missing package

Thanks,

Megan

Begin forwarded message:

From: (b)(6) [redacted](b)(6)[redacted]>
Date: April 1, 2020 at 7:09:12 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]
Subject: [EXTERNAL] Dover Annex / 3rd time Missing package

I am writing you this email because this is beyond ridiculous and possibly criminal. This is the 3rd time I have been waiting for a package, that did not get delivered. The tracking number will say delivered but it never was. The first 2 times I chalked it up to human error. Keeping in mind I got screwed out of my package and the price of it. I never got the refund because the company that I purchase from just says, "The tracking number said it was delivered, sorry."

So I went out and got video cameras covering all of the front and back yard. You can not take 2 steps on my property without the camera's motion sensor recording you.

3rd time. Same song and dance. Tracking number (b)(6) stated my package was delivered on Saturday March 21, 2020 at 10:30 AM. Of course, no package. I retrieved the mail that day, and the only thing I received was a signed signature card for a piece of certified mail that was sent. No Package !!!!

I checked my video cameras and the mail actually came at 11:30 not the 10:30 the tracking stated. The video clearly showed my mail carried with a small green signature card return for a piece of certified mail. The video clearly shows NO PACKAGE.

I went to the (b)(6) Annex to make a complaint. I even asked for the carrier's GPS location for when he checked in the delivered package. I was immediately told the package was mis- delivered to (b)(6) Dover, NJ.

They assured me I have my package tomorrow. NO PACKAGE. I called multiple times and was hung up on, and just basically blown off. Finally 3 days later I got through and spoke to an African American female by the name of Marissa. (Keep in mind she is the person I spoke with, when I went there in person. They also told me she was the post master of the Annex. (That was a lie). So she told they can't do anything, and she gave me the phone number to the postmaster, (b)(6) I questioned on who was the postmaster. Of course, I got nothing.

So I called the number ((b)(6) This is the number (b)(6) me. Well it turns out she was just playing more games and gave me his personal cell number. Which Mr. (b)(6) was not to happy about.

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So he stated he would take care of everything, Nothing happened!!! I was told to make a claim to receive my money back.

I did in fact try to do this. Well I could only make a claim if I was the sender, and I took insurance on the item !!!

I was the receiver from a product I brought on Amazon. Total cost $37.59.

So here are my questions, Why is the mail carrier marking an item delivered, if in fact it is NOT. Are they stealing them ????

Why if they know where it was delivered too, they did not retrieve it !!!

This whole thing is nothing but I leaky bag of crap !!! I am also going to go the local police and file a complaint of theft. I will also be listing your carrier as the actor / suspect.

I want something done about this. I would like to get my money refunded for the mistake of the carrier and the post office. How the hell are you guys stating that a package is delivered when it is not. I was some answers. Thank You.

(b)(6)

(b)(6)

(b)(6)

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Wednesday, April 1, 2020 6:27 PM
To: Williams Jr, David E (COO) - Washington, DC
Subject: Fwd: Federal News Network story on Board meeting

Dave,

[redacted](b)(5)[redacted]

Thank you.

Megan

Begin forwarded message:

From: "Walker, Janice D - Washington, DC" <[redacted](b)(6)[redacted]
Date: April 1, 2020 at 6:18:05 PM EDT
To: _Executive Leadership Team [redacted](b)(6)[redacted]>, COVID 19 Command Team [redacted](b)(6)[redacted]
Cc: "[redacted]" "Adams, Jeffery A - Washington, DC" [redacted](b)(6)[redacted]
Subject: Federal News Network story on Board meeting

https://federalnewsnetwork.com/workforce/2020/04/usps-reports-postal-employees-deaths-from-coronavirus-not-immune-to-financial-impact/
USPS reports postal employees' deaths from coronavirus, 'not immune' to financial impact By Jory Heckman<https://federalnewsnetwork.com/author/jory-heckman/>
April 1, 2020 4:53 pm

With the Postal Service now tracking the deaths of its employees from the coronavirus pandemic, in addition to a growing list of those who have tested positive for the virus, the agency is doing everything it can to continue normal operations — even in the most extraordinary circumstances.
The USPS Board of Governors held a moment of silence Wednesday for postal employees who have died of complications from COVID-19, the illness caused by the current strain of the virus.
Those include Rakkhon Kim, a 50-year old letter carrier in New York City, who died of complications from the virus last week.
USPS spokesman Dave Partenheimer told Federal News Network that 230 postal employees have tested positive for COVID-19. While the Postal Service can confirm "some deaths," the agency does not yet have a definitive number.
"This pandemic is an important reminder that the Postal Service provides an essential public service," Robert Duncan, the board's chair, said during the remote meeting. "And unfortunately, it's also a sad and painful reminder that public service can come with a terrible price."
While the health and safety of its employees remains a top concern, the Postal Service is also taking steps to address its worsening financial situation.
Duncan called the additional $10 billion line of credit in the $2 trillion emergency spending bill<https://federalnewsnetwork.com/legislation/2020/03/what-the-2t-coronavirus-stimulus-means-for-federal-employees-retirees-and-contractors/> President Donald Trump signed last week "a good start" to see the Postal Service

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make it through this pandemic, but added USPS will continue to work with Congress on a path forward that addresses its underlying liabilities and its long-term financial health.

"The Postal Service continues to perform its public services [but] have seen that we're not immune to the financial impacts of this pandemic," he said. "At a time when we are being asked to do more, we're generating much less in revenue. A sudden and dramatic drop in economic activity is also leading to a steep and precarious decline in mail volume."

However, Rep. Gerry Connolly (D-Va.), chair of the House Oversight and Reform Committee's government operations subcommittee, told Federal News Network that it would be "very unhelpful" for USPS to only borrow more money.

"To give it $10 billion of additional credit is, frankly, a meaningless gesture. It's a slap in the face, and it's not what they need," Connolly said in an interview. "They don't need more debt capacity, they need debt forgiveness."

Connolly led efforts in the House-version of the emergency spending bill<https://federalnewsnetwork.com/agency-oversight/2020/03/rep-connolly-postal-unions-back-usps-coronavirus-stimulus-funding-to-maintain-essential-service/> to give the Postal Service $25 billion to spend through September 2022. The bill would have also forgiven USPS' $11 million debt to the Treasury Department and allowed the agency to borrow another $15 billion.

The bill would have also eliminated a $3 billion annual borrowing limit for this line of credit from Treasury.

Connolly said he supports seeking further USPS emergency relief in a fourth round of emergency spending for critical infrastructure once the Senate reconvenes April 20. However, he added that the White House and President Donald Trump personally objected to some of the USPS provisions in the House spending bill.

Connolly also suggested adding the USPS Fairness Act<https://federalnewsnetwork.com/agency-oversight/2020/02/house-passes-smaller-usps-reform-bill-to-eliminate-pre-funding-benefits/>, which passed the House in February, into the next spending bill. The bill would repeal a 2006 congressional mandate for the Postal Service to pre-fund the health benefits of future postal retirees, and would instead amove the agency to a pay-as-you-go model.

The White House's National Security Council and the Department of Homeland Security consider USPS an "essential service" during the course of the pandemic. However, Connolly said the Trump administration has yet to give postal employees the resources and protections commensurate with this emergency designation.

"Many of them [are] working in risky situations in the midst of this pandemic to ensure Americans have the essential supplies they need in terms of medicine, prescription drugs, equipment, foodstuffs and the like," he said. "We're even talking about moving to an all-mail ballot, which, of course, would rely on a Postal Service that continues to do its job."

Postmaster General Megan Brennan said during the board meeting that USPS does not expect significant disruptions in delivery service, but acknowledged cases where there may be "temporary, localized impacts" to service where the agency will "quickly recover" to resume normal operations.

The New York Post reported <https://nypost.com/2020/03/30/coronavirus-shuts-down-mail-service-for-some-greenwich-village-residents/> disruptions in USPS delivery in the Greenwich Village neighborhood of New York City because of the number of postal employees taking sick leave.

Meanwhile, the Postal Service stood up a COVID-19 Response Command<https://link.usps.com/2020/03/23/covid-command/> led by Chief Information Officer Kristin Seaver to respond to what Brennan described as front-line conditions changing on a "day-to-day basis."

"We are aggressively monitoring all aspects of our business operations and functions, and we are confident in our ability to process and deliver the nation's mail and packages throughout this emergency," Brennan said.

Several postal employees have told Federal News Network that their local post offices have been slow to provide surgical masks that USPS headquarters said would be available for all workers. Hand sanitizer, they added, has also been in short supply.

"We are continuing to work to overcome gaps in the supply chain to ensure that our employees have access to hand sanitizer, masks and gloves, and other personal protective equipment," Brennan said.

Meanwhile, the Postal Service has reached agreements with postal unions on a liberal leave policy that would provide additional paid leave time for career employees and non-career city carrier assistants.

"We are promoting healthy behaviors and protocols and encouraging any employee who feels sick to stay home," Brennan said.

To minimize the risk to customers and employees, USPS management has implemented social distancing protocols at post offices and changed work practices to limit contact when postal employees receive outgoing packages from customers and when they get signatures after making deliveries.

AMERICAN OVERSIGHT

The Postal Service, Brennan said, has issued a “daily cadence” of memos on mandatory stand-up talks, articles, videos and other communications to ensure employees have the latest information and guidance from federal health officials. “The Postal Service is focused on our service mission, processing and delivering the nation’s mail and packages and meeting the immediate and evolving needs of American citizens and businesses,” Brennan said. “We will get through this and the Postal Service will help lead the way.”

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Wednesday, April 1, 2020 3:23 PM
To: Stroman, Ronald A - Washington, DC; Cronkhite, Isaac S - Washington, DC
Subject: FW: Yahoo Finance Article re: USPS Stimulus Funding/Finances/Employee Safety

Thank you.

Megan

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 1, 2020 2:29 PM
To: Brennan, Megan J - Washington, DC <(b)(6); Marshall, Thomas J - Washington, DC
Seaver, Kristin A - Washington, DC <(b)(6)>
Cc: (b)(6) Adams, Jeffery A - Washington, DC; Jim Morrell
Subject: Yahoo Finance Article re: USPS Stimulus Funding/Finances/Employee Safety

FYI, per our discussion today.

PMG quote from today's Board meeting is included in the article.

https://finance.yahoo.com/news/how-coronavirus-could-be-the-final-straw-for-the-us-postal-service-165904883.html

How coronavirus could be the 'final straw' for the U.S Postal Service Ben
Werschkul<https://www.yahoo.com/author/ben-werschkul>
Yahoo Finance<http://finance.yahoo.com/>April 1, 2020

The U.S. Postal Service has been in trouble for some time. Now, the coronavirus crisis has come along and made everything much worse.

Mail volume (and the accompanying revenue) could be down 50% this year, according to some estimates. The already teetering Postal Service could run out of money soon. That fear, combined with widespread concerns about letter carriers exposed to the virus, has put some lawmakers into a fatalistic mindset.

Rep. Gerry Connolly (D-Va.) put it bluntly: "We need to start thinking in those apocalyptic terms," he said in an interview with Yahoo Finance Tuesday, "because we are about to face the apocalypse."

The current crisis is "in many ways the final straw," said Connolly, who is chairman of the House subcommittee that oversees the Postal Service. He believes that without some sort of intervention it will run out of cash in June.

'There's a growing anxiety'
Questions of safety are now dogging the service. "There's a growing anxiety that they're at risk and that there's not sufficient resources to protect them even in the most minimal of ways like hand sanitizers or gloves or the like," Connolly said.

AMERICAN OVERSIGHT

Two weeks ago, ProPublica published a report saying that some postal employees were continuing to work after displaying COVID-19 symptoms, and seemingly healthy employees had insufficient protection against the virus.

Postmaster General Megan J. Brennan responded to some of the concerns on Wednesday during a Board of Governors session. "We are promoting healthy behaviors and protocols and encouraging any employee who feels sick to stay home," she said. "In order to further encourage this behavior, we have updated our leave policies to allow liberal use of leave."

Brennan also acknowledged some supply problems in the recent past saying, "we are continuing to work to overcome gaps in the supply chain to insure that our employees have access to hand sanitizer masks and gloves."

But questions are likely to keep coming. Sen. Cory Booker and other New Jersey Democrats wrote a letter to Postmaster General Brennan last week expressing a series of concerns and questions. On Tuesday, Sen. Bernie Sanders sent another letter raising similar questions.

A spokesperson for Booker told Yahoo Finance that his office has not received an answer but remains hopeful that we can work with the service "to implement stronger workplace protections for the safety and well-being of USPS employees as well as the millions of Americans who depend on their services."

"The health and well-being of our employees is always our first thought in facing the COVID challenge," the Postmaster General said on Wednesday. She also underlined that the CDC, WHO, and Surgeon General all "have all said that there is very low risk that this virus is spread through mail which should be a comfort to us all and to the public."

Connolly agreed the risk of transmission via mail is low, but "if we made sure that all of our postal workers had access to hand sanitizers and gloves, we could come close to eliminating the risk." A lack of guidance or protection for letter carriers "is very imprudent and puts people at some risk. Not a high risk, but a risk."

The USPS has made one change: it no longer requires customer signatures. Letter carriers will instead - from a distance - request the customer's information and enter it themselves.

'They're going to run out of cash in June'

The USPS operates as a self-supporting, independent federal agency - sort of halfway between an independent business and a government agency. It likes to tout that the service "receives no tax dollars," instead paying for itself from the sale of postage, products and services.

During the phase 3 negotiations, Connolly and other House Democrats proposed changing that by eliminating outstanding debt and allotting $25 billion to further shore up USPS finances. They even wrote a letter to Sen. Mitch McConnell "to seek your urgent help."

They also want to repeal a mandate imposed in the Postal Act of 2006, which they say denies the USPS a chance to be profitable, arguing that the rule requires the Postal Service to pre-fund retirement health benefits for its employees. It's a financial burden that puts "the Postal Service in a straight jacket," according to Connolly, and has been the focus of repeal attempts for years.

The push didn't work. The final package, signed into law by President Trump last Friday, included $10 billion in additional borrowing authority with strings attached.

The National Association of Letter Carriers, a union representing postal employees, responded: "That is woefully inadequate."

AMERICAN OVERSIGHT

Connolly says that some of the conditions on the $10 billion (including more of a Treasury role in management) was "an unacceptable condition for everybody," and he still sees the USPS going out of business within months if nothing is done.

Then USPS and 'Phase 4' negotiations

The Postal Service has been gradually shrinking for years as outfits like UPS and Fedex Express (not to mention email) encroach further on its business. Total mail volume has shrunk from 170.9 billion pieces of mail in 2010 to 146.4 billion in 2018.

Yet advocates note the USPS still serves important functions, from delivering prescription drugs to Social Security checks. It also remains the only option in some rural areas where; as the National Association of Letter Carriers points out, "private companies rely on the USPS for last-mile delivery."

The USPS is also how millions of Americans who don't have direct deposit information on file with the IRS will receive their $1,200 stimulus checks.

And then there's perhaps the most politically fraught factor: "We're also counting on the Postal Service to save our election process," Connolly said amid questions about whether November's elections will need to be done through the mail given concerns about voting in person. "What if there's no Postal Service?" he said. "Well, that could affect the outcome of an election."

Trump has not discussed the Postal Service at length since the coronavirus crisis began. On March 23 he thanked "the hardworking men and women of Federal Express, UPS, the United States Postal Service, and the truckers who are maintaining our supply chains and supply lines."

But Connolly claims that, behind the scenes, Trump himself was instrumental in killing aid to the USPS. He said Trump personally axed direct aid to the service. House Speaker Nancy Pelosi "said this came directly from Trump and she has reiterated that more than once," Connolly said.

The White House did not offer comment on Connolly's claim.

On Tuesday, during an appearance on MSNBC, Pelosi reiterated that Postal Service funding is crucial in a phase 4 deal largely to keep voting by mail as a viable option.

"I'm going to continue like a dog and a bone on this issue," said Connolly, "because we won't appreciate the criticality of it until the worst happens, and I'm trying to prevent the worst from happening."

Ben Werschkul is a producer for Yahoo Finance in Washington, DC.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]>
Sent: Tuesday, March 31, 2020 9:22 PM
To: Marshall, Thomas J - Washington, DC; Elston, Michael J - Washington, DC
Subject: Corporate executives play an outsize role at Trump's coronavirus briefings - The Washington Post

(b)(5) [redacted]

https://www.washingtonpost.com/politics/corporate-executives-play-an-outsize-role-at-trumps-coronavirus-briefings/2020/03/30/3d0cd72c-729f-11ea-a9bd-9f8b593300d0_story.html?utm_campaign=wp_politics_am&utm_medium=email&utm_source=newsletter&wpisrc=nl_politics

Corporate executives play an outsize role at Trump's coronavirus briefings Anne Gearan<https://www.washingtonpost.com/people/anne-gearan/>
[My Pillow CEO Michael Lindell speaks as President Trump listens during the daily coronavirus briefing at the White House Rose Garden on Monday.]My Pillow CEO Michael Lindell speaks as President Trump listens during the daily coronavirus briefing at the White House Rose Garden on Monday. (Tom Brenner/Reuters)

President Trump has lately used Rose Garden appearances to showcase a cast of corporate executives who have joined government efforts to fight the coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_1&itid=lk_inline_manual_1> pandemic, while sometimes slipping in a few plugs for the home office and, often, praising Trump.

But the laudatory performance Monday from MyPillow founder and TV pitchman Michael J. Lindell seemed to take even Trump a bit aback.

"God gave us grace on November 8, 2016, to change the course we were on," Lindell said, referring to the date of Trump's election. "God had been taken out of our schools and lives. A nation had turned its back on God."

Trump said he had not known that Lindell, a friend and campaign donor, would say that, but the pattern of presidential praise and product placement was already well-established.

"Thank you, Mr. President, for your call to action, which has empowered companies like MyPillow to help our nation win this invisible war," Lindell said in one of several references to the name of his product and his company, which will be making cotton masks.

Reporters then heard from executives from underwear manufacturer Jockey International Inc., Honeywell International Inc., Procter & Gamble Co. and United Technologies Corp.

Sign up for our Coronavirus Updates newsletter to track the outbreak. All stories linked in the newsletter are free to access.<https://subscribe.washingtonpost.com/newsletters/#/bundle/health?method=SURL&location=ART_IS&tid=lk_interstitial_manual_9&itid=lk_interstitial_manual_9>

"Fantastic," Trump said. "Those are great companies. Thank you very much."

AMERICAN OVERSIGHT

The scene was the latest example of what has become a Trump default as he faces the enormity of a health crisis that has grounded a highflying economy while forcing nearly 3 out of every 4 Americans to stay home.

He reaches for the advice and company of companies, from banks to health-care firms to hoteliers to cruise ship operators to shipping companies UPS and FedEx, which sent executives to a similar session Sunday. More than two weeks ago, it was retailers such as Walmart and CVS, two participants in another camera-ready Rose Garden event.

Often, these sessions are part theater and part news conference. Reporters sit, and the television cameras roll as Trump recaps the day's meetings and invites a series of testimonials. Often, the executives get more airtime than the medical professionals who are part of the White House virus task force.

"Thomas Moriarty, CVS. We all know CVS. Thank you," Trump said as he welcomed the drugstore executive vice president to step forward at a March 13 event.

After a round of thank-yous, Moriarty gave a mission statement for his company's participation in what he and other executives said is a critical national mobilization.

"Thank you, Mr. President. We have been focused, since the start, on making sure our patients and the customers we serve have the information they need and the safety they need as well. We are committed to working with the administration and local public health officials to make this work as well. And thank you, sir, for the honor," Moriarty said.

Although the coronavirus pandemic has hit small businesses, hourly workers and the gig economy especially hard, Trump's public efforts frequently focus on familiar brand names. Boeing. General Motors. Walgreens.

Trump freely notes that his own business background colors how he views the pandemic and its economic effects.

"Today, we're glad to be joined by leaders of America's medical supply and shipping companies. They're big people. I know their names very well, from watching business and studying business all my life," Trump said in the Cabinet Room on Sunday.

"We're waging a war against the invisible enemy. We are grateful for your tremendous partnership — it's been incredible — and the work you've done so far. And I know you've not only — so far, you're geared up. I know that for a fact."

On Monday, he described the CEOs as "some of the greatest business executives in the world today."

On Tuesday, Trump spoke by telephone with leaders of U.S. Internet service providers to thank them for keeping Americans connected during this time of social distancing.

Trump declares a national emergency over coronavirus outbreak<https://www.washingtonpost.com/politics/trump-declares-national-emergency-over-coronavirus-but-questions-raised-about-whats-next/2020/03/13/fc6af788-6544-11ea-acca-80c22bbee96f_story.html?tid=lk_interstitial_manual_30&itid=lk_interstitial_manual_30>

Trump has played master of ceremonies at about a half dozen White House events with reporters present where the private sector discussed ways to cooperate with the government in what he and other officials have likened to a wartime national effort. He has also hosted representatives for nursing and other professions heavily affected by the outbreak.

Trump is not the first president to use the media as a backdrop and a command audience. Nor is he unusual in his effort to draw in the private sector as helpmate and adviser. His focus on big companies is nonetheless striking and fits with Trump's political brand as a wealthy businessman willing to shake up the system.

AMERICAN OVERSIGHT

The private-sector focus may also be a shield against the charge of hypocrisy for massive government spending by a president who rails against “socialism,” but such criticism remains muted.

The $2 trillion emergency aid package that Trump signed into law Friday would help cash-strapped companies. It bars Trump and his children from relief money. So far, Trump hasn’t provided a clear answer on whether his own businesses would seek the financial help.

For the companies involved in the pandemic response, there is both a patriotic call to action and, at Trump’s invitation, a rare opportunity to show it off — a literal moment in the sun at the Rose Garden.

“Great job,” Trump said over and over on Sunday, as he invited executives to the microphone to describe their work.

“Fantastic job,” he said as some of the executives plugged their good works. Some praised Trump; all thanked him.

“Thank you, Mr. President, for the incredible leadership,” Laura Lane, president of global public affairs at UPS, began. “I will share with you that UPS is really proud to be part of this effort,” she said. She pledged the resources of her “Big Brown Army,” a reference to the ubiquitous color of UPS trucks and uniforms.

“Thank you very much. Great job you’re doing,” Trump said, as he brought up the next executive.

Trump backs off goal of reopening the economy by Easter<https://www.washingtonpost.com/politics/trump-coronavirus-guidelines-easter-elmhurst/2020/03/29/c15c21f2-7215-11ea-87da-77a8136c1a6d_story.html?tid=lk_interstitial_manual_44&itid=lk_interstitial_manual_44>

In an interview, Lane said it was an “easy decision” to accept the White House invitation and to use the company’s resources to try to move products where they are needed.

“Philosophically, I will tell you for our company it doesn’t matter who’s in the White House. I know there’s a lot of people who love President Trump and a lot of people who probably don’t love President Trump,” Lane said.

“What I tried to do is deliver a message of hope” and rally the company’s employees, she said.

“We have to deliver for the country.”

Trump has remained polarizing despite the moment of national crisis, according to public polling, although he gets better marks for his handling of the pandemic now than he did early on.

Some companies may weigh whether there is a reputational risk for appearing alongside Trump.

“It depends,” said Carol Phillips, who runs a marketing firm called Brand Amplitude and teaches marketing at the University of Notre Dame.

“In general, the rule of thumb is that anything that contributes to positive awareness is a good thing, but in the current polarized and anxious environment, the rules may have changed,” she said.

For salesmen like Lindell or chef and restaurateur Wolfgang Puck, whom Trump said he had consulted Sunday, the presidential mention is probably a boon.

That may be especially true for Puck.

AMERICAN OVERSIGHT

“Wolfgang Puck is a great restaurateur, as you know, as is Jean-Georges and Thomas Keller and Daniel Boulud, and other leaders in the restaurant business, which has been probably one of the hardest-hit industries,” Trump said Sunday. Jean-Georges Vongerichten and the others are all celebrity chefs who have built business empires.

“I’ve directed my staff to use any and all authority available to give restaurants, bars, clubs incentives to stay open. You’re going to lose all these restaurants, and they’re not going to make it back,” Trump said.

He said he is directing his Cabinet to look into restoring a tax deduction for corporate entertainment and restaurant meals.

The president’s uneven performance drew criticism from New York sports broadcaster Mike Francesa, a Trump supporter and hometown booster in the past.

Francesa laced into Trump on Sunday and Monday, saying the president is more interested in his “ratings” than in addressing the shortfall in necessary supplies.

“So, don’t give me the MyPillow guy doing a song and dance up here on a Monday afternoon when people are dying in Queens,” the WFAN host said Monday evening.

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]
Sent: Tuesday, March 31, 2020 6:26 PM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] The Virus

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <[redacted] (b)(6) [redacted]
Date: March 31, 2020 at 6:16:29 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] The Virus

The new White House press conference now estimates between 100,000 -200,000 dead from the virus. How many are going to be postal workers?

How many postal workers will die because we are delivering useless circulars or Amazon packages that aren't essential?

I delivered a dog hair dryer today...how is that essential?

We know what happened in Santa Fe, we know what is happening in Greenwich Village...we know about the Bronx carrier who died. We ALL know.

And while you and countless other "executives" get to sit at home out of harms way we get to be face to face with people who will eventually infect us. And for what?

Either stop the delivery of 3rd class mail, reduce window hours or even close a certain number of days or more postal workers will get sick and die.

We are scared, and we are all prepared, multiple postal workers throughout the country are ready to call in sick or just quit. I would rather lose my job and benefits then lose my life for you or any of the useless upper management.

I didnt sign up for this to work in a pandemic.

Grow a spine and become a leader.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Monday, March 30, 2020 2:57 PM
To: Walker, Janice D - Washington, DC
Subject: Re: [EXTERNAL] TO: the US Postal Service

Janice,

(b)(5)

Thank you.

Megan

On Mar 30, 2020, at 2:47 PM, Walker, Janice D - Washington, DC <[redacted]

Megan,

(b)(5)

(b)(5)

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From: Brennan, Megan J - Washington, DC
Sent: Monday, March 30, 2020 1:03 PM
To: Walker, Janice D - Washington, DC <[redacted]
Subject: FW: [EXTERNAL] TO: the US Postal Service

[redacted]

Thank you.

Megan

From: Rick Hohlt [mailto:[redacted]]
Sent: Monday, March 30, 2020 12:51 PM
To: John Barger <[redacted] Brennan, Megan J - Washington, DC
Subject: [EXTERNAL] TO: the US Postal Service

(b)(5) [redacted]

AMERICAN OVERSIGHT

From: "THANK YOU USPS 🎁 (via TurnoutPAC.org)" <admin@turnoutpac.org<mailto:admin@turnoutpac.org>>
Date: March 30, 2020 at 12:31:42 PM EDT
To: [redacted] (b)(6) [redacted]
Subject: TO: the US Postal Service
Reply-To: admin@turnoutpac.org<mailto:admin@turnoutpac.org>
Our US Postal Service works TIRELESSLY to deliver our mail. And now, their job is harder and more important than ever.

The Progressive Turnout Project is proudly dedicated to doing what we do best -- connecting with voters one on one to increase Democratic voter turnout. If you'd like to recieve fewer emails, click here >><https://action.turnoutpac.org/sign/urgents?t=1&akid=11477%2E588723%2Eiwz2JL> If you'd like to unsubscribe, click here >><http://action.turnoutpac.org/unsubscribe/unsubscribe?t=2&akid=11477%2E588723%2Eiwz2JL>

Look: Our US Postal Service works TIRELESSLY to deliver our mail. And now, their job is harder and more important than ever.<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=3&akid=11477%2E588723%2Eiwz2JL>

But thanks to Donald Trump, the Post Office is AT RISK of being privatized and SHUT DOWN...<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=4&akid=11477%2E588723%2Eiwz2JL> So we want to thank them for all of their hard work. And tell our beloved postal workers that they deserve a government that has their backs. Sign the Card NOW →<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=5&akid=11477%2E588723%2Eiwz2JL>
SIGN THE CARD →<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=6&akid=11477%2E588723%2Eiwz2JL>

[Thank You!]<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=7&akid=11477%2E588723%2Eiwz2JL>

“Neither snow nor rain nor heat nor gloom of night stays these couriers from the swift completion of their appointed rounds”<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=8&akid=11477%2E588723%2Eiwz2JL>

To the US Postal Service,

I can’t thank you enough for all of your work. This country couldn't run without you. And you deserve a government that cares about you and your families.

We are with you,
[YOUR NAME HERE]<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=9&akid=11477%2E588723%2Eiwz2JL>

SIGN THE CARD →<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=10&akid=11477%2E588723%2Eiwz2JL>

AMERICAN OVERSIGHT

They're going to love it!

- Progressive Turnout Project<https://action.turnoutpac.org/survey/card-thank-usps?source=MS_EM_CARD_2020.03.19_B2_thank-usps_X__F1_S1_C1__db&t=11&akid=11477%2E588723%2Eiwz2JL>

[https://action.turnoutpac.org/o.gif?akid=11477.588723.iwz2JL]

This message was sent to: rick@hohlt.com<mailto:rick@hohlt.com>
Click here to receive fewer emails.<http://action.turnoutpac.org/signup/urgents?t=12&akid=11477%2E588723%2Eiwz2JL> | Click here to unsubscribe.<http://action.turnoutpac.org/unsubscribe/unsubscribe?t=13&akid=11477%2E588723%2Eiwz2JL>

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→<https://secure.actblue.com/donate/ms_ptp_fr_footer?refcode=MS_EM_FR_2019.02.19_X_New-Footer_X__F1_S1_C1__footer&recurring=auto&t=16&refcode2=11477_588723_iwz2JL&akid=11477%2E588723%2Eiwz2JL>

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Chicago, IL 60661

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AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Monday, March 30, 2020 6:20 AM
To: Marshall, Thomas J - Washington, DC
Subject: FW: [EXTERNAL] Fwd: In-town pool report #2

[redacted]

Thanks,

Megan

-------- Original message --------
From: "M. -Mike- Duncan Robert" [redacted]
Date: 3/29/20 8:29 PM (GMT-05:00)
To: "Brennan, Megan J - Washington, DC" <[redacted]
Subject: [EXTERNAL] Fwd: In-town pool report #2

[redacted]

Sent from my iPhone

Begin forwarded message:

From: Rick Hohlt <[redacted]
Date: March 29, 2020 at 5:42:31 PM EDT
To: John Barger [redacted]>, "M. -Mike- Duncan Robert" [redacted]
Subject: Fwd: In-town pool report #2

[redacted]

Sent from my iPhone

Begin forwarded message:

From: White House Press Office <info@mail.whitehouse.gov>
Date: March 29, 2020 at 4:18:36 PM EDT
To: [redacted]
Subject: In-town pool report #2
Reply-To: White House Press Office <info@mail.whitehouse.gov>

?

From: [redacted] "[redacted]>

AMERICAN OVERSIGHT

Date: March 29, 2020 at 4:14:39 PM EDT
Subject: In-town pool report #2

?
?
?Pool (after holding in hallway) was ushered into Cabinet Room at 4:05 p.m.

President Trump had been scheduled to meet with "supply chain distributors" at 3:30 p.m. today per daily guidance.

Trump was seated at table with 9 other officials spaced several feet apart, including VP Pence and company officials. Gina Adams of FedEx, Ed Pesicka at Owen & Minor, and Charles Mills of Medline were name cards pooler spotted.

Trump spoke about 2,900 beds at Javitz Center in NY. More quotes to come.

White House sends following:

Today, President Donald J. Trump and Vice President Mike Pence will meet with supply chain distributers in The Cabinet Room to discuss the response to COVID-19.

The following individuals are expected to attend:

The White House
President Donald J. Trump
Vice President Mike Pence
Mark Meadows, Incoming White House Chief of Staff Jared Kushner, Assistant to the President and Senior Advisor Marc Short, Assistant to the President and Chief of Staff to the Vice President Tim Pataki, Deputy Assistant to the President and Director of the Office of Public Liaison

Trump Administration
Adam Boehler, Chief Executive Officer, U.S. International Development Finance Corporation Brad Smith, Deputy Administrator & Director, Center for Medicare & Medicaid Innovation Rear Admiral John Polowczyk, Vice Director for Logistics, J4

External Participants
Gina Adams, Senior Vice President for Corporate and Government Affairs, FedEx Bradford Connett, President, U.S. Medical Group, Henry Schein Mike Kaufmann, CEO, Cardinal Health Laura Lane, President, Global Public Affairs, UPS Charles Mills, CEO, Medline Ed Pesicka, CEO, Owen & Minor Brian Tyler, CEO, McKesson

Cheryl Bolen
White House Correspondent
Bloomberg Government
(b)(6)

Sent from my iPhone

Unsubscribe<https://whitehouse.us19.list-manage.com/unsubscribe?u=c97630621baff8c44fe607661&id=43870e5947&e=c42db405d2&c=580b547a02>

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Sunday, March 29, 2020 12:13 PM
To: Wohlganger, Ed - Washington, DC
Subject: Fwd: [EXTERNAL]

Thank you.

Megan

Begin forwarded message:

From: [redacted]
Date: March 29, 2020 at 11:58:22 AM EDT
To: "Brennan, Megan J - Washington, DC" [redacted]
Subject: [EXTERNAL]

Dear Postmaster General,

I am a paying customer of The United States Postal Service. I pay not to have my mail delivered to my house,saving you money, buy renting a post office box. However paying for a post box has become a liability. The USPS will not deliver packages ordered on Amazon or other retailers to our physical address. Why since we have po box our physical address is not recognized by the USPS. It seems to me that paid for parcel delivery is different than mail. You are not only hurting the retailer but you are hurting the paying customer. We have no way of knowing with whom a retailer ships most of the time. When we do find it is shipped with USPS we move on, hurting a retailer. I understand you not delivering mail. Please review this policy or get out of the shipping business. You are hurting the economy even more during this pandemic. We have had 2 items returned recently. This makes no sense.

Paying Customer
[redacted]
Drive by the house exists I swear.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Sunday, March 29, 2020 9:11 AM
To: Mendonca, Pat - Washington, DC
Subject: RE: FYI: Tornado; Jonesboro Post Office, AR; 3/28/20

Thorough SitRep. With minor edits - eliminated some granularity, forwarded to BOG.

[redacted]

Thanks,

Megan

-------- Original message --------
From: "Mendonca, Pat - Washington, DC" <[redacted]
Date: 3/29/20 7:15 AM (GMT-05:00)
To: "Brennan, Megan J - Washington, DC" <[redacted], "Williams Jr, David E (COO) - Washington, DC" <[redacted], "McAdams, Kevin L - Merrifield, VA" [redacted]>, "Samra, Tom A - Washington, DC" <[redacted], "Barksdale, Gary R" <[redacted]>, "Walker, Janice D - Washington, DC" <[redacted]>, "Calamoneri, Kevin A - Washington, DC" [redacted]
Cc: "Latham, Sandra R - Washington, DC" <[redacted]>, "Weiser, Julie H - Denver, CO" [redacted] "Swigart, Michael A - Washington, DC" [redacted]>, "Haight, Rae Ann - Headquarters" [redacted]
Subject: FYI: Tornado; Jonesboro Post Office, AR; 3/28/20

Sitrep update from District NP: Tornado damage: Jonesboro Post office, 2404 Race St., Jonesboro, AR. 72401-9998, level 22 office)

(b)(5)

[redacted]

AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Saturday, March 28, 2020 8:41 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Re: (b)(6) RE volatile unprofessional post person who also leaves mail in dangerous place

Thanks,

Megan

Begin forwarded message:

From: (b)(6) a[redacted](b)(6)[redacted]>
Date: March 27, 2020 at 8:07:41 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted](b)(6)[redacted]
Subject: Fwd: [EXTERNAL] Re: (b)(6) RE volatile unprofessional post person who also leaves mail in dangerous place

ATT endangering the welfare of families by leaving mail in a unsafe place

Hello
Please keep my identity private as in the past when it was shared certain postal drivers and their mangers at the (b)(6) Post Office have retaliated and become threatening.

I send you, your family and loved ones much care, be reassured we will get through this crisis.

May you have all you need.

I am writing to you because last February our building were victoms most packages stolen whenever our regular carrier (b) left on vacation this was due to the fact that whomever filled in a person named (b)(6) at the time would carelessly toss all packages into the lobby which is public where the would be stolen

we are a 3 story building with an elevator and when packages are brought to unit doors versus being left in the public lobby they never get stolen. The driver subbing for Paul became volatile and threatened tenants when he was politely asked to please bring packages to the door, when many of us from the building called the B(b)(6) l Post Office in (b)(6) CA (b)(6) CA (b)(6) we were yelled at by (b)(6) n that it is "not their job" to deliver to unit doors even though it is against the law to leave the mail in a unsafe place.

Thankfully after a lot of work I was out in touch with

(b)(6)

United States Postal Service

Government Relations Representative

AMERICAN OVERSIGHT

(b)(6) [redacted]

(b)(6) [redacted]

(b)(6) [redacted]

He fully understood how serious this was and how badly the carrier who was refusing to co-operate acted towards us as well as the manager of consumer affairs and the manager of the (b)(6) Post Office .
He spoke to consumer affairs and the (b)(6) Post Office manager and from that point on packages where delivered to unit doors not left in the lobby and the mail always arrived safely, Now more than ever we need this, Citizens are by law on lock down and even when they do stand in line for hours they are finding stores are not stalked with basic essentials, we are all forced to order basic essentials online.
Due to the crisis there is a high shortage growly daily of what is available on line so when items are stolen now there is no replacement and money is scare with so many by law unable to work.
Yesterday Paul our beloved regular carrier took leave for vacation, today all packages where dangerously left downstairs in the public lobby a good deal where stolen, I am begging you please to reach out to the (b)(6) Post Office in (b)(6) CA

(b)(6) , CA (b)(6) and ask them to please ensure drivers deliver packages to unit doors.

Our safety and welfare is counting on this

(b)(6)

(b)(6) [redacted]

(b)(6) [redacted]

(b)(6) [redacted]

(b)(6) [redacted]

Confidentiality: The information in this email is confidential and may be subject to legal privilege. If you are not the intended recipient, you must not use, disclose, distribute, copy or retain this communication. If you have received this in error, please delete it and inform us immediately by email, fax or phone.

---------- Forwarded message ---------
From: Jones, Andrew P - Washington, DC (b)(6) v>>
Date: Thu, Feb 13, 2020 at 6:27 AM
Subject: RE: [EXTERNAL] Re: (b)(6) RE volatile unprofessional post person who also leaves mail in dangerous place
To: (b)(6)

Good Morning (b)(6)

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I have spoken with the (b)(6) Station Manager about this individual. He has reported back to me saying he has spoken with the individual about being professional and courteous at all times. Additionally, the Manager has instructed the individual to always take packages to the doors of customers. Please let me know if the problem persists.

Best,

Andrew P. Jones
United States Postal Service
Government Relations Representative
[redacted]
(b)(6)

From: (b)(6)
Sent: Saturday, February 8, 2020 12:25 PM
To: (b)(6)
Subject: [EXTERNAL] Re: (b)(6) RE volatile unprofessional post person who also leaves mail in dangerous place

HI (b)(6)
a beautiful weekend to you
can you please touch base with me and let me know you got this and what is being done ?

On Thu, Feb 6, 2020 at 11:58 AM (b)(6)
wrote:

RE

volatile unprofessional post person

who also leaves mail in dangerous place

Dear (b)(6)

Good day to you

I hope this letter finds you well it was very reassuring to hear your care and concern thank you so much. The Post office needs more professional heroic people like you!

I am writing about an on going situation with the (b)(6) l Post Office in West Hollywood CA

(b)(6)

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We live in a 3 story building [redacted] (b)(6) [redacted]

(b)(6) [redacted]

The main entrance is has no area to safely leave packages, there are tiny mailboxes barely big enough for a envelope. The owners have done all they can by installing cameras , changing the door pass code.

There are huge notices that say to please bring all packages to unit doors of tenants and not leave in the lobby.

All other carries, amazon prime, ups, fed ex and dhl abide by this as does our amazing regular carrier Paul.

Our regular post person Paul is fantastic and professional but when he understandably takes leave the post office puts a horrid individual in charge of deliveries to our building named Christian.

Christian leaves packages in the lobby where they are often stolen, when tenants have politely and calmly tried to talk to Christian about this he becomes threatening and volatile and says he will make sure they need to pick up their mail at the post office if they don't stop talking to him.

665.24 Violent and/or Threatening Behavior

The Postal Service is committed to the principle that all employees have a basic right to a safe and humane working environment. In order to ensure this right, it is the unequivocal policy of the Postal Service that there must be no tolerance of violence or threats of violence by anyone at any level of the Postal Service. Similarly, there must be no tolerance of harassment, intimidation, threats, or bullying by anyone at any level. Violation of this policy may result in disciplinary action, including removal from the Postal Service.

Over a year ago I reached out to consumer affairs about (b)(6) 's serious misconduct and atrocious unprofessional behavior. Nothing was done accept giving me the run around, I was contacted by the post office who not only sided with (b)(6) but would interrupt me , not allow me to share my concerns and hung up repeatedly on me.

I was shocked to discover that not only was this post person still employed by the Post Office but that the management allows and also mistreats the general public who get mail from them this way.

It takes so little to do the professional safe action of merely working with tenants and safely ensuring they get their packages by leaving them at the door. I understand this not a requirement of the job BUT leaving mail in a SAFE place IS

AMERICAN OVERSIGHT

the law.Universal service obligation states this, and it is essential to ensuring that everyone receives the mail service they need. We are just trying to get our packages safely. We all work and can not take off tome to go into the pots office to get our mail, not can we afford a PO box, we should not have to do either when all the carrier needs to do is bring packages to the tenants unit door.Paul has already proven this can work easily but leaving packages at the tenants door not in the lobby.

I sincerely hope this can be resolved, no one should be treated this way and we all deserve to get our mail safely.
Thank you for your time,

May your day be filled with Deco-dence

a swellagant eve to you

(b)(6) (b)(6)

--

May your day be filled with Deco-dence

a swellagant eve to you

(b)(6) (b)(6)

--

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Friday, March 27, 2020 10:59 PM
To: Marshall, Thomas J - Washington, DC
Subject: Fwd: [EXTERNAL] News Alert: Trump names new Defense Production Act coordinator for coronavirus fight

Thank you.

Megan

Begin forwarded message:

From: "Stroman, Ronald A - Washington, DC" [redacted]
Date: March 27, 2020 at 10:47:17 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted]>
Subject: Re: [EXTERNAL] News Alert: Trump names new Defense Production Act coordinator for coronavirus fight

Megan,
[redacted]

Ron

Sent from my iPhone

On Mar 27, 2020, at 9:01 PM, Brennan, Megan J - Washington, DC [redacted] wrote:

Ron,

Let's discuss Monday please. [redacted]

Thank you.

Megan

Begin forwarded message:

From: The Hill <alerts@news.thehill.com<mailto:alerts@news.thehill.com>>
Date: March 27, 2020 at 6:19:26 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted]
Subject: [EXTERNAL] News Alert: Trump names new Defense Production Act coordinator for coronavirus fight
Reply-To: The Hill <r-56972-28534-8BA0D911EAE145998890C101FF69DA7C@news.thehill.com<mailto:r-56972-28534-8BA0D911EAE145998890C101FF69DA7C@news.thehill.com>>

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[Email]
<http://click1.email.thehill.com/Forward.do?m=lmkkqjgd&r=zsfslfwm&s=cgmqvkhrmttskstgcmmqqmhzthtnnlmrkjz&a=main>

Trump names new Defense Production Act coordinator for coronavirus
fight<http://click1.news.thehill.com/dgtszlgkjttfblbtfrcjjfssjgfwtgtnnmjkldwshrjrm_pllmlvcqbhmdmjycycd.html>
President Trump said Friday that White House trade adviser Peter Navarro would become the national Defense Production Act policy coordinator for the federal government.
Read the full story
here<http://click1.news.thehill.com/chdqvkhrmttfskstfgcmmfqqmhfzthtnnlmrkjzqpgmgj_pllmlvcqbhmdmjycycd.html>

[http://click1.news.thehill.com/pvfdwrftvhhbgrghbymvvbddvfbkhfhsslvtrckbhcl~zsfslfwm.gif]

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Friday, March 27, 2020 7:16 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Grocery Delivery

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <(b)(6)
Date: March 26, 2020 at 3:59:41 PM EDT
To: "Brennan, Megan J - Washington, DC" <(b)(6)
Subject: [EXTERNAL] Grocery Delivery

Megan,
During these times has the USPS approached grocery businesses that cannot keep up with the demand for home deliveries?
In some cases time slots are not even possible and deliveries are week+ out. We probably could do very well with partnering with food chains around the Nation. It would keep at home as well as our image once again "It's what we do- connecting people".
There could be an established window of operation. We already know how to do that ie Amazon. Trucks could deviate to the stores. We've done that with CVS, Staples etc.
I think this would be a very big win for the USPS, proving value and our capabilities to provide value in whatever we do.
I would be happy to help.
(b)(6)

Sent from my iPhone

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Sent: Thursday, March 26, 2020 3:50 PM
To: Elston, Michael J - Washington, DC; Marshall, Thomas J - Washington, DC
Subject: Fwd: [EXTERNAL] Playbook PM: Congress learns to love spending again

[redacted](b)(5)[redacted]

Thanks,

Megan

Begin forwarded message:

From: (b)(6))(6)
Date: March 26, 2020 at 1:28:28 PM EDT
To: (b)(6) " [redacted](b)(6)[redacted]
Subject: [EXTERNAL] Playbook PM: Congress learns to love spending again
Reply-To: "POLITICO, LLC" <reply-fe8f1c757160007976-964328_HTML-726802857-1376319-0@politicoemail.com>

POLITICO's must-read briefing on what's driving the afternoon in Washington

Mar 26, 2020 View in browser<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0a1ed6a58024eccb31dae012c5eef06f44f0bb5c8a706bfc6ae730bbe85d51278eb1f5c7a72ba9181>

[POLITICO Playbook PM]

By Jake Sherman<(b)(6) Garrett Ross(b)(6) > and Eli Okun(b)(6) >

THE CORONAVIRUS has already cost a record 3.3 million Americans their jobs -- at least, in the last week alone -- ended more than 1,000 American lives and turned a Congress that has excelled at inaction into a rescue squad, intent on battling economic infernos and rebuilding the ruin the disease has left in its path.

THE $2 TRILLION BILL that the House is set to pass Friday might, in retrospect, look like a drop in the bucket for a Washington that's suddenly eager to approve gobs of new spending.

SPEAKER NANCY PELOSI, speaking this morning from the Capitol, said this stage is "emergency mitigation" and the next stage "recovery" -- a signal that the California Democrat is readying for an expansive legislative effort in the coming months. PELOSI said the next round of relief must refresh meal assistance for needy Americans and funnel more cash to states and local governments that will be unable to balance budgets. There may be another round of direct payments to come, she said.

AND, IN A SIGN OF HOW FAR the free-spending feelings extend, PELOSI said<http://go.politicoemail.com/?qs=ac1bdf8d59248fd048c0e902d8df1ac8d6b585cb5a8ad8a2af2dbbeae5de43dac5e6

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3dac81a05b81d591501208f0b439> Fed Chairman JAY POWELL told her to "think big" because interest rates are low -- in other words, money is cheap, so get ready to spend. PELOSI, speaking on Bloomberg Television<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0455bebebacc122c5065eb406622333ff0ea4c199bcf176cfb3c738f77fa6d290b1a3b1903a16bf40>, said Congress would begin working on creating "good-paying jobs as we go forward, perhaps building the infrastructure of America."

IT IS, PERHAPS, a natural shift for a Congress that has vacillated wildly between fiscal poles in the last 20 years. GEORGE W. BUSH'S presidency was marked by Sept. 11, the ensuing costly incursions into Iraq and Afghanistan, the expansion of Medicare prescription benefits and the beginning of the financial meltdown.

FROM 2008 TO 2010, BARACK OBAMA and a Democratic Congress were forced to resuscitate an economy reeling from the financial crisis with a massive re-regulation of Wall Street, a bailout of the auto industry, a stimulus package and, later, the expansion of the social safety net with the Affordable Care Act.

WITH THAT EXPANSION came contraction. From 2010 to 2016, JOHN BOEHNER and PAUL RYAN'S House shrank government spending, fought tooth and nail to offset any outlays with corresponding budget cuts and played chicken with the nation's creditworthiness.

THE TRUMP ERA will now be marked not only by the large-scale tax cut it passed in 2017 or the deregulation of industry, but by the massive spigot of cash the coronavirus outbreak has opened up.

FWIW: The House GOP leadership says there are some lawmakers who will be in Washington for Friday's vote on the emergency coronavirus bill that passed the Senate last night. They are going to try hard to quash dissent, and any effort to call for a roll call vote on the legislation, and they say they will involve President DONALD TRUMP and senior White House officials should they need to. Republicans have a conference call at 1:30 p.m. today.

Good Thursday afternoon.

THE FED'S POWELL on NBC's "Today" show: "We may well be in a recession, but I would point to the difference between this and a normal recession. There's nothing fundamentally wrong with our economy. Quite the contrary, the economy performed very well right through February ... so we start in a very strong position."

TREASURY SECRETARY STEVEN MNUCHIN told JIM CRAMER on CNBC that money should begin going out within "three weeks." "We are determined to get money in people's pocket immediately."

-- MNUCHIN ON JOBLESS CLAIMS: "I just think these numbers right now are not relevant, and, you know, whether they're bigger or smaller in the short term. Obviously there are people who have jobless claims, and again, the good thing about this bill is the president is protecting these people, so you know, now with these plans, small businesses hopefully will be able to hire back a lot of those people." More on the record claims from Rebecca Rainey and Nolan McCaskill<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0c8f55a30369c72ae999ad138403aa4a75483df6c6b77005d791e06ca325ac7c139085a4065e52d30>

-- WSJ: "Mnuchin Indicates U.S. to Take Stakes in Airlines in Exchange for Grants," by Siobhan Hughes, Kate Davidson and Alison Sider: "Treasury Secretary Steven Mnuchin indicated that the U.S. government would take stakes in airline carriers in exchange for billions in direct grants to the companies, part of a $2 trillion economic rescue package, according to people familiar with the matter.

"He detailed his plans during last-minute negotiations when the aid to airlines emerged as a major sticking point. Republicans had rejected providing cash grants to airlines, and an earlier version of the legislation would have provided $50 billion in loans and loan guarantees to passenger airlines and $8 billion to cargo airlines—but no direct aid." WSJ<http://go.politicoemail.com/?qs=ac1bdf8d59248fd023e0225e5f7159df201a2132e12d50e8121d9002c0629ef2cd0611c61b34d04d3d53d56b50800136>

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AFTERNOON SNACK -- "Dr. Fauci doughnuts are selling like hotcakes at Donuts Delite,"<http://go.politicoemail.com/?qs=ac1bdf8d59248fd02075089d9b6777a6a25e3a143c812f443e6acff15975f193b6582282f8ce8e19e09a31a68fae44a6> by the Rochester Democrat & Chronicle's Marcia Greenwood

THE TRUMP ADMINISTRATION -- "Job Vacancies and Inexperience Mar Federal Response to Coronavirus," by NYT's Jennifer Steinhauer and Zolan Kanno-Youngs: "Of the 75 senior positions at the Department of Homeland Security, 20 are either vacant or filled by acting officials, including Chad F. Wolf, the acting secretary who recently was unable to tell a Senate committee how many respirators and protective face masks were available in the United States.

"The National Park Service, which like many federal agencies is full of vacancies in key posts, tried this week to fill the job of a director for the national capital region after hordes of visitors flocked to see the cherry blossoms near the National Mall, creating a potential public health hazard as the coronavirus continues to spread. At the Department of Veterans Affairs, workers are scrambling to order medical supplies on Amazon after its leaders, lacking experience in disaster responses, failed to prepare for the onslaught of patients at its medical centers.

"Empty slots and high turnover have left parts of the federal government unprepared and ill equipped for what may be the largest public health crisis in a century, said numerous former and current federal officials and disaster experts." NYT<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0acf0bfd59a596a186052012f68379832905547e478e113c2e2d4c412d2c419c5887ab4762feb8636>

INSIDE ITALY'S LOCKDOWN -- "The Eye of the Storm:<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0cf497691e0a69e73f7b718bb43bd436addfbce1ef87355c7a257681fa0cb06e5feecb2977a67fe7e> With Italy reeling from the COVID-19 pandemic and 60 million people across the nation ordered to remain indoors, a documentary photographer ventured out to record the quiet desolation of a modern plague," with photos by Alex Majoli for Vanity Fair

THE QUESTION EVERYONE IS ASKING -- "No end in sight in Europe," by Sarah Wheaton in Brussels: "As the lockdowns in Europe stretch into their second, third, fourth or even fifth weeks, politicians and policymakers across the Continent are coming under pressure to let people know when the emergency measures will be lifted. It's a question they're not ready to answer, in no small part because there's little agreement in Europe, which started down this road weeks before the U.S., about what social-isolation strategies are intended to accomplish — or what would come afterward.

"That leaves the ultimate goal unclear. In the short term, lockdowns serve a simple function. Evidence from Asia, including a new study from Singapore, suggests they are an effective way to slow the rate of infections and prevent hospitals and health care systems from being overwhelmed. But if the virus is here to stay, when will policymakers consider it safe for people to leave their homes again?" POLITICO<http://go.politicoemail.com/?qs=ac1bdf8d59248fd01c6f099da03d986c5c03e90e651d7f7b04e792a1291df8560c55a26d505fabb22f6c5595aa90d9e1>

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... OK, MAYBE NOT EVERYONE: "'Light at the end of the tunnel' becomes a Trump team mantra,"<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0d76efae6b1427a97512e604d797e1102b7336b11d029cb7c0339ab4c4e308a2cb98f8d995191e723> by Quint Forgey: "President Donald Trump and senior administration officials have begun employing a new turn of phrase to describe America's war against the coronavirus pandemic — insisting that the same social-distancing guidelines the president has suggested rolling back in recent days are in fact revealing a 'light at the end of the tunnel' to the public health crisis."

SIGN OF THINGS TO COME? -- "China Is Open for Business, But the Post-Coronavirus Reboot Looks Slow and Rocky," by WSJ's Mike Bird, Jon Emont and Shan Li: "With new infections dwindling, factories are restarting, stores are reopening, and people are venturing outdoors. In some ways, China is where the U.S. and Europe hope to be within weeks or months. Yet many Chinese factories find demand for their products has evaporated. Consumers in China and elsewhere are reluctant to spend over worries about what they have lost and what lies ahead.

"For U.S. businesses tied to global trade, exporters and multinational companies, China's limited return to normal foreshadows the potential for a sluggish U.S. recovery. Consumption, which makes up more than two-thirds of the American economy, looks to be hobbled by lost jobs, fallen income and diminished confidence for an unknown period. Even countries emerging from national lockdowns later than others will likely see weaker demand among trading partners also hurt."
WSJ<http://go.politicoemail.com/?qs=ac1bdf8d59248fd02d1a496110b66c28e50235f559ac592b5bd26c3667d05667a16ec6c7e926e601dd1dac00cb74d33f>

-- AP: "Many businesses cautious about restarting economy amid virus,"<http://go.politicoemail.com/?qs=ac1bdf8d59248fd062dc7a94d6f740827523706dbbfc61dfcd5f97d5a8858e467bfe0626bfc6a22904d944a0d782446a> by Michelle Smith in Providence, R.I., and Dee-Ann Durbin in Ann Arbor, Mich.: "Despite wild swings in financial markets and signs that unemployment is surging — both of which could hurt Trump in an election year — many businesses say it's not clear that reopening will be even an option in a few weeks: They have to follow the orders set in each state, and many of those are open ended or could be extended at any time. They are worried that opening too soon could be seen as irresponsible. And even if they did reopen, would customers come if the virus isn't under control?"

POLITICO Pro COVID-19 Coverage: In order to help you stay ahead of rapid shifts in public policy as the federal government, states, and municipalities adapt and coordinate responses, we are sharing our top COVID-19 coverage here<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0f209fa61b14df493b7e7c4a22e67f15230101d191c4b74461785a75ba083c33acc0cbcb9f7ec2236> in front of the POLITICO Pro paywall. If your work is affected by fast developing COVID-19 policies, we're here to help.

BEYOND THE BELTWAY -- "A Different Kind of Storm: New Orleans Facing Deadly Virus Outbreak," by NYT's Katy Reckdahl, Campbell Robertson and Richard Fausset in New Orleans: "According to one study, Louisiana, with nearly 1,800 cases as of Thursday morning, is experiencing the fastest growth in new cases in the world; Gov. John Bel Edwards said on Tuesday that the current trajectory of case growth in Louisiana was similar to those in Spain and Italy. This week, President Trump approved the governor's request for a major disaster declaration, which unlocks additional federal funding to combat the outbreak.

AMERICAN OVERSIGHT

"The situation in and around New Orleans is particularly acute, with the city reporting 827 confirmed cases as of Wednesday night, more than the total number of cases in all but 15 states. Hospitals are overwhelmed and critical safety gear is running low."
NYT<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0cc514200ddf744e6489bcb271158e5fbdb514ffb2c51f0e5d2b5f078137f5d920f0b8b6a7b9f95b5>

-- BAY AREA REPORT: "All eyes on San Francisco Bay Area as nation's social distance bellwether," by Victoria Colliver in Oakland, Calif.: "Besides being the tech capital of the world and home to cutting edge biomedical research, the region of 7 million people has everything from the cosmopolitan high-density city of San Francisco to expansive suburbs and rural enclaves, all in relative proximity.

"But even in a region that prides itself on always being one step ahead, public health officials for now are still forced to rely on insufficient data, experience from other countries and anecdotes to determine if and when the contagion is flattening out." POLITICO California<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0e00e8b6f0f4acf7ab9d1ddf764fe3910e68887ee007379ba32c4b7aa04bf298d894d10e379cc2b88>

THE IMPACT -- "Surging Traffic Is Slowing Down Our Internet," by NYT's Cecilia Kang, Davey Alba and Adam Satariano: "[L]ast week, as a wave of stay-at-home orders rolled out across the United States, the average time it took to download videos, emails and documents increased as broadband speeds declined 4.9 percent from the previous week, according to Ookla, a broadband speed testing service. Median download speeds dropped 38 percent in San Jose, Calif., and 24 percent in New York, according to Broadband Now, a consumer broadband research site.

"Quarantines around the world have made people more reliant on the internet to communicate, work, learn and stay entertained. But as the use of YouTube, Netflix, Zoom videoconferencing, Facebook calls and videogaming has surged to new highs, the stress on internet infrastructure is starting to show in Europe and the United States — and the traffic is probably far from its peak."
NYT<http://go.politicoemail.com/?qs=ac1bdf8d59248fd080e1210f9e725e5a631afa5a9cd12c341f323ebec04e479a9c03dba990c50c59773a31982a048d7b>

WAR REPORT -- "Militants in Iraq Take Covert Approach to Anti-U.S. Campaign," by WSJ's Isabel Coles in Beirut and Ghassan Adnan in Baghdad: "Marking a shift in a campaign the U.S. has blamed on established Iran-backed militias, an unknown group calling itself the League of Revolutionaries claimed responsibility for the most recent deadly attack, when rockets fired at an Iraqi base on March 11 killed two American troops and a British soldier. ...

"By forming new groups, militants can attack U.S. troops while denying the involvement of established groups such as Kataib Hezbollah, which has vowed revenge for the killing of Gen. Soleimani and an Iraqi commander, who together oversaw militia groups in Iraq."
WSJ<http://go.politicoemail.com/?qs=ac1bdf8d59248fd03b87372249bcfae6f5ce1f09aed94e57f4af0ea777cf88930166b50691fd83174f3ef049f45b1721>

IN MEMORIAM -- "Daniel Greenberg, who brought a critical eye to science journalism, dies at 88," by WaPo's Emily Langer: "Mr. Greenberg was best known as the editor and publisher of the newsletter Science & Government Report, which he founded in 1971 and produced for nearly three decades. ... At [the journal] Science and later with his newsletter, Mr. Greenberg distinguished himself with the critical — some detractors said cynical — approach that he brought to the beat, offering what the magazine the Nation once described as 'a square meal for those woozy from the puffery and piety served up by most science journalists.' ...

"His newsletter subscribers never numbered more than 2,000, according to his wife, but they included top scientists and science policymakers in the United States and around the world."
WaPo<http://go.politicoemail.com/?qs=ac1bdf8d59248fd0f2b073099d3b9a40cd8048002dc5570765142cba951ad8a4589c189c450c06037b6c55051cf4fc96>

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MEDIAWATCH -- Ginger Gibson is now deputy Washington editor for NBC News Digital. She previously was a campaign correspondent for Reuters.

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AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC (b)(6)
Sent: Thursday, March 26, 2020 3:16 PM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] USPS lack of action to protect the employees.

Thanks,

Megan

Begin forwarded message:

From: (b)(6) (b)(6)
Date: March 26, 2020 at 3:04:16 PM EDT
To: "Brennan, Megan J - Washington, DC" (b)(6)
Subject: [EXTERNAL] USPS lack of action to protect the employees.

Dear PMG Brennan,

I send this email as a concerned postal carrier. Like so many others, I am afraid and concerned at this uncertain time pertaining to COVID-19. And I can't for the life of me understand why the USPS national management hasn't taken every possible action to not only protect us, but to protect the longevity of continuous service during this period. I'll start with a couple of simple measures that would help slow this down within our service.
1- Amazon Sunday delivery
This is a no brainer. Currently we have people from 6-7 offices congregate in one location within district. We should have immediately gone to the "holiday procedure" and adjusted logistics with amazon and ups to deliver out of each individual office. This would limit potential spread to multiple offices within me district.
2- plastics
COVID-19 can survive on plastic for 3 days as opposed to cardboard and paper for 24 hours. We should have immediately MANDATED all shippers ship utilizing paper products and eliminate plastics during this period.
3-shorten retail window hours temporarily. Again... unbelievable we haven't done this.

I am only a lowly shop steward. I've stated these thoughts to my postmaster as well as the Union. And I've been saying it for two weeks.
I plea to you... protect us more and the service. Please consider these measures to help us remain working to serve the USPS.

Sincerely,

(b)(6)
USPS RCA
Shop steward (b)(6) NJ
(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Wednesday, March 25, 2020 9:09 PM
To: Seaver, Kristin A - Washington, DC
Subject: Fwd: [EXTERNAL] COVID-19 out of control

Thanks,

Megan

Begin forwarded message:

From: Jonathan Smith <[redacted] (b)(6)
Date: March 25, 2020 at 8:21:03 PM EDT
To: [redacted]
Cc: Mark Dimondstein [redacted] (b)(6) >>, Vance Zimmerman [redacted], tiffany foster [redacted]>, Diane Erlanger [redacted]>, Edward Dalton [redacted]>, Joseph Martir [redacted]>, Kevin Walsh [redacted]
Subject: [EXTERNAL] COVID-19 out of control

My name is (b)(6) and I am the proud President of the (b)(6) Postal Union APWU. I am sending you what I like to call a love letter on behalf of my membership and quite frankly all postal workers throughout this country.

I asked that you temporarily close all postal facilities because the spread of the COVID-19 virus is getting worse every day and I am simply out of words of comfort and support for my members that are in the eye of this storm.

This temporary closer will allow the postal Service to get the necessary safety supplies and equipment to give the postal workers and the postal service a better chance of survival and victory.

I'm on the frontline and have been given the displeasure of COVID-19's impact not only on the postal service but on America itself. Postal worker don't mind fighting but please give us a chance to win. Which we presently don't have ,as I will now explain, why!

I literally was on the phone today with many of my members screaming at me to do something I don't want to die. How do you respond to a statement like that? The more they hear about their co-workers contracting the virus the more scared they become. This is not just co-worker relationship. Many of your employees are like family and they are watching their family get sick right in front of their eyes. Not just from the Virus but from stress and anxiety and the constant pressure from their management team to work fast instead of safe especially at a time like this.

Miss Brennan the Postal Workers want to hear it come directly from your mouth that there is nothing to fear. In the NY District we currently have 12 confirmed positive cases of the Coronavirus with many more presumed positive diagnosis.

AMERICAN OVERSIGHT

This situation is about to blow up especially in NY City. The White House expert doctors has suggested that everyone in NY City or that has been to NY City needs to self-quarantine themselves for 14 days. You think the Postal workers don't hear this news.

You cannot expect the unions to convince the employees that if they come to work they have nothing to worry about, they can see what's going on all around them with the streets of NY practically empty. I cannot and will not lie to my membership.

Management refuses to use common since and chooses to not respond to many of the unions concerns about the hazardous conditions they are asking these employees to endure. Management is trying to act like everything is normal. I believe that if management would drop the phony façade and genuinely admit this is a bad situation and things aren't ok the employees would be more willing to pull together. Management has created an atmosphere that it's us against them. Would you want to work for someone that you don't believe has your back?

If you gave the bargaining unit employees all the safety supplies and equipment they should have readily at their disposal, they would still be working in a very hazardous work environment but when you don't supply these basic needs now you're asking them to commit suicide.

The union says the station does not have hand sanitizer and managements reply is then go use soap. There are no gloves. mask or wipes. Managements reply is there on back order or no one can get supplies right now. Unacceptable and instantly kills the bargaining unit employees moral.

When you refuse to temporarily stop all contractor work in the facilities. Management is asking the employees to endure the dust and the dirt as well as their fear of COVID-19. This causes the employee to sneeze and cough releasing the dangerous droplets from your mouth and nose into the work environment. Common since!

You might say, then the employees should wear mask but last week your management team and postal nurse was telling them they didn't need mask unless they are sick. What is the truth and where is your compassion.

When you refuse to enforce the no more than 10 people congregating in any one place as recommended by the CDC, yet there are 40 people allowed in the lobby of the Post Office giving the employees no chance to practice social distancing. This is not a message that the Post office cares about its employees or that the post office is really following the CDC recommendation. The CDC has become an excuse not to use common sense.

Not staggering the employees BT forces all of the workforce to be at the time clock at the same time social distancing right out the window, CDC regulations right out the window because it's not covenant. Something this simple to make the Postal workforce feel you care.

When you sign a MOU for dependent care but intimidate anyone who chooses to use it, by requiring them to submit their child's birth certificate as proof or a note from the school. Really, the employees are going to get a note from a school that is closed? Why isn't the employees word good enough you want them to take managements word about the security of their work environment, safety and health.

Postmaster Brennan this situation is out of control, I'm asking you to be proactive and not reactive. Here are some very simple ideas since I'm sure you won't do the most practical thing and temporarily close the post office, even if it was only for three or four days it would show the employees you care.

1. Employees can work on odd and even days this way you can reduce the workforce on any given day allowing the operation to function while allowing social distancing production will be slower but it will be safer.

AMERICAN OVERSIGHT

1. Put out and MOU that no employees should be force to work without gloves, mask hand sanitzer,wipes this will put the responsibility where it belongs on the management team.

Article 14 of the CBA says it is the responsibility of management to provide safe work conditions in all present and future installations. Is it too much to ask you to honor this oath?

1. Make social distancing mandatory and not optional.

1. Solicit volunteers to help with the cleaning temporarily on overtime after maxing out all of the custodians overtime.

I have a lot more ideas and would hope you would want to consider them. This email provides my contact information.

Thanking you in advance for you consideration.

(b)(6)

(b)(6)

A Man is what he does, not what he says

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Sent: Wednesday, March 25, 2020 7:27 AM
To: Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC; Marshall, Thomas J - Washington, DC; Grossmann, Luke T - Washington, DC
Subject: FW: [EXTERNAL] Breaking News: Senate, White House reach deal on massive stimulus package

(b)(5)

Thank you.

Megan

From: The Hill [redacted](b)(6)[redacted]
Sent: Wednesday, March 25, 2020 1:21 AM
To: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Subject: [EXTERNAL] Breaking News: Senate, White House reach deal on massive stimulus package

[https://c6d4db.efeedbacktrk.com/bgjbvsdkzppynsnpyjgzzybbzdympdpttqzkscmbfljlb_cphclmjdftcqcttpccd.gif]

View in your browser<http://click1.email.thehill.com/ViewMessage.do?m=klthfrvl&r=ccmclmjd&s=rklwyhjflccshsckgllwwljbcjcqqvlfhtb&q=1585113552&a=view>

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[Email]<http://click1.email.thehill.com/Forward.do?m=klthfrvl&r=ccmclmjd&s=rklwyhjflccshsckgllwwljbcjcqqvlfhtb&a=main>

Senate, White House reach deal on massive stimulus package<http://click1.email.thehill.com/gnwnsjwqmccdfjfcdkrmmdnnmwdpcwchhtmqjlpngykgg_cphclmjdftcqcttpccd.html?a=56972>

The White House and Senate leaders reached a deal early Wednesday morning on a massive stimulus package they hope will keep the nation from falling into a deep recession because of the coronavirus crisis.

The agreement caps five days of intense negotiations that started Friday morning when Senate Majority Leader Mitch McConnell (R-Ky.) convened Republican and Democratic colleagues, and stretched late into the evening Saturday, Sunday and Monday.

"Ladies and gentleman, we're done. We have a deal," White House legislative affairs director Eric Ueland told reporters after one of the final meetings in McConnell's office after midnight Tuesday night.

Read the full story here<http://click1.email.thehill.com/frdrtcqzyddwpcpdwbjyywrryqwldqdffnyzcglrhsbhb_cphclmjdftcqcttpccd.html?a=56972>

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[http://stripe.rs-1369-a.com/stripe/image?cs_email=Megan.j.brennan@usps.gov&cs_sendid=28451&cs_esp=postup&cs_offset=0&cs_stripeid=3400]<http://click1.email.thehill.com/jfjfczshnbbwpzpbwtvnnwffnswkbsbddmnhzqkfjrtjm_cphclmjdftcqcttpccd.html?a=Megan.j.brennan%40usps.gov&b=28451>

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AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Tuesday, March 24, 2020 8:48 PM
To: Stroman, Ronald A - Washington, DC; Williams Jr, David E (COO) - Washington, DC; Seaver, Kristin A - Washington, DC; Krage Strako, Jakki - Washington, DC
Subject: Georgia expanding access to mail-in ballots after delaying primary | TheHill

All,

(b)(5) .

https://thehill.com/homenews/campaign/489245-georgia-expanding-access-to-mail-in-ballots-after-delaying-primary

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Tuesday, March 24, 2020 2:54 PM
To: Seaver, Kristin A - Washington, DC
Subject: FW: FEMA NRCC for the 10 am

(b)(5)

Thank you.

Megan

From: Mendonca, Pat - Washington, DC
Sent: Tuesday, March 24, 2020 7:54 AM
To: Brennan, Megan J - Washington, DC <[redacted]; Seaver, Kristin A - Washington, DC [redacted]
Subject: FEMA NRCC for the 10 am

FEMA now leads federal response operations on behalf of the White House Coronavirus Task Force which oversees the
(b)(5)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Tuesday, March 24, 2020 8:04 AM
To: M. -Mike- Duncan Robert
Cc: Elston, Michael J - Washington, DC
Subject: FW: [EXTERNAL] RELEASE: House Democrats Act Rapidly to Save Postal Service from Bankruptcy As a Result of Coronavirus Crisis

[redacted] (b)(5) [redacted]

FYI

Thank you.

Megan

From: Stroman, Ronald A - Washington, DC
Sent: Monday, March 23, 2020 10:14 PM
To: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]>; Marshall, Thomas J - Washington, DC <[redacted](b)(6)[redacted]
Cc: Walker, Janice D - Washington, DC <[redacted](b)(6)[redacted]>
Subject: Fwd: [EXTERNAL] RELEASE: House Democrats Act Rapidly to Save Postal Service from Bankruptcy As a Result of Coronavirus Crisis

Sent from my iPhone

Begin forwarded message:
From: "Stephenson, Mark" [redacted](b)(6)[redacted]>
Date: March 23, 2020 at 10:11:04 PM EDT
To: "[redacted](b)(6)[redacted]
Subject: [EXTERNAL] RELEASE: House Democrats Act Rapidly to Save Postal Service from Bankruptcy As a Result of Coronavirus Crisis

[cid:image001.png@01D60159.6FBF6660]FOR IMMEDIATE RELEASE: Mar. 23, 2020
CONTACT: Aryele Bradford<[redacted](b)(6)[redacted]

House Democrats Act Rapidly to
Save Postal Service from Bankruptcy
As a Result of Coronavirus Crisis

Washington, D.C. (Mar. 23, 2020)—Today, Rep. Carolyn B. Maloney, the Chairwoman of the Committee on Oversight and Reform, and Rep. Gerry Connolly, the Chairman of the Subcommittee on Government Operations, issued the following statement after House Democrats introduced a stimulus package with emergency funds to save the Postal Service from imminent bankruptcy as a result of the coronavirus crisis:

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"The Postal Service is in need of urgent help as a direct result of the coronavirus crisis. Based on a number of briefings and warnings this week about a critical fall-off in mail across the country, it has become clear that the Postal Service will not survive the summer without immediate help from Congress and the White House. Every community in America relies on the Postal Service to deliver vital goods and services, including life-saving medications. The Postal Service needs America's help, and we must answer this call."

According to the Postal Service, it is facing a potentially drastic direct effect in the near term on mail volumes and could be forced to cease operations as early as June.

A halt in Postal Service operations could have grave consequences across the country. For example, the Postal Service delivered more than a billion shipments of prescription drugs last year, and that number is expected to grow rapidly as a result of the coronavirus crisis.

These negative effects could be even more dire in rural areas, where millions of Americans are sheltering in place and rely on the Postal Service to deliver essential staples.

In addition, more than 25% of votes cast in recent elections are distributed through the mail and are critical to America's democracy.

The resources included in the Take Responsibility for Workers and Families Act, would:

- provide a $25 billion emergency appropriation;
- eliminate the Postal Service's current debt; and
- require the Postal Service to prioritize medical deliveries and allow it flexibility to meet crisis conditions.

###

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted (b)(6) redacted]
Sent: Monday, March 23, 2020 10:07 PM
To: Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC; Elston, Michael J - Washington, DC
Subject: Senate on cusp of coronavirus stimulus deal after agreements in key areas | TheHill

https://thehill.com/homenews/senate/489158-senate-on-cusp-of-stimulus-deal-after-agreements-in-key-areas?rnd=1585015005

Senate on cusp of coronavirus stimulus deal after agreements in key areas Alexander Bolton</author/alexander-bolton>03/23/20 09:56 PM EDT

Senate Democratic Leader Charles Schumer</people/charles-schumer> (D-N.Y.) and Treasury Secretary Steve Mnuchin are on the cusp of a deal for a massive coronavirus stimulus package after settling disagreements over relief for the airline industry, beefed-up unemployment benefits and money for hospitals.

Democratic senators participated in a briefing call Monday night on the latest developments in the negotiations and a vote is expected as soon as Tuesday.

Schumer provided an optimistic update on the Senate floor after his fourth meeting of the day with Mnuchin, which ended shortly before 9 p.m.

"Secretary Mnuchin just left my office. We have had some very good discussions, and in fact the list of outstanding issues has narrowed significantly," he said, promising to "work on into the night."

In a key concession to the administration, Democrats have agreed to $25 billion in grants to U.S. airlines and $4 billion for cargo air carriers, according to text excerpt of the emerging deal.

Schumer is still waiting on written language from Mnuchin limiting stock buybacks and executive compensation for companies that accept billions of dollars in assistance from U.S. taxpayers.

Republicans want to limit executive compensation based on 2019 earnings, a lucrative year for corporate America, while Democrats want the limit based on a multiple of median worker salaries.

In a significant concession to Democrats, the emerging deal would provide bumped-up unemployment benefits for four months — a substantial increase over the three months of augmented unemployment benefits proposed by Republican negotiators, according to a person familiar with the briefing call.

Republicans have also agreed to provide $100 billion in funding for hospitals, $25 billion more than the proposal drafted in recent days by Republicans on an emergency supplemental spending package, according to the source familiar with the call.

The emerging deal would also provide $30 billion for care of people who fall ill from COVID-19.

The bill is also expected to provide $200 billion for various "domestic priorities."

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Republican scored a major victory by securing at least $500 billion for the Treasury Department to authorize more than $4 trillion in liquidity to distressed industries — which could provide a major boost to corporate balance sheets and financial markets.

The money will be leveraged at a ratio of 10 to 1, giving Fed broad ability to make loans.

Aside from finalizing language on stock buybacks and executive compensation, a few other issues need to be resolved.

Democrats on Monday's briefing call were not given any update on whether the bill will address their concerns over language that would exclude Planned Parenthood from being eligible from receiving Small Business Administration assistance.

Sen. Tim Kaine</people/tim-kaine> (D-Va.) announced on the Senate floor after the call that he believed the negotiators were close to a final agreement.

"I don't like watching stem-winding speeches from the floor blaming who's responsible for not being able to pass a vote when I know 20 yards away the White House is sitting down with Democrats and we're getting closer and closer and closer … [to] a Package that can gain bipartisan acceptance," he said.

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)>
Sent: Monday, March 23, 2020 9:53 PM
To: Elston, Michael J - Washington, DC
Subject: Re: Senate Stimulus Bill

(b)(5)

(b)(5)

Thanks,

Megan

On Mar 23, 2020, at 9:39 PM, Elston, Michael J - Washington, DC (b)(6)

(b)(5) !

Sent from my iPhone

On Mar 23, 2020, at 9:38 PM, Brennan, Megan J - Washington, DC <(b)(6)>> wrote:

FYI.

(b)(5)

Thanks,

Megan

Begin forwarded message:

From: "Stroman, Ronald A - Washington, DC" <R(b)(6)
Date: March 23, 2020 at 9:24:00 PM EDT
To: "Brennan, Megan J - Washington, DC" >>, "Corbett, Joseph - Washington, DC" <(b)(6)>>, "Grossmann, Luke T - Washington, DC" <>>, "Marshall, Thomas J - Washington, DC" >
Subject: Senate Stimulus Bill

Megan,

(b)(5)

AMERICAN OVERSIGHT

Ron

Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]
Sent: Monday, March 23, 2020 3:46 PM
To: Walker, Janice D - Washington, DC
Subject: Daily WH Briefing at 5:30

Janice,

(b)(5)

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Monday, March 23, 2020 8:04 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] Tran's Third Memo on Coronavirus Response (Previous Memo on this: 3/09 & 3/17)

(b)(5)

Megan

Begin forwarded message:

From: (b)(6) n <[redacted](b)(6)[redacted]>
Date: March 22, 2020 at 10:39:03 PM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted]>, "Taylor, Susan - Pittsburgh, PA" [redacted](b)(6)[redacted] Price, Lori A - Pittsburgh, PA" [redacted](b)(6)[redacted], "Trainer Jr, David C" [redacted], "Colin, Joshua D - Pittsburgh, PA" [redacted], "Lavezoli, Ronda L - Pittsburgh, PA" [redacted] "Williams Jr, David E (COO) - Washington, DC" [redacted] "Goetz, Bruce E - Eastern Area Office" [redacted] "Slane, Larry - Pittsburgh, PA" [redacted](b)(6)[redacted], "Devito, Celeste E - Warrendale, PA" [redacted], Union [redacted], Ted Lee [redacted], Patrick Rothwell [redacted]
Cc: "Curtis, Angela H - Eastern Area, PA" [redacted] george reffert [redacted], [redacted] Canh Tran [redacted](b)(6)[redacted]
Subject: [EXTERNAL] Tran's Third Memo on Coronavirus Response (Previous Memo on this: 3/09 & 3/17)

Subject: (b) s Third Memo on Coronavirus Response (Previous Memo on this: 3/09 & 3/17 -- enclosed at the bottom)
To: Megan Brennan, Susan Taylor, Lori Price, David Trainer, Joshua Colin, Rhonda Ravezoli, David William, Bruce Goetz, Larry Slane, Celeste Devito, Union84, Ted Lee, Pat Rothwell
CC: Angela Curtis, Grant-St Stewards (George Reffert, Kosoma PrncB72<mailto:PrncB72@yahoo.com>)
From: Canh Tran (a carrier at Grant St and steward George Reffert's assistant).

"If you see something, say something." (Janet Napolitano, former Secretary, Dept. of Homeland Security)

Dear major stakeholders/decision-makers,

I'm writing to you now to alert you to a major issue affecting our Safety/Health/Well-being. At the time of writing this email (3/22), the (b)(6) (PA) has 40 confirmed coronavirus cases. Unfortunately, the concerns raised by me in Memo emailed on 3/09 & 3/17 are still not being addressed (hence, I'm forced to bring these matters to a wider audience of stakeholders/decision-makers). More specifically:

(1) I was absent 2/28 - 3/04 for a respiratory illness, with a doctor note from an Urgent Care facility. This facility, as well as many Urgent Care providers and E.R utilize a standard pre-printed form with wordings similar to "We urge employers/school treat this as an excused absence" that are accepted by a vast majority of employers in Pittsburgh. Many treating physicians at these facilities would not provide any wordings similar to "incapacity/incapacitated-to-work" because "the standard form is what's being approved by management of these medical facilities."

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(2) In my two previous memo (on 3/09 & 3/17) and in my meeting with H.R Manager Lori Price on 3/10, I urgently implored the local management to remove any/all impediments to employees from "staying home when they're sick" per guidance by CDC and the Post Master Megan Brennan because:

a) During this exceptional time of coronavirus outbreak, it's hard to get doctor appointments (unless in dire circumstances requiring visiting ER) and many medical facilities (including ER, Urgent Care) would provide standard-form doctor's note, but not to the specificity of wordings "incapacity/incapacitated to work."

b) In my own experience, for my absence 2/28-3/04, my doctor's note was rejected by local management because of the lack of the wordings "incapacity/incapacitated to work." As the result, I was charged LWOP (unpaid) and may possibly be changed to AWOL eventually. As of today 3/22, no adjustment was made from LWOP for the absence 2/28-3/04 nor there are any indications from managements or my union about any changes are forthcoming.

c) As noted in my two previous memo (on 3/09 & 3/17), being charged unpaid LWOP for legitimate illness discourages employees from "staying home when you're sick" affecting the employees' financial well-being (with some carriers in reserved military positions at risks of losing governmental clearances due to missed loan/child-support payments caused by being unpaid) and affecting their healing process due to stress/worrying about finances.

d) As noted on 3/09 memo: Congress currently works on providing sick-leave to the most vulnerable group of workers: Uber/Lyft gig workers and low-paid restaurant workers (busboy, servers, line-cook, dishwashers). While mail-carriers have sick-leave, being charged LWOP for calling in sick and/or being charged LWOP or AWOL for having doctor's note not complying to "incapacity/incapacitated to work" wordings requirements would have the effect of discouraging employees from "staying home when you're sick." Without payment while sick, mail-carriers are treated no better than Uber/Lyft gig workers and the mentioned restaurant workers.

e) According to 3/13/2020 updated Supervisor & Management Guidance, local supervisors were instructed to "allow liberal sick leave usage for employees who are sick." However, as noted in my 3/17 memo, I was pressured by my local management ((b)(6) to come back to work even though I was sick and there was no objective review of my Unscheduled Leave usage between 3/05 - 3/15.

f) Per my discussions with (b)(6) stewards and union VP (b)(6) , my personal experience (as described above) was hardly unique, many carriers at my stations and many other stations has experienced the similar impediments to "stay home when you're sick." The guidance for local supervisors of "allow for liberal sick leave" are being applied unequally -- with some 'favored' employees don't need doctors' note at all while some 'disfavored' employees are being faced disparate treatment: with many obstacles to "stay home when you're sick" such as: being charged LWOP upfront (this was a policy by local supervisor at Grant St office as of 3/09), or being requested extra medical documentation with specific wordings or else being charged LWOP, AWOL and threatened with discipline without objective investigation.

One important point I'd like to raise to your attention: With more business (restaurants ...) being closed except for groceries and medical facilities, are there plans by local management/supervisors to ensure all mail-carriers know where to take comfort stops to ensure mail-carriers stay compliance with CDC guidance of following sanitary/hygienic practices at all time (including while on street)?

In conclusion, I understand that the "incapacity/incapacitated to work" wordings requirement has a long history, But this is unprecedented time. We're fighting an unprecedented communicable outbreak that moves at warp speed. For this reason, I again urgently implore you to remove any/all impediments for employees from "staying home when you're sick" which includes being paid for being home while sick.

I also wish to have my all 3 memos being discussed/reviewed with the Safety/Health committees at the USPS and the NALC because all issues raised in all 3 memos affect our Safety/Health/Well-being.

Sincerely yours,

(b)(6) -- a mail carrier at (b)(6) , and an assistant to steward (b)(6)

---------- Forwarded message sent on 3/17/2020 ---------

AMERICAN OVERSIGHT

Subject: (b)(6) Followup-Memo on Coronavirus Response (Previous Memo on this: 3/09/2020)
To: Susan Taylor, Lori Price, David Trainer
CC: (b)(6) (b)(6) Stewards (b)(6)
(b)(6)

Dear Ms. Taylor, Ms. Price and Mr. Trainer,

I'm writing to you now to alert you to a major issue affecting our Safety/Health/Well-being. Despite risks to myself, I have to speak up, in the spirit of See Something, Say Something -- (according to the Department-of-Homeland Security former Secretary Janet Napolitano "If you see something, say something.")

As of today 3/17/2019, the U.S President, the CDC and the Postmaster Megan Brennan all say simply "Stay home when you're sick." Period. No ifs or buts.

However, my own experience show that at (b)(6), my supervisor (b)(6) and manager (b)(6) are pressuring me to return back to work even though I'm still sick. Here are the facts:

a) Tuesday 3/17/2020, Supervisor (b)(6) called me at 6:09 AM (because I called repeatedly to all 3 (b)(6) phone numbers 5:45 AM-6:00AM to call in sick for the day but no Supervisor was there). She told me that I have to bring in doctor note that say "incapacitated to work" because she said that I'm on the "Deems Desirable" list.

b) On Monday 3/16/2020, I asked for clarifications with (b)(6) because there seems to be a confusion on: i) whether any documentation, including document signed by me or steward would suffice for people on "Deems Desirable" list and ii) medical documentation, according to the research I conducted, are required only for those on "Restricted Leave" which I'm not on it as of 3/14.

c) On Monday 3/16/2020, (b)(6) communicated back to me after calling manager (b)(6) said "he said you better return or else he probably putting you on 'deems desirable'"

d) As detailed in the section below my signature below, reviewing all paystubs since 7/01/2019, there were only 3 occurrences of Unscheduled Leave (including the most recently one 2/28/2019-3/03/1010) and there were no mention of me being considered for Restricted Leave/Deems-Desirable between 3/05/2020-3/14/2020.

e) On Tuesday 3/17/2020, I tried my best calling my doctor office, MedExpress UrgentCare, Steel Valley Express Care. As of right now, my situation is not dire to the level of going to the E.R. so, I opted not to go to the E.R (yet). All these medical facilities that I contacted, they're completedly booked, so, it will be difficult for me to get a doctor appointment today 3/17/2020.

Although I will try again this afternoon, it's only 2:00 PM of today (3/17), even if I successfully get a doctor appointment, my own past experiences showed that I may not get a doctor who is willing to write the exact words "incapacitated" or "incapacity to work." As you see from the attachment, I have a doctor note from an Urgent Care facility dated 3/02/2020, it said "We (the Urgent Care) urge employers to consider this an excused absence." I checked my paystub today 3/17 and found out that I was charged LWOP for my previous absence 2/28-3/03 (4 days). Similarly, in discussing with stewards and other mail-carriers, wordings such as "doctor order patient XYZ 3 days of rest" or "patient XYZ is unable to work for 3 days" etc ... maybe rejected because of the lack of the specific wording "incapacitated" or "incapacity to work." I found out from my own experience that some physicians offices, including Urgent Care and ER have a standard form of "doctor note" that doesn't say "incapacitated/incapability-to-work" and treating doctor would refuse to write these specific words because "this form is what being approved by corporate office managing these medical facilities".

Thus, if I'm able to get a doctor appointment, which is difficult because of heightened demands from people seeking treatments in the middle of coronavirus outbreaks, I maybe unable to obtain a doctor's note that pass muster of USPS management of having specific keywords "incapacity/incapacitated." Without a doctor's note that comply to this specificity, I'm at risk of being denied paid sick-leave, and being charged with "LWOP" or even worse, being charged AWOL.

AMERICAN OVERSIGHT

Hence, even though I'm still sick and/or in possession of a doctor's note, I may still be charged LWOP or even AWOL because the lack of "incapacity/incapacitated to work" wordings. Thus, I'm forced to go back to work, even though, I'm still sick, against the guidance of "stay home when you're sick by the Postmaster Megan Brennan and the CDC.

Call for action: I urgently implore you, the upper managers of the USPS Pittsburgh post-office, to suspend the rule requiring "incapacity/incapacitated" and remove any/all impediments to "stay home when you're sick," including a list of specific concerns listed in my memo on 3/09/2020. What if doctor order me to stay home in order to stop spreading disease, I'm technically still 'able to work' and not qualify for the wording "incapacitated to work", will I be charged AWOL or LWOP?

Additionally, the "p-bottles" unsanitary/unhygienic activities I described in my 3/09 memo still continue, with some mail-carriers described to me seeing actual bottles left behind in the postal vehicles. H.R manager (b)(6) , in a 3/10 one-on-one meeting with me, flippantly dismissed such concern with "since you don't have proof, it didn't happen."

During the period of 3/05/2020-3/14/2020, there was no discussions/investigations regarding my Unscheduled Leave record from any management staff, including H.R manager (b)(6) at the 3/10 meeting Price/Tran. As of 3/14/2020, there was no indication that I was on any Restricted Leave list or Deems-Desirable list. Suddenly, I'm informed on 3/17 that I'm on Deems-Desirable list. This maybe a result of me being treated differently for being: a member of Asian American community, a member of LGBTQ community, or being outspoken about coronavirus response/preparedness by the USPS. As summarized in the reviewing of my paystub records 7/01/2019 to 3/14/2020, there are only 3 occurrences of Unscheduled Leave. Thus, what objective investigations had supervisor (b)(6) , manager (b)(6) conducted between 3/05/2020 and 3/14/2020 that justify putting me on Deems-Desirable list. If no such justification exist, this is potentially an evidence of discriminatory supervisory/managerial intimidating tactics (for speaking out) which has the effect of discouraging employee to "stay home when you're sick."

==========
In reviewing my paystubs from 7/01/2019 to 3/14/2020:
My previous Unscheduled Leave since 07/01/2019 include:

i) one occurrence 2/28/2020 - 3/03/2020.
ii) one occurrence on 1/15-1/16 (count as one occurrence)
iii) one occurrence during Pay Period 21 (9/28/2019 - 10/11/2019).

The following were NOT Unscheduled Leave:

a) one occurrence during Pay Period 15: 7/06/2019-7/19/2019
b) one occurrence during Pay Period 17: 8/03/2019-8/16/2019 ==========

I raised many issues in my 3/09/2020 memo. Ms. Lori Price paid lip-service in meeting me on 3/10/2020 but as far I know, nothing happened.

Sincerely yours,

(b)(6)

Attachment are 3 pictures:
_ Doctor Note dated 3/04/2020 stated "Doctor examined (b)(6) We urge employers to consider this an excused absence."
_ Virtual TimeCard on 3/17/2020 showed that I'm allowed Sick-Leave for 3/16 and 3/17.
_ Online Paystub dated 3/17/2020 showed that I'm still charged LWOP for the absences 2/29-3/03

For your convenience, my previous memo on the subject is included here.
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AMERICAN OVERSIGHT

On Mon, Mar 9, 2020 at 1:28 AM (b)(6) wrote:
Subject: (b) Memo on Coronavirus Response/Preparedness.
To: Susan Taylor, Lori Price, David Trainer, Meghan Brennan, (b)(6)

A) About the Author:

Trained at a premier university, prior to joining the USPS in November 2016, through my employment with federal contractor Booz Allen Hamilton in Washington D.C, I worked as a senior technical consultant (for 7+ years) for many federal agencies including FEMA and the FBI Headquarters. There was an attempt in 2018 (by the managerial staff-members at the (b)(6) office) to smear/besmirch my reputation but I prevailed in the end. Nevertheless, my long tenure working for federal agencies provide credence to my statements here. In my less than 3.5 years with the USPS in Pittsburgh, I was either affiliated and/or worked at 8 different Postal offices: (b)(6) . As the result, I've gained many contacts and unique insights of the activities/concerns at quite a large selection of Pittsburgh postal offices -- this memo is the consequence of what I've learned through these contacts.

B) Problem Statements/Scenarios:

As an Asian American, I'm acutely aware of the coronavirus risks. The good news: Many people who are infected will eventually recover from it. The bad news: Many 80+ years old people died because of it. Indeed, 60+ years old with weak immune system or people with underlying medical conditions are at seriously risks. I myself delivered mails to 5-7 hi-rise apartments complexes in the (b)(6) and encountered many elderly/retirees people in the lobby of these apartments. On several occasions (at these locations), while putting mails into cluster-mailboxes, I sneezed and coughed and attracted stares from the elderly customers. Some even asked loudly: "Where's your mask? Where's your hand-sanitizer?" In addition, my own mother is 80+ years old.

Mail-carriers' exposure to the coronavirus: I myself shop weekly in Asian supermarkets and attend religious buildings frequented by Asian community (Catholic, Buddhism ...) which are congregated by many people with travel histories to cororavirus hard-hit regions of China/South-Korea. Our (b)(6) office delivers to (b)(6) University and (b)(6) University with a students body with worldwide travel history. Furthermore, many CCAs and fulltime-carriers at the bottom-rung of the payscale (first year, second year fulltime) supplement their postal incomes with Uber/Lyft gigs which bring additional risks of exposure with infected Uber/Lyft riders from the airport ...

Bottom-line: Even though mail-carriers maybe OK from the virus -- our customers and loved ones at home maybe put at risk through our interactions with them. If several elderly/retirees apartment complexes experienced an explosion number of coronavirus infections and the mail-carrier is the common link between them -- I'm pretty sure that's an outcome we all want to avoid. because the media will be all over it.

C) USPS follows CDC guidance on Coronavirus:

According to the "USPS publication" (link: https://link.usps.com/2020/02/11/coronavirus-update), the USPS follows CDC guidance, which outlined two broad recommendations:

1) Recommendation 1: Advice on sanitary/hygienic practices: frequent hand-washing, avoid touching eyes/mouths ...

2) Recommendation 2: Stay home when you are sick.

Please note that CDC says simply "stay home when you're sick" because:

(a) As of 3/8/2020, the test kits for testing cornavirus was slow to be made available widely

(b) Many symptoms for coronavirus overlap with many other respiratory illness such as: strep-throat, annual influenza, seasonal allergy and even common cold

(c) People with coronavirus infection may be asymptomatic (i.e: has no outward symptoms), but are still capable of spreading the virus.

AMERICAN OVERSIGHT

(d) The advice of "stay home when you are sick" -- according to medical experts, are meant to reducing further infection of any respiratory illness at the workplace.

D) Our failures in implementing CDC Recommendation #1:

i) Lack of hand-sanitizer and mask at our case-station (at the post office) and travel-size hand-sanitizer in our postal vehicles. Mail-carriers want to avoid sneezing/coughing at the letters/magazines/catalogs.

ii) CDC advises "wash hand regularly" -- we lack alcohol based washing mechanism while on the street (in our postal vehicles).

iii) The use of "personal bottles" (abbreviated as "p-bottles") by certain segment of mail-carriers, especially among the CCAs (on their regular mail duties as well as Amazon runs on Sunday/holidays). In addition to the cringe-induced reactions, this practice is certain to qualify as "unsanitary and unhygienic," and totally against the CDC-recommendation.

Suggested solution to fighting (iii) the usage of "p-bottles": educating the mail-carriers about taking time for comfort-stops (and travel time to find the nearest accommodation), educating the mail-carriers on morning vehicle-inspection to include inspecting the postal vehicle's interior (with a smell-test). Most importantly, supervisors must be educated on not pushing the CCAs to the point of avoiding comfort-stops and forced them to employ other unsanitary/unhygienic activities. This should continue even after the coronavirus problem is solved.

E) Our failures in implementing CDC Recommendation #2 "stay home when you're sick":

i) Supervisors charging LWOP "Leave Without Pay" on mail-carriers calling in sick: This happened to me. I called in sick for 4 days, I have a doctor's note and was not on any Restricted Leave list. I was charged LWOP for my first-day of sickness, automatically, without the supervisor asking whether I would like to use Sick Leave or Annual Leave (which I do have available balance) for it. Two stewards at Grant St that automatic-charging of LWOP on sick-calls automatically has long been a policy at the Grant St station. I commend manager (b)(6) for looking into reviewing it when I brought up the issue to him. However, Union VP Pat Rothwell confirmed that charging LWOP on sick-calls are going on everywhere in Pittsburgh. It takes up to 2 months for the grievance process for the mail-carrier to be "made-whole" (i.e: changing LWOP to either sick-leave or annual-leave). Meanwhile, the LWOP has the effects of discouraging employees to "stay home when you're sick" per CDC guidance. Manager said that the LWOP was intended for fighting sick-leave abuses but there are other tools to fight that (as described below). Also, 1-2 sick-leave abusers can't be the reason for charging LWOP automatically on anyone calling sick.

ii) Wrangling over "doctor's note" wordings on "incapacity to work": Upon returning from sickness, I submitted a doctor's note stating "The doctor has examined the patient. The patient is fully able to return to work with no restrictions on date AA/BB/CC. We urge employers to consider this an excused absence" -- I have experienced inconsistencies of acceptance of such doctor's note among supervisors/managers at various postal offices -- even though I submitted same standard-form doctor's note from the same medical provider (an Urgent Care facility). One supervisor claimed "oh, it didn't say incapacitated" Yet, at least 3 different supervisors/managers at different office accepted the form just fine. The standard-form issued by the Urgent Care facility are accepted by employers all over the city yet are rejected by a few supervisors because it didn't say "incapacitated" and require 2-months of wrangling via the grievance process for the doctor's note to be accepted finally. The end-result is the same: discouraging employees from taking sick-leave while the CDC guidance says "stay home when you're sick."

Analysis 1: Financial effects of LWOP on mail-carriers: Many mail-carriers live paycheck-to-paycheck with many financial obligations: House mortgage/rentals, car payments, student loans payments, child-support payments. Many USPS mail-carriers are also active members of the military reserve forces with some require governmental clearances (which are at risk of losing clearances due to missed loan payments). Psychological effects include: Our abilities to heal from illness are reduced by financial concerns and the uncertainties of 2-months grievance-handling process.

Analysis 2: USPS already have other tools to fight fraudulent sick-leave abuse: Utilizing the Postal Inspector, the USPS can document fraudulent sick-leave abuse if someone call sick but go out fishing. The USPS currently employs teams of "watchers" who monitor social networks (Facebook, Instagram, Twitter) to find evidences of abuse.

AMERICAN OVERSIGHT

Analysis 3: USPS already have "claw-back" mechanism for overpaying: If it is decided that a mail-carrier was paid sick-leave/annual-leave improperly, the USPS can always send a "Notice of Demand" to collect overpayments. The USPS should change the policy to allow sickleave/annual-leave as requested by the employee at the time of calling in sick and use claw-back mechanism later if needed.

Analysis 4: Comparison of LWOP and Uber/Lyft workers: Analyzing the media coverage, one major issue is the lack of sick-leave for gig-employees (Uber/Lyft) and employees of the low-wage restaurant industry (food servers, line-cooks, dish-washers ...). Mail-carriers have sick-leave, but unable to be paid immediately due to LWOP and must wait 2 months (for the grievance handling) to be paid -- then, mail-carriers are treated no better than the other workers with no sick-leave benefits at all.

Analysis 5: Conflicts between "Pay For Performance" evaluation of supervisors/managers vs. CDC guideline: Supervisors/managers are evaluated annually for Pay For Performance ratings/rankings. Utilization of Overtime Pay and utilization of Unscheduled Leave are major components of such evaluation. However, as described in this section. Such overemphasis on reducing Overtime Pay and Unscheduled Leave lead to policy implementations (such as charging LWOP for sick-calls and wrangling over doctor's note) that has an effect of discouraging employees to "stay home when you're sick."

Alternative solution: The OPM recently posts a link: https://www.opm.gov/policy-data-oversight/covid-19/questions-and-answers-on-human-resources-flexibilities-and-authorities-for-coronavirus-disease-2019-covid-19.pdf , in section D, regarding "Weather and Safety Leave", that is worth looking into as an alternative/additional method of leave during the outbreak of communicable diseases such as coronavirus.

In summary, for all of the foregoing reasons, we are woefully unprepared for the coronavirus. It behooves me that if this is the first time you hear about these concerns, then what's going on with the Safety & Health Committees at the USPS and at the NALC -- they are the ones who are charged with our Safety& Health. The coronavirus challenge is unprecedented in its speed. We need quick solutions such as: suspending these policies (charging LWOP, wrangling over doctor's note) that discourage employees from "stay home when you're sick"). The supervisors/managers should be relieved of being evaluated on usage of Overtime/Unscheduled Absence due to the coronavirus challenge. Also, the "p-bottles" unhygienic/unsanitary practices must end ASAP.

Sincerely yours,

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Sunday, March 22, 2020 1:04 PM
To: Marshall, Thomas J - Washington, DC
Cc: Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC; Stroman, Ronald A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: Re: Senate Update (3/22/20) // CARES TEXT (attached)

[redacted] (b)(5) [redacted]

[redacted](b)(5)[redacted]

Thanks,

Megan

On Mar 22, 2020, at 12:59 PM, Marshall, Thomas J - Washington, DC [redacted] wrote:

(b)(5) .

From: Corbett, Joseph - Washington, DC
Sent: Sunday, March 22, 2020 12:53 PM
To: Brennan, Megan J - Washington, DC [redacted];
Grossmann, Luke T - Washington, DC [redacted](b)(6)[redacted]>; Stroman,
Ronald A - Washington, DC <[redacted]; Marshall, Thomas J -
Washington, DC <[redacted]>>
Subject: FW: Senate Update (3/22/20) // CARES TEXT (attached)

From: M. -Mike- Duncan Robert [mailto:[redacted](b)(6)[redacted]
Sent: Sunday, March 22, 2020 12:40 PM
To: Corbett, Joseph - Washington, DC <[redacted](b)(6)[redacted]>>
Subject: [EXTERNAL] FW: Senate Update (3/22/20) // CARES TEXT (attached)

Fyi-the attachments

From: Maxson, Philip (McConnell) [mailto:[redacted](b)(6)[redacted]]
Sent: Sunday, March 22, 2020 12:01 PM
To: Maxson, Philip (McConnell)
[redacted](b)(6)[redacted]
Subject: FW: Senate Update (3/22/20) // CARES TEXT (attached)

Leader McConnell tweet/photo: "This morning I hosted a meeting with congressional leadership and Sec. Mnuchin. It is time to come together, finalize the results of our bipartisan discussions, and get the CARES Act to the President's desk." https://twitter.com/senatemajldr/status/1241753730921291777

Update below/text attached.

AMERICAN OVERSIGHT

Phil

From: Suares, Erica (McConnell)
Sent: Sunday, March 22, 2020 11:23 AM
To: Suares, Erica (McConnell)
Subject: Senate Update (3/22/20) // CARES TEXT (attached)

(b)(5)
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Summaries and sections by sections to follow.

Reminder on schedule:

The Senate will convene at 2:00 pm today, Sunday, March 22nd, and resume consideration of the motion to proceed to H.R.748, the legislative vehicle for Coronavirus Phase III.

At 3:00 pm, the Senate will proceed to a roll call vote on the motion to invoke cloture on the motion to proceed to H.R.748.

Thanks – will update more as the day unfolds.

Best,
Erica

Erica Suares
Policy Advisor
Office of the Majority Leader
U.S. Senator Mitch McConnell
S-230, The Capitol
(b)(6)
http://www.republicanleader.senate.gov/

Please see text of CARES attached. Updated Division B.

Please see attached the text for the upcoming substitute amendment to the Coronavirus Aid, Relief, and Economic Security Act.

DIVISION A (BAI20191) -- Keeping Workers Paid and Employed, Health Care System Enhancements, and Economic Stabilization
Title I – Keep American Workers Paid Act
Title II – Assistance for American Workers, Families and Businesses
Title III – Supporting America's Health Care System in the Fight Against the Coronavirus
Title IV – Economic Stabilization and Assistance to Severely Distressed Sectors of the US Economy
Title V – Budgetary Provisions

DIVISION B (HEN20279) -- Emergency Appropriations for Coronavirus Health Response and Agency Operations

Long Title

AMERICAN OVERSIGHT

Providing emergency assistance and health care response for individual, families and businesses affected by the 2020 coronavirus pandemic.

Short Title
Coronavirus Aid, Relief, and Economic Security Act

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<image001.jpg>
For Immediate Release, Saturday, March 21, 2020
Contacts: David Popp, Doug Andres
Robert Steurer, Stephanie Penn

McConnell Update on Coronavirus Aid, Relief, & Economic Security Act 'I believe Senators on both sides and the Administration have been encouraged by our discussions. Republicans and Democrats have worked together to produce a compromise that should be able to pass the Senate with an overwhelming bipartisan majority.'

WASHINGTON, D.C. – U.S. Senate Majority Leader Mitch McConnell (R-KY) issued the following statement regarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act:

"The past two days of intense bipartisan talks are very close to a resolution. I believe we are poised to deliver the significant relief that Americans need with the speed that this crisis demands.

"The legislation we are finalizing addresses all four of the crucial priorities that Senate Republicans laid out earlier this week. It will send direct relief to the American people, deliver historic assistance to small businesses so workers can keep getting paid, help secure our economic foundations and prevent layoffs, and -surge more resources onto the front lines of our brave healthcare professionals' fight to defend Americans and defeat the virus.

"I believe Senators on both sides and the Administration have been encouraged by our discussions. Republicans and Democrats have worked together to produce a compromise that should be able to pass the Senate with an overwhelming bipartisan majority.

"I have asked committee chairmen to draft final legislative text that reflects their compromise products and deliver that text later this evening.

"This would allow all Senators to review the complete bipartisan text in advance of our first procedural vote at 3:00pm tomorrow."

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<image001.jpg>
For Immediate Release, Saturday, March 21, 2020

AMERICAN OVERSIGHT

Contacts: David Popp, Doug Andres
Robert Steurer, Stephanie Penn
Press release link: https://bit.ly/33zKy42
YouTube: https://youtu.be/V5SiDd1fCnE

"We Need to Finish Up These Negotiations and Move Forward"
'Senators' bipartisan discussions continued all day yesterday and through the night. Both sides' negotiators, with the Administration, are continuing to work toward a bipartisan agreement on major legislation to support American workers and families, protect small businesses, help stabilize our economy, and put more resources on the front lines of our healthcare battle against the coronavirus… It is time to come together, finalize the results of our bipartisan discussions, and then close this out.'

WASHINGTON, D.C. – U.S. Senate Majority Leader Mitch McConnell (R-KY) delivered the following remarks today on the Senate floor regarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act:

"Senators' bipartisan discussions continued all day yesterday and through the night.

"Both sides' negotiators, with the Administration, are continuing to work toward a bipartisan agreement on major legislation to support American workers and families, protect small businesses, help stabilize our economy, and put more resources on the front lines of our healthcare battle against the coronavirus.

"As of now, an agreement has yet to be finalized. But our committee chairs, their Democratic counterparts, and President Trump's representatives are making important progress.

"Yesterday, I took action on the floor to keep this process moving with the urgency that it demands.

"By rule, it set up our first procedural vote for tomorrow. And then on Monday, the Senate will vote on passage.

"It has only been two days since Senate Republicans introduced the Coronavirus Aid, Relief, and Economic Security Act, to give shape and structure to these urgent discussions.

"We put forward four objectives:

1. Put emergency cash in the hands of individuals and families, as quickly as possible...

2. Deliver the major relief that American small businesses need at this unprecedented time, and deliver it fast...

3. Help bring some stability to our economy and prevent as many layoffs as possible...

And 4. Continue to rush resources to the frontline healthcare workers and providers who are treating patients.

"And perhaps most important of all, we looked specifically for policies that could do all of the above as quickly as humanly possible.

"Small businesses across this country have made it clear: If they're going to keep their lights on and keep their employees on payroll, they need help and they need it now.

"Americans who have already been laid off due to this crisis have made it clear: They need help and they need it now.

"Key national industries, which are hemorrhaging business through no fault of their own but due to the government's own public health guidance, have made it clear: In order to retain their workers, they need help and they need it now.

AMERICAN OVERSIGHT

“And in particular, every single American who has opened a newspaper or turned on the television in the last week has heard from our brave nurses, doctors, first responders, and public health experts: If our nation is going to punch back and beat this virus, the people on the medical front lines need help and they need it now.

“Senate Republicans put out our starting proposal as fast as we could. Then, I created a structure for bipartisan discussions to begin as fast as they could.

“No legislation will move through the Senate that does not contain ideas from both parties. That is a fact, because of the way this body is designed.

“So these bipartisan talks have been essential. And they are ongoing. But what we need to do now is move forward.

“Two days ago, the press reported that a senior member of House Democratic leadership told his colleagues, quote, “This is a tremendous opportunity to restructure things to fit our vision.”

“Well, let me suggest that is exactly the wrong approach right now. That is exactly the kind of thinking that could bog down these urgent discussions. That is exactly the kind of mindset that the American people cannot afford for their elected representatives to adopt. I hope it does not describe the view of our own Senate Democratic colleagues as we close out these talks.

“More Americans are being laid off every day. More small businesses are being forced to shed payroll every day. Our nurses and doctors are running lower on key supplies every day.

“This is not a political opportunity. This is a national emergency.

“It is time to come together, finalize the results of our bipartisan discussions, and then close this out.

“Earlier this week, I had the Senate move quickly to pass the more modest bill that came over from the Democratic House of Representatives. I didn’t believe it was perfect — far from it.

“But Senate Republicans did not delay it needlessly. We did not try to originate our own version and burn several more days trying to fit them together.

“Instead, we treated that bill with the bipartisanship and the urgency that this crisis requires.

Since then, the situation has only grown more dire. So I hope that our Senate Democratic colleagues, and the Democratic House, will bring equal bipartisanship and equal urgency to this legislation as well.

“In closing, I think that all of us could take a lesson from our constituents. As we finish negotiating and finalize bold legislation, we should look to the American people.

“Everywhere you look, these past days, individuals, families, and organizations are stepping up to the plate and finding creative ways to serve those in need.

“One of my fellow Kentuckians is a woman named Erin Hinson. Erin lives in Louisville. She is someone whom doctors have told to be particularly careful these past few days, so her opportunities to pitch in were somewhat limited, but she was determined to do her part.

“Here’s what she said: “I may never have the capacity to develop a vaccine or a magic pill to get rid of COVID-19..., but I can master a spreadsheet.”

AMERICAN OVERSIGHT

“Erin created a website — Louisville COVID 19 Match dot com. There is one sign-up sheet for neighbors who are older or at heightened risk, and another sign-up sheet for neighbors who are young and healthy. And Erin is performing a kind of match-making service.

“If someone needs a prescription picked up, or some groceries delivered, or even a friendly phone call, she helps make the connection.

“With a little help from local media, Erin is already tracking more than 400 volunteers, from every Louisville ZIP code.

“It’s the perfect manifestation of Kentucky’s state motto: “United we Stand, Divided we Fall.”

“United we stand — even if we have to stand six feet apart for a few weeks. And divided we fall.

“Brave, and generous, and creative Americans all across our nation get it.

“They just need their Congress to get it, too.

“I am impressed and heartened by the speed and bipartisan spirit that has characterized the past day’s discussions. But we need to keep it up. We absolutely cannot let up now.

“We need to finish up these negotiations and move forward.”

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AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Sunday, March 22, 2020 10:50 AM
To: Mendonca, Pat - Washington, DC
Cc: Stavely, Rhonda J - Washington, DC
Subject: Re: Postmaster General

Rhonda,

Anytime he has tomorrow - day or night - 5 minutes

Pat,

[redacted]

Thanks,

Megan

On Mar 22, 2020, at 10:42 AM, Mendonca, Pat - Washington, DC <[redacted]> wrote:

From: Fischer, Lauren [mailto:[redacted]]
Sent: Sunday, March 22, 2020 9:20 AM
To: Mendonca, Pat - Washington, DC [redacted]; Stavely, Rhonda J - Washington, DC [redacted]
Cc: Swigart, Michael A - Washington, DC <[redacted]>; Plessas, Jude M - Washington, DC [redacted]
Subject: [EXTERNAL] Re: Postmaster General

Hey Pat,

Moving Mr. Bibo to BCC.

I'll look out for a note from Rhonda for scheduling. As Mr. Bibo said, the Administrator's schedule is extremely packed, but we will do our best.

Thanks so much,
Lauren

Lauren Fischer
Senior Advisor | Office of the Administrator
[redacted]

Federal Emergency Management Agency

AMERICAN OVERSIGHT

FEMA.gov<http://FEMA.gov>

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From: Mendonca, Pat - Washington, DC <[redacted](b)(6)[redacted]
Sent: Saturday, March 21, 2020 6:52 PM
To: Bibo, David; Stavely, Rhonda J - Washington, DC
Cc: Swigart, Michael A - Washington, DC; Plessas, Jude M - Washington, DC; Fischer, Lauren
Subject: RE: Postmaster General

Thank you Dave, no issues, the Postmaster General just wanted to have a quick call if possible on Monday, any time that is convenient for the Administrator.

Lauren, Rhonda Stavely, on the to line of the email, is the Executive Administrative Assistant for the Postmaster General and will reach out to you to see if this can be arranged.

Thank you very much for your help.

Patrick Mendonca
Senior Director
Office of the Postmaster General
U.S. Postal Service

From: Bibo, David [redacted](b)(6)[redacted]
Sent: Saturday, March 21, 2020 4:19 PM
To: Mendonca, Pat - Washington, DC [redacted]
Cc: Swigart, Michael A - Washington, DC [redacted](b)(6)[redacted]>; Plessas, Jude M - Washington, DC [redacted]>; Fischer, Lauren [redacted]
Subject: [EXTERNAL] Re: Postmaster General

Lauren Fischer is cc'd. Heads up he is spending a lot of time at WH. Anything I can help with?

—
David Bibo
Associate Administrator (Acting) | Office of Response and Recovery
[redacted](b)(6)[redacted]

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From: Mendonca, Pat - Washington, DC <pat.mendonca@usps.gov<[redacted](b)(6)[redacted]
Sent: Saturday, March 21, 2020 3:01:52 PM
To: Bibo, David [redacted]
Cc: Swigart, Michael A - Washington, DC [redacted](b)(6)[redacted]>>; Plessas, Jude M - Washington, DC [redacted]>
Subject: Postmaster General

Hey Dave:

AMERICAN OVERSIGHT

I know you are extremely busy however would it be possible for you to put us in contact with the Administrator's scheduler so we can have the PMG's scheduler make contact?

Thank you for any assistance

Pat

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6) [redacted]
Sent: Sunday, March 22, 2020 8:56 AM
To: Seaver, Kristin A - Washington, DC; Mendonca, Pat - Washington, DC; Marshall, Thomas J - Washington, DC; Stroman, Ronald A - Washington, DC
Subject: Kushner coronavirus team sparks confusion inside White House response efforts - The Washington Post

All,

(b)(5) [redacted]

https://www.washingtonpost.com/politics/kushner-coronavirus-team-sparks-confusion-plaudits-inside-white-house-response-efforts/2020/03/18/02038a16-6874-11ea-9923-57073adce27c_story.html?utm_campaign=wp_politics_am&utm_medium=email&utm_source=newsletter&wpisrc=nl_politics

Kushner coronavirus team sparks confusion, plaudits inside White House response efforts [Jared Kushner listens as President Trump meets with banking executives about coronavirus response in the Cabinet Room at the White House on Wednesday.]Jared Kushner listens as President Trump meets with banking executives about coronavirus response in the Cabinet Room at the White House on Wednesday. (Jabin Botsford/The Washington Post)

Jared Kushner, President Trump's son-in-law and a senior adviser, has created his own team of government allies and private industry representatives to work alongside the administration's official coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_2&itid=lk_inline_manual_2> task force, adding another layer of confusion and conflicting signals within the White House's disjointed response to the crisis.

Kushner, who joined the administration's coronavirus efforts last week, is primarily focused on attempting to set up drive-through testing sites with the help of technology and retail executives, as well as experts in health-care delivery. The goal, officials familiar with the work said, is to have limited testing in a handful of cities running by Friday and to expand the project from there.

But Kushner's team is causing confusion among many officials involved in the response, who say they are unsure who is in charge given Kushner's dual role as senior adviser and Trump family member. Some have privately dubbed his team a "shadow task force" whose requests they interpret as orders they must balance with regular response efforts.

Some members of Kushner's team are working out of offices on the seventh floor of Health and Human Services headquarters — one floor above the office of HHS secretary Alex Azar — while others are working out of an office in the West Wing of the White House, officials said.

They include representatives of companies such as UPS, FedEx and Flatiron Health, as well as Kushner allies inside the government such as Brad Smith, director of the Centers for Medicare and Medicaid Innovation.

[Jared Kushner listens as President Trump speaks during a signing ceremony for the United States-Mexico-Canada Trade Agreement on the South Lawn of the White House on Jan. 29.]Jared Kushner listens as President Trump speaks during a

AMERICAN OVERSIGHT

signing ceremony for the United States-Mexico-Canada Trade Agreement on the South Lawn of the White House on Jan. 29. (Jabin Botsford/The Washington Post)

Two senior officials said some government officials have become increasingly confused as they have received emails from private industry employees on Kushner's team and have been on conference calls with them, unsure what their exact role is in the government response. Several people involved in the response said the involvement of outside advisers — who are emailing large groups of government employees from private email addresses — also raises legitimate security concerns about whether these advisers are following proper government protocols.

Sign up for our Coronavirus Updates newsletter to track the outbreak. All stories linked in the newsletter are free to access.<https://subscribe.washingtonpost.com/newsletters/#/bundle/health?method=SURL&location=ART_IS&tid=lk_interstitial_manual_14&itid=lk_interstitial_manual_14>

"We don't know who these people are," one senior official said. "Who is this? We're all getting these emails."

Kushner defended his role in an interview, saying his team's goal was to bring "an entrepreneurial approach" to the crisis.

"We're getting things done in record speeds and are doing everything possible to avoid damage and mitigate the negative impacts," Kushner said. "In America, some of our best resources are in our private sector. The federal government is not designed to solve all our problems; a lot of the muscle is in the private sector and there's also a lot of smart people."

This account of Kushner's involvement in the administration's coronavirus response effort is based on interviews with 10 senior administration officials and people familiar with the effort, most of whom spoke on the condition of anonymity to discuss internal dynamics and speak candidly.

[Vice President Pence and President Trump speak with his coronavirus task force during a briefing at the White House on March 18.]Vice President Pence and President Trump speak with his coronavirus task force during a briefing at the White House on March 18. (Jabin Botsford/The Washington Post)

Katie Miller, a spokeswoman for Vice President Pence, who is heading the official task force, dismissed concerns over Kushner's growing role.

"For those who are involved in the effort, they aren't confused," Miller said. "For those who deal with this day-to-day, the structure is quite clear."

Kushner said he is "closely collaborating" with Pence, whom he talks to "ten times a day."

Deborah Birx, the White House coronavirus response coordinator, also praised Kushner's ability to enlist companies and individuals outside government to help in the response.

"The White House recognizes many solutions we will need today and tomorrow to combat this virus reside in the private sector and Jared has been essential in bringing those insights to critical discussions," she wrote in an email.

But Kushner operates from a nearly untouchable perch within the White House hierarchy, which has worried some officials. Some aides say that regardless of the official organization chart, they know that Kushner can walk into the Oval Office when he wants or call the president late at night, allowing him a final private word after the routine meetings have ended.

The president has grown frustrated with him at times — including over his widely criticized Oval Office address last week, which Kushner helped write — but he remains family and so far has outlasted and outmaneuvered internal rivals.

AMERICAN OVERSIGHT

Kushner — who already has an overly large portfolio, which had become the subject of mockery by his critics — did not become involved in the virus response until last week, at the request of Pence's chief of staff. Kushner had previously counseled the president that the media and some in the administration were overreacting to the threat of the virus.

Infighting, missteps and a son-in-law hungry for results: Inside the Trump administration's troubled coronavirus response<https://www.washingtonpost.com/politics/infighting-missteps-and-a-son-in-law-hungry-for-action-inside-the-trump-administrations-troubled-coronavirus-response/2020/03/14/530c28b4-6559-11ea-b3fc-7841686c5c57_story.html?tid=lk_interstitial_manual_32&itid=lk_interstitial_manual_32>

Kushner helped write Trump's widely panned prime-time Oval Office address last week that sent markets into a free fall, pushed Trump to ban travel from Europe and orchestrated a Rose Garden news conference last Friday where Trump announced a ramped-up testing effort that turned out to be in only the early stages of development.

Trump announced that Google was developing a website where Americans could provide their symptoms, find out whether they needed to be tested and then be directed to a testing site near their homes that retailers including Target, CVS and Walgreens would help set up. But several of the companies quickly distanced themselves from the claims, and little has come of the efforts so far.

Two officials said Kushner was the one who called the various company executives and convinced them to come to Washington to meet and discuss the initiative. While the announcement was premature, they said getting the president to hold the news conference helped focus attention on the issue.

Kushner's team is primarily focused on getting the testing project launched by the end of this week in "hot spot" areas with large outbreaks, such as Seattle, the San Francisco Bay area and New York City, officials said. The team is also focused on procurement issues, particularly related to the nasal swabs needed to conduct the diagnostic tests, which officials have warned could face shortages as the number of tests expands.

"The government is designed to do certain things in certain ways, but this is not a usual circumstance," Kushner said. "I'm just trying to establish a faster decision cadence, so we can empower them to isolate the problems, agree on the proposed solutions and then empower the proper government department to move quickly."

Ten minutes at the teleprompter: Inside Trump's failed attempt to calm coronavirus fears<https://www.washingtonpost.com/politics/trump-coronavirus-teleprompter-speech/2020/03/12/81bc8a3a-647a-11ea-acca-80c22bbee96f_story.html?tid=lk_interstitial_manual_42&itid=lk_interstitial_manual_42>

The team includes Kushner allies such as Smith and Adam Boehler, chief executive of the U.S. International Development Finance Corporation, as well as a host of private industry representatives who Kushner believes can more quickly solve the testing issue than the government officials who have been overseeing it for the past two months.

Nat Turner, chief executive of Flatiron Health, a health-care technology company focused on cancer research, as well as some of his employees are key members of Kushner's team and are working out of HHS, officials said. Flatiron Health confirmed it was working on an HHS project. Kushner also brought in employees from the Federal Emergency Management Agency to embed with his team at HHS, and has called UPS and FedEx to help work on logistics issues, while still working with retail executives who are key to the testing initiative, two administration officials said.

[National security adviser Robert C. O'Brien, Deputy Secretary of State Stephen Biegun and senior adviser Jared Kushner listen as President Trump meets with Colombian President Iván Duque Márquez in the Oval Office on March 2.]National security adviser Robert C. O'Brien, Deputy Secretary of State Stephen Biegun and senior adviser Jared Kushner listen as President Trump meets with Colombian President Iván Duque Márquez in the Oval Office on March 2. (Jabin Botsford/The Washington Post)

AMERICAN OVERSIGHT

Walmart is one of the retailers that plan to participate in providing coronavirus testing, a representative said Wednesday, “working with the federal, state and local officials to finalize operational details of our first pilot sites.”

There have been growing pains within the West Wing and agencies as Kushner largely oversees testing and Pence’s team runs broader aspects of the response, including public relations, public-health guidelines to mitigate the spread of the virus and emergency preparedness to ensure states have the resources they need.

Some officials involved in the coronavirus efforts said they do not know who is in charge and whether Pence’s team has been sidelined. Three senior officials involved in the response said Kushner was generally letting the task force know what he was doing, but that they did not know precisely what he was working on. Kushner regularly briefs the president separately from the rest of the task force, one official said.

How to flatten the coronavirus curve<https://www.washingtonpost.com/graphics/2020/world/corona-simulator/?tid=lk_interstitial_manual_51&itid=lk_interstitial_manual_51>

One potential conflict for Kushner is the fact that Oscar, a health insurance company co-founded by Kushner’s younger brother, Joshua, last week launched its own digital portal that helps direct people to virus testing centers and assess their own risk of becoming infected. A spokeswoman did not respond to a request for comment, including about whether Oscar plans to seek a government contract.

Richard Painter, a law professor at the University of Minnesota and the former chief White House ethics lawyer under President George W. Bush, said one key consideration of involving the private sector in any virus response is ensuring that government officials who own any stock in the companies recuse themselves from decision-making.

“The first concern is to make sure no government officials are participating in those discussions that own stock in any of those companies, because if they do or their spouse do, there’s going to be a lot of trouble,” Painter said.

But, he added, as long as “you clear out the conflicts, then yes, this is something that’s going to happen. This is going to be necessary. On any kind of emergency, we do use the private sector, especially in wartime.”

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Sunday, March 22, 2020 8:27 AM
To: Cronkhite, Isaac S - Washington, DC
Subject: Fwd: Concerned Employee

Thanks,

Megan

Begin forwarded message:

From: "[redacted]
2:46:57 AM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted]
Cc: "[redacted]
Subject: Concerned Employee

Hello Ms Brennan,

I just wanted to send you an email concerning our USPS. I am very proud and happy working here and I want the post office to thrive. I feel like we are headed in the wrong direction with our system. I do appreciate any time you take to read this. I will keep it short.

1. I believe the Post office needs to change its delivery ideas. We should take our 1st class mail and go back to having it delivered in 1 day. Why would anyone want to wait up to 5 days to get a letter delivered

2. We are a business that has been around a long time and we should strive to be the best in spite of having government thinking. We should try to expedite our shipping to 1 or 2 day standards at a good price. No one can compete with us and I think we would be able to increase our revenue by doing this.

3. We must improve our reliability for delivering our mail. That is a huge flaw. We are a joke in the real world, when someone has something very important they want delivered they go to Fedex or UPS.

4. We should take advantage of our ability to deliver anywhere at a great price. No one can do this.

5. We should advertise on special holidays. When I was a young man I would sometimes get a card from a special female friend with her lipstick and perfume smell on it. It made my day. Can't do that on the internet. That was awesome. A good advertising campaign with commercials like that I think would give us a boost during special holidays with 1st class mail.

6. The other thing we never advertise is that we are hack proof. When you send important papers or pay your bills through the mail, no one can steal your personal info. I never saw an advertisement like that.

7. We have so much to offer people and instead we are downsizing.

AMERICAN OVERSIGHT

Implementing the above 6 items I think would be huge. We are losing a golden opportunity to use are massive size to expand our operations. Maybe the internet has hurt us some but there is a reason why people pay bills on the internet, because we are not reliable enough. If it is political because powerful people want to privatize the USPS, I guess I have no hope in saving this wonderful institution. I have many more ideas, but I feel you are someone who can make these changes and turn the ship around. There are a lot of good people here and since I have been here all that has been done is downsizing and no one seems to want to change that. When you have a company like this we can make some changes and go back to reliability and something people can count on again. Our image is tarnished. If we don't try Amazon will take over everything.

Thank you for your time.
Sincerely,

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Saturday, March 21, 2020 2:55 PM
To: Mendonca, Pat - Washington, DC
Subject: RE: Election Working Group

[redacted]

Thank you.

Megan

From: Mendonca, Pat - Washington, DC
Sent: Saturday, March 21, 2020 10:45 AM
To: Brennan, Megan J - Washington, DC <[redacted]
Subject: FW: Election Working Group

From: Gajewski, Kimberly N. EOP/NSC [mailto[redacted]
Sent: Saturday, March 21, 2020 10:43 AM
To: Mendonca, Pat - Washington, DC <[redacted]>; Stroman, Ronald A - Washington, DC <[redacted]>; Williams Jr, David E (COO) - Washington, DC <[redacted]; Calamoneri, Kevin A - Washington, DC [redacted]; Conley, Alyson M. EOP/OMB [redacted]
Cc: Cavanaugh, Brian J. EOP/NSC [redacted]
Subject: [EXTERNAL] RE: Election Working Group

Good morning USPS,

[redacted]

Respectfully,
Kim

Kim Gajewski
[redacted]

From: Gajewski, Kimberly N. EOP/NSC
Sent: Friday, March 20, 2020 4:31 PM
To: 'Mendonca, Pat - Washington, DC' [redacted]
Subject: Election Working Group

AMERICAN OVERSIGHT

[redacted] (b)(5) [redacted]

Respectfully,
Kim

Kimberly Gajewski
Director for Election Security Policy
COVID-19 Logistics and Critical Infrastructure National Security Council
[redacted] (b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6)
Sent: Saturday, March 21, 2020 2:54 PM
To: Walker, Janice D - Washington, DC
Cc: Mendonca, Pat - Washington, DC; Seaver, Kristin A - Washington, DC; Marshall, Thomas J - Washington, DC
Subject: RE: Updated FW: COVID-19 FEMA Key Messages_ 3.21
[redacted] (b)(5) [redacted]

Janice,

(b)(5) .

Thank you.

Megan

From: Walker, Janice D - Washington, DC
Sent: Saturday, March 21, 2020 10:17 AM
To: _Executive Leadership Team <[redacted] (b)(6) [redacted] COVID 19 Command Team [redacted] (b)(6) [redacted]
Cc: Swigart, Michael A - Washington, DC [redacted] (b)(6) [redacted]
Subject: Updated FW: COVID-19 FEMA Key Messages_ 3.21

FYI, (b)(5)

From: FEMA-ESF15-Coordination [mailto: [redacted] (b)(6) [redacted]
Sent: Saturday, March 21, 2020 9:40 AM
Subject: [EXTERNAL] COVID-19 FEMA Key Messages_ 3.21

FEMA Support to COVID-19 Response

KEY MESSAGES

* The federal government continues to take aggressive and proactive steps to address coronavirus (COVID-19)pandemic as the health and safety of the American people remain a top priority.

* FEMA now leads federal operations on behalf of the White House Coronavirus Task Force; who oversees the whole-of-government response to the pandemic.

o As part of the White House Coronavirus Task Force, HHS will continue to provide their subject matter expertise as the nation's pre-eminent public health responders.

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* On March 13, 2020, President Trump took decisive, unprecedented action by declaring a nationwide emergency pursuant to Sec. 501(b) of Stafford Act. The President's action cuts red tape and bureaucracy and avoids Governors needing to request individual emergency declarations.

* The nationwide emergency declaration increases federal support to the White House Task Force as it leads the ongoing federal response to the COVID-19 pandemic.

* Pursuant to this declaration, FEMA, in coordination with HHS, will assist state, local, tribal, territorial governments and other eligible entities with the health and safety actions they take on behalf of the American public.

* As of March 20, 2020, all 50 states, the District of Columbia, five territories and one tribe are working directly with FEMA under the Nationwide Emergency Declaration for COVID-19.

o On March 20, 2020, President Trump declared a major disaster declaration for the state of New York making federal funding available for crisis counseling services in addition to emergency protective measures.

* This is a whole of government response. Like all emergencies, response is most successful when it is locally executed, state managed and federally supported.

* To help the American public distinguish between rumors and facts regarding the response to Coronavirus (COVID-19), FEMA has created a Rumor Control page on FEMA.gov - the public can help control the spread of rumors by sharing our page: fema.gov/coronavirus<https://www.fema.gov/coronavirus>.

Kelly McKeon
Emergency Management Specialist | FEMA ESF 15 Coordination | Office of External Affairs
[redacted](b)(6)[redacted]
(b)(6)

Federal Emergency Management Agency
fema.gov
[Federal Emergency Management Agency]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Saturday, March 21, 2020 2:52 PM
To: Walker, Janice D - Washington, DC
Subject: RE: USA Today story on mail and coronavirus

Janice,

[redacted](b)(5)[redacted]

Thank you.

Megan

From: Walker, Janice D - Washington, DC
Sent: Saturday, March 21, 2020 7:29 AM
To: _Executive Leadership Team <_[redacted](b)(6)[redacted]; Weidner, Keith E - Washington, DC [redacted] Calamoneri, Kevin A - Washington, DC [redacted]>; Bartholf, Frank M - St Louis, MO <[redacted](b)(6)[redacted]>; Raub, William F - Washington, DC - Contractor [redacted]; Bruce, Joseph R - Washington, DC [redacted] Smith, Kevin R - Washington, DC <[redacted]>; COVID 19 Command Team <[redacted](b)(6)[redacted]
Cc: _Exec. Leadership CoS [redacted]m; _CorpComm - Direct Reports Team <_C[redacted](b)(6)[redacted]; Partenheimer, David A - Washington, DC [redacted]; Yoerger, Yvonne F - Washington, DC [redacted](b)(6)[redacted]
Subject: USA Today story on mail and coronavirus

(b)(5)

https://www.usatoday.com/story/news/nation/2020/03/21/can-coronavirus-travel-though-mail-experts-say-no/2862947001/

Coronavirus can live on surfaces for days. But it can't travel through the mail, experts say N'dea Yancey-Bragg<https://www.usatoday.com/staff/2646700001/ndea-yancey-bragg/>
USA TODAY
7:00 a.m. ET Mar 21, 2020
With stores stripped bare of household essentials, retailers cutting back hours and experts calling for social distancing amid the spread of coronavirus, many people may rely on delivery services to get what they need.
A study published in the New England Journal of Medicine<https://www.usatoday.com/story/news/health/2020/03/18/heres-how-long-coronavirus-can-live-surfaces-and-air-study/2863287001/> on Tuesday found that coronavirus could be detected up to three hours after aerosolization in the air, up to four hours on copper, up to 24 hours on cardboard and up to two to three days on plastic and stainless steel.
This had led some to wonder whether those packages on their front porch could spread coronavirus. The answer seems to be no. The Centers for Disease Control and Prevention said that the virus is spread through respiratory droplets and there is currently no evidence to support the transmission of COVID-19 with imported goods.

AMERICAN OVERSIGHT

"In general, because of poor survivability of these coronaviruses on surfaces, there is likely very low risk of spread from products or packaging that are shipped over a period of days or weeks at ambient temperatures," the CDC said on its website.<https://www.cdc.gov/coronavirus/2019-ncov/faq.html>
The World Health Organization offered similar guidance saying it is safe to receive packages from any area.
"The likelihood of an infected person contaminating commercial goods is low and the risk of catching the virus that causes COVID-19 from a package that has been moved, travelled, and exposed to different conditions and temperature is also low," the WHO said in a Q&A about the virus.<https://www.who.int/news-room/q-a-detail/q-a-coronaviruses>

Dr. Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, said during a CNN coronavirus town hall<https://www.cnn.com/2020/03/16/us/usps-fedex-coronavirus-mail-deliver-amazon-ups-trnd/index.html> that if the disease were to transfer onto something like mail, it would likely be a low concentration.<https://www.cnn.com/2020/03/16/us/usps-fedex-coronavirus-mail-deliver-amazon-ups-trnd/index.html>
Here's what you need to know about sending mail during the coronavirus pandemic:
Should I disinfect my mail?
Joseph Vinetz, a professor of medicine at Yale and infectious disease researcher, said that wiping down mail may help with some people's anxiety, but there's no evidence that doing so would be useful to protect against coronavirus.
"That's just not a viable way of thinking about this epidemic nor am I taking any special precautions myself personally or for family or my friends based on packages," he said. "Whether it's a package that comes in the mail delivered by Amazon or a letter from the USPS it's no different than going to the grocery store or going to get take out food."
Amesh Adalja, a senior scholar at the Johns Hopkins University Center for Health Security, agreed that the risk is theoretical and minimal.
"I will never disinfect my mail," he said. "And I don't even know how you would disinfect your mail."
What if my postal worker has coronavirus?
Adalja said there's minimal risk of the virus living on a package for several days, but if someone were to sneeze or cough on a letter before putting it into your mailbox "that's a different story."
Still, he said the same best practices that work during flu season like washing your hands and not touching your face after you open your mail would solve this problem.
How are postal services dealing with coronavirus?
A spokesperson for USPS, which employs more than 630,000 people, said 13 of its employees have tested positive for COVID-19. The company is closely monitoring the situation and is following strategies recommended by the CDC, according to the statement.
FedEx <https://www.fedex.com/en-us/coronavirus.html> has advised employees who are have flulike symptoms to stay home, and is temporarily suspending signature requirements and regularly disinfecting the equipment used to make deliveries.
Amazon <https://blog.aboutamazon.com/company-news/amazons-actions-to-help-employees-communities-and-customers-affected-by-covid-19> said it is offering flexibility for employees who need to stay home and paid time off for those who are diagnosed with coronavirus. Prime Now, Amazon Fresh, and Whole Foods Market delivery customers also have the option of "unattended delivery" if they want to limit into contact with others.
UPS said in a statement <https://pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=PressReleases&id=1584390799968-421> Monday that it is temporarily modifying the procedures its drivers use for residential and business deliveries. In order to minimize contact with recipients, UPS drivers will validate and record the name of the recipient of the package instead of obtaining a signature. If an adult signature is requested by a shipper, recipients must present identification with proof of age to the driver.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Saturday, March 21, 2020 2:32 PM
To: Cronkhite, Isaac S - Washington, DC; Williams Jr, David E (COO) - Washington, DC
Subject: FW: [EXTERNAL] Fwd: Cleaning supplies, hand sanitizers, mask, etc

Thank you.

Megan

From: Donald Bishop [mailto:(b)(6)]
Sent: Friday, March 20, 2020 8:30 PM
To: Brennan, Megan J - Washington, DC <(b)(6)
Subject: [EXTERNAL] Fwd: Cleaning supplies, hand sanitizers, mask, etc

Sent from my iPhone

Begin forwarded message:
From: Donald Bishop <d(b)(6)>
Date: March 20, 2020 at 19:06:27 CDT
To: (b)(6) >
Subject: Cleaning supplies, hand sanitizers, mask, etc Since the USPS stated that the subject items WILL be provided to offices, WHY are these items NOT being shipped to each city/rural post office as USPS knows how many employees at ea office so just send them the necessary quantities. Don't wait for the office postmaster to request these items . Most offices are old and dirty and lack these items as most local postmasters tell their carriers and clerks to buy their own wipes, hand sanitizer, cleaning supplies, masks, etc. which is the norm. When the clerks & carriers start calling in sick along with the limited RCA's, the local post office will SHUT DOWN and there will be NO mail delivery or Amazon and USPS pkg delivery. By not doing what's necessary to keep everyone safe, healthy and the office OPEN, let's be pro active UPPER MANAGERS, go BIG and do your JOB !!!!!

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Saturday, March 21, 2020 10:16 AM
To: Wohlganger, Ed - Washington, DC
Subject: FW: [EXTERNAL] Fwd: Our fine USPS system

Thank you.

Megan

From: [redacted] [mailto[redacted]
Sent: Saturday, March 21, 2020 10:03 AM
To: Brennan, Megan J - Washington, DC <[redacted]>
Subject: [EXTERNAL] Fwd: Our fine USPS system

ANOTHER FINE EXAMPLE OF OUR USPS SYSTEM.

ORDERED PROBIOTICS FROM AMAZON, TWO DAYS LATE ARRIVING, GOT THEM THIS A.M. IN A SHIPPING BAG.

GO TO OPEN IT AND WHAT??? THE BAG HAD BEEN SLICED OPEN AND CONTENTS INSPECTED AND TAPED SHUT AGAIN. PERHAPS ONE OF THE FINE USPS EMPLOYEES DECIDED TO SEE IF IT WAS ANYTHING THEY NEEDED TO KEEP THEM ''GOING''.

SAD THAT YOU CAN'T EVEN TRUST YOUR ITEMS TO BE SHIPPED TO YOU WITHOUT SOME JERK THINKING THEY CAN NOT ONLY SCREW OVER THE GOV. AND THE PEOPLE WHO TRUST THEY'RE ITEMS WILL GET TO THEM.

-------- Forwarded Message --------
Subject:

Our fine USPS system

Date:

Sat, 21 Mar 2020 09:35:47 -0400

From:

[redacted]

[redacted]

[redacted]

[redacted] USPS
Tracking ID: [redacted]

AMERICAN OVERSIGHT

Saturday, March 21
9:27 AM
Delivered
Madison, NC US
7:10 AM
Out for delivery
Madison, NC US
6:15 AM
Package arrived at a carrier facility
Madison, NC US
Friday, March 20
6:13 PM
Package has left the carrier facility
Greensboro Nc Network Distribution Center, US
3:11 PM
Package arrived at a carrier facility
Greensboro, NC
7:15 AM
Package arrived at a carrier facility
Atlanta, GA
6:57 AM
Package has left the carrier facility
Atlanta, GA
6:37 AM
Package has left the carrier facility
Atlanta, GA
1:40 AM
Package arrived at a carrier facility
Atlanta, GA US
1:08 AM
Package has left the carrier facility
Atlanta, GA
12:43 AM
Package has left the carrier facility
Atlanta, GA
Thursday, March 19
11:26 PM
Package arrived at a carrier facility
Atlanta-Peachtree Ga Distribution Center, US
10:26 PM
Package arrived at a carrier facility
Atlanta-Peachtree Ga Distribution Center, US Tuesday, March 17
6:01 PM
Package departed an Amazon facility
Charlotte, NORTH CAROLINA US
2:28 PM
Package has left the carrier facility
Erlanger, KY US
9:26 AM
Package arrived at a carrier facility
Erlanger, KY US
5:54 AM

AMERICAN OVERSIGHT

Package departed an Amazon facility
Eagan, MN US
Monday, March 16
Package has shipped

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Saturday, March 21, 2020 7:53 AM
To: Seaver, Kristin A - Washington, DC
Subject: FW: [EXTERNAL] pandemic, from one 56 year old with less then one year as a USPS Employee.

(b)(5) [redacted]

[redacted](b)(5)[redacted]

Thanks,

Megan

-------- Original message --------
From: (b)(6) <[redacted](b)(6)[redacted]
Date: 3/20/20 10:22 PM (GMT-05:00)
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]
Subject: [EXTERNAL] pandemic, from one 56 year old with less then one year as a USPS Employee.

SHTF, Means "Shit Hit The Fan", as in we are now in deepshit!
A thought, we as a country are in peril! As we as a country should we all now think.
USPS, Amazon, Fedex, trucking companies and UPS need to come together as a essential part of our society who can deliver to our citizen their daily need.
I don't mean to tell you your job, "but", we have never been here!
We could use tech. to keep country in tact.
Hospitals need supplies, we and other can and should deliver the goods that our people need.
I wish to ask you Madam Post Master General, please reach out to all to help!
Please don't wait for instruction from the government!
You can contact CDC, Army, Nat. Guard and all others!
We have never been here.
We deliver, now we need to stand up! If only to help!
N95 masks are needed all PPE for all First Responders!
The Military has a Supply Chain, we need it also!
Please don't wait to be called upon!
The first two letter of our company, is our country "We the people"!
You Madam Post Master General, can do so much!
Only you wear those shoes!
We should act the the Minuteman of older days.
And our peoples are in need!
Thank you all anyone who reads this for the Post Master General.
(b)(6) >

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Friday, March 20, 2020 5:50 PM
To: Walker, Janice D - Washington, DC; Stroman, Ronald A - Washington, DC; Marshall, Thomas J - Washington, DC; Seaver, Kristin A - Washington, DC
Cc: Mendonca, Pat - Washington, DC; Latham, Sandra R - Washington, DC
Subject: (b)(5)

Janice,

(b)(5)

(b)(5)

Megan

From: Walker, Janice D - Washington, DC
Sent: Friday, March 20, 2020 4:53 PM
To: Brennan, Megan J - Washington, DC <(b)(6)>; Stroman, Ronald A - Washington, DC <(b)(6)>; Marshall, Thomas J - Washington, DC <t(b)(6)>; Seaver, Kristin A - Washington, DC >
Cc: Mendonca, Pat - Washington, DC <; Latham, Sandra R - Washington, DC <(b)(6)
Subject:

Megan and team,

Please see below. (b)(5)

(b)(5)

Thanks.

(b)(5)

(b)(5):

(b)(5)

(b)(5)

(b)(5)

(b)(5)

AMERICAN OVERSIGHT

o [redacted]

(b)(5)

[redacted]

(b)(5)

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

(b)(5)

[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Friday, March 20, 2020 3:22 PM
To: Walker, Janice D - Washington, DC
Subject: Re: 03-20-2020 White House Coronavirus briefing

Give me a quick call please.

Thanks,

Megan

On Mar 20, 2020, at 3:16 PM, Walker, Janice D - Washington, DC < [redacted]

FYI from today's WH briefing.

White House Coronavirus Briefing – March 20, 2020

Speakers – Participants
President Donald J. Trump
Vice President Mike Pence
Secretary of State, Mike Pence
Acting HS Secretary, Chris Wolfe
Health Secretary Alex Azar
Coronavirus Task Force Member, Dr. Birks NIH Infectious Disease Director, Anthony Fauci

* Canada and Mexico border closings announcement. Both Secretary of State and DHS Secretary spoke about the importance of this closure. Cross-border trade also will have some limitations and on a prioritized, "essential" basis.
* Tax day is April 15; payments due July 15.
* 60 day break for student loans.
* Seeing increase in activity on hostile disinformation campaigns coming from China and other bad actor governments.
* Call for Americans to be alert to "trusted news outlets."
* Various attacks and statements about the "bad fake news media."
* Further discussion about State Department efforts to repatriate Americans where air travel is disrupted currently.

The entire 1:24 briefing is viewable at this link:
https://www.c-span.org/video/?470538-1/president-trump-closes-us-mexico-border-essential-travel&live&vod

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Friday, March 20, 2020 11:36 AM
To: Pinkerton, Elizabeth D. EOP/WHO
Subject: RE: Call with [redacted]

Good morning Elizabeth,

Thank you so much for assisting us. I have a call with [redacted] at 2pm today.

As an aside, I thoroughly enjoyed meeting with the WH Fellows - such a talented, dedicated and mission centric group. It's give me great hope for the future.

Stay safe.

All the best,

Megan

From: Pinkerton, Elizabeth D. EOP/WHO [mailto:[redacted]
Sent: Thursday, March 19, 2020 3:25 PM
To: Stavely, Rhonda J - Washington, DC <[redacted]
Cc: Brennan, Megan J - Washington, DC [redacted]
Subject: [EXTERNAL] Call with Joe Grogan

Dear Rhonda,

I hope you are doing well.

[redacted]

[redacted] Her email address is: [redacted]

Should you encounter any issues, or not hear back from her, please don't hesitate to call me at [redacted]

Best regards,

Elizabeth

Elizabeth Dial Pinkerton
Director
President's Commission on White House Fellowships
ma[redacted]

AMERICAN OVERSIGHT

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Friday, March 20, 2020 11:29 AM
To: Cronkhite, Isaac S - Washington, DC; Williams Jr, David E (COO) - Washington, DC
Subject: FW: CONCERN, face to face with customer

Thank you.

Megan

From: (b)(6) - Annawan, IL
Sent: Friday, March 20, 2020 11:14 AM
To: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Subject: CONCERN, face to face with customer

Dear Megan,

Good morning, and sorry for the inconvenience. I am writing this because our "first concern" Family, Co-workers, and customers are Asking me and I guess I am asking for all of US. I am a Clerk in the Post Office, and I have a BIG concern about the face to face at our counters with customers.
I know this is a long shot, but when I have tried to talk to others, They tell me to suck it up, that we are over reacting... How can the rest of the World basically shut down, and everything else in my town,(except groceries,) and we just need to be sure we have hand sanitizer, disinfectant, and clean everything good?
(Which I am running out of hand sanitizer, and out of disinfectant spray....trying to order and bringing supplies from home,(which is not fair to my family) but supplies are not easy to access) There is so much out there that we promote that we can still deliver to our customers, actually just heard the promotion on the radio. Just Please not the face to face. We can still process and deliver the mail, and we need to prioritize the packages for the PO Box section parcel lockers, if packages don't all fit into the parcel lockers, They can be delivered as our Amazon packages are now. Stamps can be purchased on line or by mail.
Our carrier pick up program can be utilized. I know you know all of this, and we are a "infrastructure industry" but surely can Protect ourselves, customers, and most importantly our Family, by PLEASE not letting us face to face at the counter. As much As I am trying to clean to protect everyone here, I just can't control those coming to the "Open" counter at the Post Office.
The Virus has tested positive in my community, it is here.
I do read and watch the videos sent out, but still think we are taking this too lightly. I am sure a lot is going on, just not communicated to me.
I hope everyone is over reacting, but not looking like that. The post office always says Family first, but doesn't seem like it in this case. I hope We aren't waiting for someone to die of this before we take this more seriously. All the money in the world can't replace your "Family". I am not an Employee that is looking for "Time off", in my 22 years I have never called in sick, and only missed 1 day Because of weather. That is not my intent. I would hate to see the Post Office fail, this is my livelihood. I know my writing is bothersome, maybe stupid, and to you probably petty.
But THANK YOU for your time! PLEASE you are our spokesman, HELP!!!

Sincerely,

(b)(6)
[redacted](b)(6)

AMERICAN OVERSIGHT

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted] on behalf of Brennan, Megan J - Washington, DC [redacted]
Sent: Friday, March 20, 2020 10:16 AM
To: Cronkhite, Isaac S - Washington, DC; Williams Jr, David E (COO) - Washington, DC
Cc: Latham, Sandra R - Washington, DC
Subject: FW: [EXTERNAL] Carriers and Window Clerks

-----Original Message-----
From: (b)(6) [redacted]
Sent: Friday, March 20, 2020 9:43 AM
To: Brennan, Megan J - Washington, DC [redacted]
Subject: [EXTERNAL] Carriers and Window Clerks

Madam Postmaster General,
I am wondering when the BOG or you will determine the safety of the employees and the general public are more important than delivering packages (Amazon) and offices staying open?
Regards,

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Friday, March 20, 2020 7:57 AM
To: Stroman, Ronald A - Washington, DC
Subject: RE: From CNN: White House funding request details plans for protecting the US food supply

Ron,

Got it; let's discuss please – [redacted] (b)(5) [redacted]

[redacted] (b)(5) [redacted]

(b)(5) [redacted]

Megan

From: Stroman, Ronald A - Washington, DC
Sent: Friday, March 20, 2020 6:45 AM
To: Brennan, Megan J - Washington, DC <[redacted] (b)(6) [redacted]
Subject: Re: From CNN: White House funding request details plans for protecting the US food supply

Megan,

I didn't see any mention of the Postal Service or our industry. But these are additional appropriation requests for agencies to deal with the COVID-19 crisis. S[redacted] (b)(5) [redacted]
[redacted] (b)(5) [redacted]

[redacted]
(b)(5) [redacted]

[redacted] (b)(5) [redacted]

Ron
Sent from my iPhone

On Mar 20, 2020, at 6:23 AM, Brennan, Megan J - Washington, DC
[redacted] (b)(6) [redacted] wrote:
White House funding request details plans for protecting the US food supply

https://www.cnn.com/2020/03/19/politics/food-supply-white-house-coronavirus-funding-request/index.html

Ron,

Can you please take a quick look, anything about USPS or our industry?

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Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Thursday, March 19, 2020 1:47 PM
To: Cronkhite, Isaac S - Washington, DC
Subject: FW: [EXTERNAL] The Mailman's Son

[redacted] (b)(5) [redacted]

Thank you.

Megan

From: (b)(6) [mailto: [redacted] (b)(6)]
Sent: Thursday, March 19, 2020 1:43 PM
To: Brennan, Megan J - Washington, DC < [redacted] (b)(6) [redacted] Sigmon, Kelly M - Washington, DC < [redacted] >; Stroman, Ronald A - Washington, DC < [redacted] ; Williams Jr, David E (COO) - Washington, DC [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] The Mailman's Son

If you scroll down slightly, you should see an e-mail with a similar title. I am the son of a mailman. This MAILMAN is my idol. He is the reason I am the person I am today. This MAILMAN is the reason I am NOT a mailman due to his constant love, care and interest in making sure I became a successful person that did not have to be in his current position. This MAILMAN, along with countless letter carriers, are in danger. They are in danger going door to door handing out LAWN MAINTENANCE circulars and packages from AMAZON. More importantly to me however, my father, my idol, is in danger. It is next to impossible for him and the postal service to abide by ANY of the recommendations given by the CDC.

Just like many people across the world, I have made it a point to abide by CDC recommendations and self-quarantine as much as possible. Please, please read this next part carefully. My family is my life. My FATHER, that 60+ year old MAILMAN, is my life. When negligence and lack of care, during an event that will change the course of history, involves MY father and his life, I will not hold back. I will do anything for him and my family. I do not need social media to make a statement, however, a statement will be made if the right thing isn't done.

Do the right thing. To you, he's just a mailman. To me, he's my life. Don't let him be another statistic on the television. Do the right thing.

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Thursday, March 19, 2020 12:07 PM
To: Williams Jr, David E (COO) - Washington, DC; Cronkhite, Isaac S - Washington, DC
Subject: Fwd: [EXTERNAL] Fwd: The Mailman's Daughter

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <[redacted]>
Date: March 19, 2020 at 11:56:39 AM EDT
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]>
Cc: "[redacted](b)(6)[redacted]" "Sigmon, Kelly M - Washington, DC" [redacted](b)(6)[redacted]
"Stroman, Ronald A - Washington, DC" [redacted](b)(6)[redacted], "Williams Jr, David E (COO) - Washington, DC"
<[redacted](b)(6)[redacted], Michele Maida [redacted](b)(6)[redacted]>, James Maida [redacted](b)(6)[redacted]
Subject: [EXTERNAL] Fwd: The Mailman's Daughter

As a follow-up, I'm taking to Social Media and will be calling the press.
My father's office doesn't even have hand sanitizer. They cannot stay 6 feet apart because the cubes are right next to each other. They cannot wash their hands because there is no sink in the truck.

USPS's lack of precaution will lead to the deaths of not just our carriers, but of the general public as well.

This is appalling. Keep our age and health comprised carriers at home, provide hand sanitizer, limit deliveries to essentials only and limit the amount of delivery days.

- (b)(6)
[redacted](b)(6)[redacted]

Sent from my iPhone

Begin forwarded message:

From: (b)(6) [redacted](b)(6)[redacted]
Date: March 17, 2020 at 9:31:50 AM EDT
To: [redacted](b)(6)[redacted]
Subject: The Mailman's Daughter

My father has been delivering mail for 36 years. This morning, he has gone in the office, with god knows how many other people, then will proceed to go from door to door. He doesn't want to catch something and bring it home to his asthmatic 5 year old granddaughter. But if he wants to pay his bills he has no choice. It's as though the country is

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operating on an “essential only“ basis, with the exception of our postal workers. They’re out delivering Sephora lipstick and Amazon packages.

Can we consider delivering only essential mail and on a weekly (vs daily) basis? This way, if these men or women decide to self quarantine, they will only use one sick/vacation day a week.

(b)(6)

(b)(6)

Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Thursday, March 19, 2020 8:38 AM
To: Latham, Sandra R - Washington, DC
Subject: Fwd: [EXTERNAL] FW: Carrier safety and the Corona Virus

Thanks,

Megan

Begin forwarded message:

From: [redacted]
Date: March 18, 2020 at 11:08:47 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted], PMG OFFICE <[redacted]
Cc: [redacted] <[redacted]
Subject: [EXTERNAL] FW: Carrier safety and the Corona Virus

From: [redacted] >
Sent: Wednesday, March 18, 2020 9:40 PM
To: [redacted]
Cc: [redacted] <[redacted]
Subject: Carrier safety and the Corona Virus

Good Evening, Postmaster General Brennan,

My name is [redacted] I have been a city carrier in the USPS for 18 years.

I am writing you today, as I had thought about some ideas on how the USPS can establish a more defensive posture that could be provided to not only carriers, but all USPS employees. Given our current situation, this needs to be addressed immediately, not sometime in the future. Your email address was given to me by a fellow carrier, since all other methods of communication suggested to “write a letter”. We do not have time for that.

The general consensus of carriers is a lack of concern from upper management. We get told daily to wash our hands, keep our “social distance”, and cough in a tissue or sleeve. NONE of this can be applied to actual work practices currently administered by the USPS. With a lot of businesses closed, carriers may not have a place to even use a bathroom, let alone wash their hands. Social distance does not mean standing as a group, in front of a supervisor, for a 5, 10, or 15 minute standup talk, in groups of 60 or more, 2 feet apart. Or having to knock on a door for a signature, or being told you can’t enter a facility until you get screened, answer some questions, and possibly even told you have to get your temperature taken with an oral thermometer.

These are challenging times. But we have no directives or protocol from the upper level of postal management. Some stations are being told they are allowed to sign for items for the customer, I have been told at previous stations a carrier

AMERICAN OVERSIGHT

is not authorized to sign for the customer. Some stations are being told if a business requires them to go through a health screening process, bring the mail back. Other stations are being told to do what is necessary to deliver the mail.

Infectious disease experts are estimating this virus will effect at least 40% of the population, possibly more. I honestly feel like the post office is on a vacation on the beach, with its head in the sand, awaiting a hurricane. They know it is coming, but instead of boarding the windows and shuttering the doors, they are praying that it changes course.

These are just some suggestions, but they could be implemented almost immediately with no effect on service. I believe the post office will get through this, if they are proactive, instead of trying to clean up "after the hurricane hits". With all the talk of privatization, this can make the American public realize we still are the backbone of the country. If the Post Office is ordered to shut down, I think our country will be at a point that it will never be the same, and the Post Office will be a relic of the past.

First, limit social distance. A public service announcement from the USPS should be sent to all major media outlets explaining extra precautions that customers can take to avoid exposure. DO NOT open your door to retrieve the mail directly from your carrier. If they need to ask a carrier a question, let him get a safe distance away. Make costumers aware of the Informed Delivery service, so they know they can pre-sign for anything, via online, that needs a signature. There is no need for a carrier to knock on the door, hand a customer their scanner, and have them sign for anything. If a carrier leaves a notice, and the customer is home, a complaint will be made, or they will drive to their local post office to pick it up. Again, there is no directive nationwide, on what is to be expected.

Deviate start times for carriers in 5 min increments. The smaller the group the better.

Stand up talks can be given over the intercom. There is no need for 50, 60, 100 carriers to be confined together to discuss the topic of the day, that may not even be pertinent to the current situation.

If possible, move carrier cases further apart, if stations have space. Although I don't have consolidated casing, I have heard they are almost stacked on top of each other.

Ensure all routes are staffed. With summer prime time vacation only weeks away, not being proactive could destroy the USPS, especially when carriers and clerks are unable to work, due to being sick. There is not a physician in America that would not give a 2 week medical excuse for anyone who tests positive for Corona, even with mild symptoms. We may see 40% or more, of the USPS workforce out in the summer months. In my state, a lot of businesses were forced to close, and people are desperately looking to work. Why wait with our head in the sand? Get the hiring process going now!!!

This is for the clerks, but it should be addressed. Offer a curbside pickup, or call ahead service. With the weather, there isn't a reason that a kiosk could be set up outside most post offices in the parking lot. One clerk could be out front, and communicate with other clerks inside, with a two way radio. Having customers come inside to a USPS facility with our current situation is a very bad business model. I have heard clerks complaining of customers coughing, sneezing, and not keeping a "social distance". It would limit exposure to all front line employees.

As of now, Amazon has instilled limitations on the products they will deliver, as well as hiring 100,000 employees. I have not heard anything from the Post Office other than "wash you hands, sneeze into your arm or tissue, and use hand sanitizer". Business goes on in the USPS, despite going through what could be one of the worst pandemics modern day America has seen.

Limiting contact between employees and customers, should be a NUMBER ONE PRIORITY as we move forward. Without our employees, we will not survive.

Sincerely,
(b)(6)

AMERICAN OVERSIGHT

[https://ipmcdn.avast.com/images/icons/icon-envelope-tick-round-orange-animated-no-repeat-v1.gif]<https://www.avast.com/sig-email?utm_medium=email&utm_source=link&utm_campaign=sig-email&utm_content=emailclient&utm_term=icon> Virus-free. www.avast.com<https://www.avast.com/sig-email?utm_medium=email&utm_source=link&utm_campaign=sig-email&utm_content=emailclient&utm_term=link>

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Tuesday, March 17, 2020 6:44 PM
To: Marshall, Thomas J - Washington, DC; Stroman, Ronald A - Washington, DC; Cronkhite, Isaac S - Washington, DC
Subject: FW: [EXTERNAL] BREAKING NEWS: OPM chief quits suddenly

Thank you.

Megan

From: POLITICO [mailto[redacted](b)(6)[redacted]
Sent: Tuesday, March 17, 2020 6:39 PM
To: [redacted](b)(6)
Subject: [EXTERNAL] BREAKING NEWS: OPM chief quits suddenly

Dale Cabaniss, the director of the government's Office of Personnel Management, has resigned abruptly, effective immediately.

Cabaniss stepped down because of what two people familiar with the matter said was poor treatment from the 29-year-old head of the Presidential Personnel Office, John McEntee, and Paul Dans, the powerful new White House liaison and senior adviser to the director of OPM. It's not clear who will be the acting director of OPM now, a person familiar with Cabaniss's exit said.

See https://politi.co/38XDGhW<http://go.politicoemail.com/?qs=6dff0ab3d722f3842e92977a528248c320ba787b2b6732d70d93585cda124b54b9959decc2aec8258e6b24df243ac835> for full coverage.
To change your alert settings, please go to https://secure.politico.com/newsletter-settings<http://go.politicoemail.com/?qs=6dff0ab3d722f384536549dd3359a4c2a2d06549b061559e525627accefd67d777cd64cfc902af609617ee6269b60778>

_____
[https://static.politico.com/f8/0c/f291bb464c468f16c5e002da301c/politico.gif]

_____
This email was sent to megan.j.brennan@usps.com<mailto:megan.j.brennan@usps.com> by: POLITICO, LLC 1000 Wilson Blvd. Arlington, VA, 22209, USA

Please click here<http://go.politicoemail.com/?qs=6dff0ab3d722f384db9a1dcdb9ba3f13e64eac08039337a92fd7c6ca7b64764baa440a0869c6aced5a5cfbc3d566bb2ff117024ef14c1a67> and follow the steps to unsubscribe.

_____

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Sent: Tuesday, March 17, 2020 3:12 PM
To: Walker, Janice D - Washington, DC
Cc: [redacted](b)(6)[redacted]
Subject: Re: Wash Post story on Amazon warehouse workers concerns

Janice,

[redacted](b)(5)[redacted]

Thanks,

Megan

On Mar 17, 2020, at 3:07 PM, Walker, Janice D - Washington, DC <Janice.D.Walker2@usps.gov> wrote:

FYI below. Will discuss during (b)(5) today.

https://www.washingtonpost.com/technology/2020/03/17/amazons-warehouse-workers-sound-alarms-about-coronavirus-spread/

Amazon's warehouse workers sound alarms about coronavirus spread Workers call on the ecommerce giant to close and clean warehouses exposed to the coronavirus and to adopt rules that encourage employees to practice sanitary habits By Jay Greene<https://www.washingtonpost.com/people/jay-greene/> and Elizabeth Dwoskin<https://www.washingtonpost.com/people/elizabeth-dwoskin/>

March 17, 2020 at 8:00 a.m. EDT

As Amazon sales surge from shoppers stocking up on consumer staples, the e-commerce giant's warehouse workers are raising alarms that the company is not doing enough to protect them from the novel coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_2&itid=lk_inline_manual_2>.

Warehouse workers in Spain and Italy have tested positive for the virus, while workers in New York and Chicago told The Washington Post that Amazon isn't taking enough precautions as orders mount. Some said workers were sent home only after they had coughs, and signs were posted advising workers to wash their hands.

But in interviews, warehouse workers in the United States and Europe say they worry their workplaces aren't safe enough and could contribute to the spread of the virus. More than 1,500 workers from around the world have signed a petition that calls on the company to take additional steps to ensure the safety in their workplace.

A worker at one of the facilities in Spain, where some colleagues have been quarantined with coronavirus-like symptoms and two others have tested positive for covid-19, told The Post he fears the warehouse may be a hot spot and wants it shut down.

AMERICAN OVERSIGHT

“It’s an atmosphere of fear — huge fear right now,” said Luismi Ruiz, who has worked there since November 2012 and is a union representative. Amazon is spraying disinfectant throughout the warehouse and staggering employee breaks so fewer people congregate together, to reduce contagion.

“These measures are totally insufficient,” Ruiz added.

Amazon says it’s taking appropriate precautions to protect workers. The company says it’s following guidance from health officials regarding the operation of its facilities. And it provides workers time to use the restrooms to wash their hands.

“We are going to great lengths to keep the buildings extremely clean and help employees practice important precautions such as social distancing and other measures,” Amazon spokeswoman Kelly Cheeseman said. “Those who don’t want to come to work are welcome to use paid and unpaid time off options and we support them in doing so.”

(Amazon chief executive Jeff Bezos owns The Washington Post.)

Any disruption to Amazon’s ability to deliver goods could affect countless customers, who have turned to the company in recent days to bring canned food, cleaning supplies and more to their homes so they don’t need to venture out to physical retailers and potentially spread the virus. Shoppers have turned to Amazon so frequently since the outbreak of the virus that the company has acknowledged it’s out of stock of some household staples, and its deliveries are taking longer than usual.

It may not just be workers’ safety at stake. Recent research shows <https://www.washingtonpost.com/health/coronavirus-can-stay-infectious-for-days-on-surfaces/2020/03/12/9b54a99e-6472-11ea-845d-e35b0234b136_story.html?tid=lk_inline_manual_20&itid=lk_inline_manual_20> the coronavirus can potentially remain viable — capable of infecting a person — for up to 24 hours on cardboard and up to three days on plastic and stainless steel, though covid-19 has primarily spread through direct person-to-person contact.

Amazon has long had a contentious relationship with some warehouse workers, who have helped fuel its rapid growth. For years, the company, which has nearly 800,000 workers worldwide, most of whom work in its warehouses, has been criticized for what some employees describe as poor working conditions, insufficient bathroom breaks and tough goals. They’ve also complained of the company’s efforts to squash unionization. Democratic presidential candidate Sen. Bernie Sanders (I-Vt.) has denounced the company for paying subsistence wages to its warehouse staff.

Following criticism, the company raised its minimum wage<https://www.washingtonpost.com/business/2018/10/02/amazon-announces-it-will-boost-minimum-wage-all-workers-after-facing-criticism/?tid=lk_inline_manual_14&itid=lk_inline_manual_14&tid=lk_inline_manual_22&itid=lk_inline_manual_22> to $15 an hour in 2018 and has implemented other changes to improve working conditions.

Now, workers are calling on the company to better protect them from a virus that’s raced through the country and led several major retailers, including Apple, Patagonia and Nike, to temporarily shut their physical stores to contain the coronavirus.

At a New York delivery center, Jonathan Bailey, a sortation associate, said pressure from Amazon to meet the rate at which it wants workers to fulfill orders could lead workers to ignore safe sanitary practices. If Bailey and his colleagues don’t “make rate,” managers can write that up, a blemish on their record that can make it difficult to advance at the company and can even lead to firings, Bailey said.

AMERICAN OVERSIGHT

So even though Amazon is encouraging workers to wash their hands, it's not giving them enough time to do so, Bailey said. The nearest bathroom is a two- to three-minute walk in each direction, reducing the amount of time he and his colleagues have to meet company shipping expectations, he said.

"If a worker is to cough or sneeze, there is no way for them to practice good sanitary habits" and run to a restroom to wash hands, said Bailey, who has worked for Amazon since last summer. "It's going to affect your stow rate."
That's one reason the worker petition calls for eliminating rate-based write-ups. The petition also demands the company provide paid sick leave even if workers don't have a covid-19 diagnosis because testing remains difficult to get. And it seeks to make sure warehouses are shut if a worker tests positive for covid-19 and not reopened until it's been thoroughly cleaned.

To alleviate that strain, Amazon announced plans<https://blog.aboutamazon.com/operations/amazon-opening-100000-new-roles> Monday to hire 100,000 new warehouse workers in the United States. And the company intends to raise pay by $2 an hour in the U.S., 2 pounds an hour in the UK, and approximately 2 euro an hour in parts of the European Union, a move it expects will cost $350 million.

Amazon made a specific pitch to workers who have been furloughed by current employers who have suspended operations.

"We want those people to know we welcome them on our teams until things return to normal and their past employer is able to bring them back," Dave Clark, senior vice president of worldwide operations, wrote in a blog post.

The additional jobs come amid growing concern about low-wage workers not having job protections to stay at home or get health coverage if they come down virus.

The spread of the virus is particularly acute in Europe, as is the concern among Amazon warehouse workers there. The company has added workers in Italy recently to meet increased demand, according to Matteo Rossi, who works for Transnational Social Strike, which is trying to organize Amazon workers. He worries that could make social distancing, crucial to helping stop the spread of the disease, more difficult.

"Amazon warehouses are more crowded than before," Rossi said.

Amazon confirmed that three workers at warehouses outside Madrid and Barcelona tested positive for covid-19, according to a report from the Spanish news site<https://www.lainformacion.com/empresas/amazon-casos-coronavirus-almacenes-espana-descarta-cerrarlos/6551741/> La Información.

A worker at an Italian warehouse in Torrazza also tested positive for the disease<https://www.lastampa.it/torino/2020/03/14/news/coronavirus-stato-di-agitazione-nella-sede-amazon-di-torrazza-piemonte-1.38591864>, and workers there are also concerned about returning to the facility, according a report from the Italian news site La Stampa. Workers declared a strike<https://www.lastampa.it/economia/2020/03/16/news/coronavirus-sciopero-immediato-all-hub-di-piacenza-di-amazon-1.38601365> Monday at a warehouse in Piacenza over concerns about containing the spread of the virus, La Stampa reported.

Christian Kraehling worries about meetings at the start of every shift, where his colleagues at a warehouse in Bad Hersfeld, Germany, are reminded of safety precautions such as using handrails when going downstairs. Those meetings include scores of workers standing shoulder to shoulder.

"It's a very bad situation with the coronavirus," said Kraehling, who has worked for Amazon for 10 years.

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Tuesday, March 17, 2020 1:01 PM
To: Seaver, Kristin A - Washington, DC; Mendonca, Pat - Washington, DC; Corbett, Joseph - Washington, DC; Williams Jr, David E (COO) - Washington, DC
Subject: Fwd: [EXTERNAL] News Alert: White House shows support for proposed plan to send checks to Americans in 'next two weeks' to address coronavirus, Mnuchin says

[redacted]

[redacted]

Thanks,

Megan

Begin forwarded message:

From: The Washington Post <email@washingtonpost.com>
Date: March 17, 2020 at 12:34:11 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted]>
Subject: [EXTERNAL] News Alert: White House shows support for proposed plan to send checks to Americans in 'next two weeks' to address coronavirus, Mnuchin says
Reply-To: The Washington Post <email@washingtonpost.com>

Treasury Secretary Steven Mnuchin's comment shows how the White House is looking to dramatically accelerate cash assistance to Americans as the economy shows more signs of strain. The White House is also working to allow more Americans to defer tax payments next month. The immediate cash assistance idea has won support from Democrats and some Republicans on Capitol Hill.

[The Washington Post]<https://s2.washingtonpost.com/1d27fae/5e70fb4ae6e81b6ce0fceefb/bWVnYW4uai5icmVubmFuQHVzcHMuZ292/0/10/13d4f8560a0ab57842746e3a2ec5b5bd>
Democracy Dies in Darkness

News Alert Mar 17, 12:31 PM

White House shows support for proposed plan to send checks to Americans in 'next two weeks' to address coronavirus, Mnuchin says<https://s2.washingtonpost.com/23f5aa0/5e70fb4ae6e81b6ce0fceefb/bWVnYW4uai5icmVubmFuQHVzcHMuZ292/1/10/13d4f8560a0ab57842746e3a2ec5b5bd>

Treasury Secretary Steven Mnuchin's comment shows how the White House is looking to dramatically accelerate cash assistance to Americans as the economy shows more signs of strain.

AMERICAN OVERSIGHT

The White House is also working to allow more Americans to defer tax payments next month. The immediate cash assistance idea has won support from Democrats and some Republicans on Capitol Hill.

Read more
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<http://li.washingtonpost.com/click?s=130186&li=&m=c47b2d24306c787cc4e4e6fa47f7e381&p=5e70fb4ae6e81b6ce0fceefb>

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USPS-20-1215-A-000448

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e0fceefb]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Tuesday, March 17, 2020 12:01 PM
To: Tulino, Douglas A - Washington, DC
Subject: From Axios: 7. Mail ballots become states' saving grace

[redacted] (b)(5) [redacted] has shared an Axios story with you:

7. Mail ballots become states' saving grace
https://www.axios.com/newsletters/axios-am-5de09627-112e-4e27-a875-529002ad577a.html?chunk=6&utm_term=emshare#story6

Doug,

(b)(6) .

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]
Sent: Tuesday, March 17, 2020 11:38 AM
To: Cronkhite, Isaac S - Washington, DC; Tulino, Douglas A - Washington, DC
Subject: Fwd: [EXTERNAL] Corona virus

Thanks,

Megan

Begin forwarded message:

From: [redacted]>>
Date: March 16, 2020 at 9:36:12 PM EDT
To: [redacted] ilto: [redacted]
Subject: [EXTERNAL] Corona virus

How long will you continue to put postal employees at risk?
CDC recommends no gatherings of 50 or more people. Our office has 90 employees in close proximity every single morning. Not all of these employees practice safe hygiene. As this PANDEMIC spreads more of the employees you are responsible for are put at greater risk with each passing day.
The time to act is now. Do the right thing, we are real people with real children and families who care for us.
Please close us down[redacted]

[redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Tuesday, March 17, 2020 7:27 AM
To: Walker, Janice D - Washington, DC
Subject: Re: Wash Post editorial on Fed gov teleworking

[redacted] (b)(5) [redacted]

Thanks,

Megan

On Mar 17, 2020, at 7:25 AM, Walker, Janice D - Washington, DC [redacted] (b)(6) [redacted]

(b)(5)
https://www.washingtonpost.com/opinions/the-trump-administration-is-urging-people-to-work-from-home-what-about-the-federal-government/2020/03/16/1bb3cbb2-67b9-11ea-9923-57073adce27c_story.html

The Trump administration is urging people to work from home. What about the federal government?
By Editorial Board<https://www.washingtonpost.com/opinions/the-posts-view/>
March 16, 2020 at 6:58 p.m. EDT

“HUNKER DOWN.” That has been the urgent plea from Dr. Anthony S. Fauci<https://www.washingtonpost.com/politics/fauci-open-to-a-14-day-national-shutdown-to-stem-virus/2020/03/15/fb68cfd0-66e9-11ea-b199-3a9799c54512_story.html?tid=lk_inline_manual_1&itid=lk_inline_manual_1>, director of the National Institute of Allergy and Infectious Diseases, stressing the importance of Americans staying home as much as possible to limit the deadly spread of the novel coronavirus. His words — and those of other public health experts — have been taken to heart by state and local officials who have shut schools<https://www.washingtonpost.com/dc-md-va/2020/03/13/coronavirus-dc-maryland-virginia-updates/?tid=lk_inline_manual_1&itid=lk_inline_manual_1> and businesses. Many of the country’s top companies <https://www.cnn.com/2020/03/10/tech/google-work-from-home-coronavirus/index.html> likewise are encouraging employees to work from home.

Unfortunately, the message has not fully sunk in with the nation’s largest employer: the federal government. Its failure to come up with and communicate a government-wide plan or approach to telework is yet another example of the Trump administration's lagging response to the escalating pandemic.

“When the Super Bowl was in Atlanta, the entire regional office teleworked for over a week to ease congestion and enhance security. . . . Why will the agency allow telework for the Super Bowl but not when potential lives are on the line?” That query, reported by the Federal News Network, came from a Social Security Administration employee<https://federalnewsnetwork.com/workforce/2020/03/lack-of-transparency-communication-leaving-some-feds-frustrated-over-telework-plans/>. Similarly, a worker at the National Institutes of Health asked, “How many thousands of federal employees are being asked to endanger themselves and their neighbors. . .?” Their questions embody the fear and frustration of many federal employees over the lack of clear guidance as to whether working from home will put their jobs at risk.

In the days since President Trump’s declaration of a state of national emergency on Friday, confusion has marked the messages from the White House about the nation’s 2.1 million federal workers. At first, the recommendation from the

AMERICAN OVERSIGHT

acting budget director was that limited telework should be made available to the elderly, to those who are pregnant and those with health risks. Mounting criticism resulted in Sunday's guidance <https://www.washingtonpost.com/politics/most-federal-workers-will-report-to-the-office-monday--as-the-rest-of-the-country-isolates-itself/2020/03/15/d7915324-66cc-11ea-abef-020f086a3fab_story.html?tid=lk_inline_manual_7&itid=lk_inline_manual_7> from the White House asking agencies to offer "maximum telework flexibilities<https://www.whitehouse.gov/wp-content/uploads/2020/03/M20-15-Telework-Guidance-OMB.pdf>" to all eligible employees and "use all existing authorities to offer telework to additional employees." But the directive is not mandatory, leaving decisions about teleworking up to each individual agency and resulting in a hodgepodge of policies. "Every agency is scared to death to do anything without getting approval, and they don't want to be the first," one senior manager was quoted in a report <https://www.washingtonpost.com/politics/most-federal-workers-will-report-to-the-office-monday--as-the-rest-of-the-country-isolates-itself/2020/03/15/d7915324-66cc-11ea-abef-020f086a3fab_story.html?tid=lk_inline_manual_7&itid=lk_inline_manual_7> by The Post's Lisa Rein, Ian Duncan and Tracy Jan.

Little wonder that managers are hesitant given how Mr. Trump has worked throughout his tenure to limit remote work by federal employees. When he took office in 2017, more than 40 percent of the federal workforce was eligible for telework, but his administration implemented across-the-board cuts that reduced the numbers of those eligible to telecommute. It is unclear how many employees now even have the capabilities or equipment to work remotely. The pushback against the Obama administration's encouragement of telework never made sense. But this crisis is illuminating its true folly.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Sunday, March 15, 2020 6:38 PM
To: Mendonca, Pat - Washington, DC
Subject: Re: Safety of the Mail

Got it.

Thanks,

Megan

On Mar 15, 2020, at 4:29 PM, Mendonca, Pat - Washington, DC [redacted] (b)(6) [redacted] wrote:

From: Cronkhite, Isaac S - Washington, DC
Sent: Sunday, March 15, 2020 4:29 PM
To: Mendonca, Pat - Washington, DC <p[redacted]
Cc: Storey, Simon M - Washington, DC [redacted]; Tulino, Douglas A - Washington, DC [redacted]>; Williams Jr, David E (COO) - Washington, DC [redacted]>; Swigart, Michael A - Washington, DC [redacted] (b)(6) [redacted]; Walker, Janice D - Washington, DC [redacted]>>; Bartholf, Frank M - St Louis, MO [redacted]>>; Raub, William F - Washington, DC - Contractor [redacted]>; Ferguson, Elaine R - Washington, DC [redacted]; DeCarlo, Linda - Washington, DC [redacted]
Subject: Re: Safety of the Mail

Thanks Pat. This is comprehensive and helpful. I don't think anything else is needed at this point.
Thanks,
Isaac

On Mar 15, 2020, at 4:17 PM, Mendonca, Pat - Washington, DC [redacted] (b)(6) [redacted]> wrote:

(b)(5) [redacted]

(b)(5)

WHO FAQ: Is it safe to receive a package from any area where COVID-19 has been reported?
Yes. The likelihood of an infected person contaminating commercial goods is low and the risk of catching the virus that causes COVID-19 from a package that has been moved, travelled, and exposed to different conditions and temperature is also low.

AMERICAN OVERSIGHT

https://www.who.int/news-room/q-a-detail/q-a-coronaviruses

CDC FAQ: Am I at risk for COVID-19 from a package or products shipping from China?
In general, because of poor survivability of these coronaviruses on surfaces, there is likely very low risk of spread from products or packaging that are shipped over a period of days or weeks at ambient temperatures. Coronaviruses are generally thought to be spread most often by respiratory droplets. Currently there is no evidence to support transmission of COVID-19 associated with imported goods and there have not been any cases of COVID-19 in the United States associated with imported goods.
https://www.cdc.gov/coronavirus/2019-ncov/faq.html#spreads

While we have not had the call with CDC/NIOSH schedule to discuss the study on COVID-19 and surface materials a pertinent finding regarding transmission from a surface of a materials was - "Our results indicate that the greater transmissibility observed for HCoV-19 is unlikely due to greater environmental viability of this virus compared to SARS-CoV-1". (That is, person-to-person spread is the main mode of transmission.)
https://www.washingtonpost.com/health/coronavirus-can-stay-infectious-for-days-on-surfaces/2020/03/12/9b54a99e-6472-11ea-845d-e35b0234b136_story.html

(b)(5)

Surgeon General Jerome Adams, a member of the Trump administration's coronavirus task force, reacted on Thursday to the fact that an Amazon employee in Seattle contracted the novel coronavirus, saying: "There is no evidence right now that the coronavirus can be spread through mail." … "We heard [National Institute of Allergy and Infectious Diseases Director] Tony Fauci, the world's expert in this area, comment on this and there is no evidence right now that the coronavirus can be spread through mail, no other coronavirus has been spread through mail," Adams said on Thursday, responding to fears.
https://www.foxnews.com/media/can-coronavirus-spread-through-your-amazon-packages

(b)(5)

Thank you

Pat

From: Stavely, Rhonda J - Washington, DC
Sent: Sunday, March 15, 2020 3:11 PM
To: Williams Jr, David E (COO) - Washington, DC [redacted]
Cc: Cronkhite, Isaac S - Washington, DC <[redacted] (b)(6) [redacted]; Mendonca, Pat - Washington, DC <[redacted]>>
Subject: FW: bulk mail

From: (b)(6) [redacted] (b)(6) [redacted]
Sent: Sunday, March 15, 2020 3:03 PM
To: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] bulk mail

AMERICAN OVERSIGHT

In light of the coronavirus, can you waive the federal regulation requiring local post offices to place “Bulk Mail” in the post office boxes? This is for the health of the general public as this virus can stick to paper and cardboard. If not already, postal workers should be handling mail and boxes with latex gloves. Until this virus is under control, the personal mail boxes in the post office should be limited to first class mail only in the p.o. boxes. Bulk mail is not worth the risk.

[redacted] (b)(6) [redacted] for Windows 10

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Friday, March 13, 2020 3:00 PM
To: Elston, Michael J - Washington, DC
Subject: Fwd: Notes on the 03/13/2020, 11:00, call with the Director for Election Security Policy, National Security Council

Thank you.

Megan

Begin forwarded message:

From: "Mendonca, Pat - Washington, DC" [redacted](b)(6)[redacted]
Date: March 13, 2020 at 12:39:15 PM EDT
To: "Brennan, Megan J - Washington, DC" [redacted](b)(6)[redacted]
Cc: "Stroman, Ronald A - Washington, DC" <[redacted]>, "Williams Jr, David E (COO) - Washington, DC" <[redacted](b)(6)[redacted]Marshall, Thomas J - Washington, DC" [redacted](b)(6)[redacted]v>, "Calamoneri, Kevin A - Washington, DC" [redacted]
Subject: Notes on the 03/13/2020, 11:00, call with the Director for Election Security Policy, National Security Council

Following are my notes from the call (what did I miss?)

Subject: Notes on the 03/13/2020, 11:00, call with the Director for Election Security Policy, National Security Council

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

[redacted](b)(5)[redacted]

AMERICAN OVERSIGHT

(b)(5)

(b)(5)

(b)(5)

(b)(5)

(b)(5)

-----Original Message-----
From: Mendonca, Pat - Washington, DC
Sent: Friday, March 13, 2020 11:47 AM
To: 'Gajewski, Kimberly N. EOP/NSC' (b)(6); Stroman, Ronald A - Washington, DC ; Williams Jr, David E (COO) - Washington, DC (b)(6); Marshall, Thomas J - Washington, DC (b)(6) v>; Calamoneri, Kevin A - Washington, DC
Cc: Cavanaugh, Brian J. EOP/NSC ; Marshall, Thomas J - Washington, DC (b)(6)
Subject: RE: USPS COVID planning

Kim:

The following is the contact information for the USPS attendees (b)(6)

- Ron Stroman, Deputy Postmaster General, (b)(6)

- Dave Williams, Chief Operating Officer, (b)(6)

- Kevin Calamoneri, Deputy General Counsel, (b)(6)

- Also I copied our General Counsel on this email who was not able to attend.

Please let us know if you have any follow-up questions.

Thank you very much.

Patrick Mendonca
Senior Director
(b)(6)

From: Gajewski, Kimberly N. EOP/NSC [mailto: (b)(6)]
Sent: Thursday, March 12, 2020 6:19 PM

AMERICAN OVERSIGHT

To: Mendonca, Pat - Washington, DC [redacted]
Cc: Cavanaugh, Brian J. EOP/NSC [redacted] (b)(6) [redacted]; Jonas, Seth H. EOP/NSC [redacted] Morse, Katherine M. EOP/NSC [redacted]; O'Beirne, Fiona G. EOP/NSC [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] USPS COVID planning

Good evening Pat,

[redacted] (b)(5) [redacted]

Respectfully,
Kim

Kimberly Gajewski
Director for Election Security Policy
National Security Council
[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Friday, March 13, 2020 7:17 AM
To: Elston, Michael J - Washington, DC
Subject: Top GOP post on Oversight draws stiff competition | TheHill

https://thehill.com/homenews/house/487367-top-gop-post-on-oversight-draws-stiff-competition?utm_source=&utm_medium=email&utm_campaign=28173

Top GOP post on Oversight draws stiff competition

Multiple Republican lawmakers are throwing their hats in ring for the top GOP spot on the House Oversight Committee, a powerful position that will soon be vacant with the departure of Rep. Mark Meadows</people/mark-meadows> (R-N.C.).

Top contenders to succeed Meadows, who will be President Trump</people/donald-trump>'s new White House chief of staff, include Reps. James Comer</people/james-jamie-comer> (Ky.) and Jody Hice</people/jody-hice> (Ga.), as well as freshmen Reps. Kelly Armstrong (N.D.) and Mark Green</people/mark-green> (Tenn.).

Rep. Chip Roy</people/charles-chip-roy> (Texas), a firebrand conservative freshman, is also eyeing the role.

But two sources say House GOP leaders are also considering a different route: picking a placeholder who could finish out the year before making a decision on who will hold the spot for the long term.

While Armstrong and Green appear to be widely liked by GOP leadership, there is some reluctance to pick a freshman for such a high-profile role. Picking a ranking member for the short term, however, would give a freshman lawmaker close to a full year under their belt before vying for the post.

Members like Reps. Gary Palmer</people/palmer> (R-Ala.) and retiring Rep. Mark Walker</people/bradley-mark-walker> (R-N.C.), both of whom are on the GOP leadership team, have been floated as possible picks, but it is unclear whether there is a front-runner for the role.

"The theory would be they either open it up for [Comer, Hice, Armstrong and Green] and let them compete for it now, or put a placeholder in or just let somebody take it now," said one senior source familiar with the discussions, noting that Palmer could take the helm of the panel.

Whoever lands the role will be taking over a position that Meadows was only recently voted into by the GOP Steering Committee. That move came after Rep. Jim Jordan</people/jim-jordan> (R-Ohio) was shifted over<https://thehill.com/homenews/house/481933-jim-jordan-selected-to-replace-doug-collins-on-judiciary-committee> to the Judiciary Committee to serve as ranking member.

Plans for Meadows to lead Republicans on the Oversight Committee, a role he had long eyed, were thrown into a tailspin earlier this month when Trump announced<https://thehill.com/homenews/administration/486412-trump-names-mark-meadows-as-new-chief-of-staff> that his House ally would replace Mick Mulvaney</people/mick-mulvaney> and serve as his new chief of staff, just days before the North Carolina Republican was set to start as ranking member on the panel.

That prompted an ambitious group of Oversight members to let it be known that they're eager for the top role.

AMERICAN OVERSIGHT

Comer told The Hill that he has been “encouraged” to look at the ranking member position and that he is “gauging the level of support” he would have with the Steering Committee, which consists of top Republican lawmakers and is tasked with determining committee assignments.

“I am very interested in it. I'm just going around meeting individually with people on the Steering Committee and leadership to gauge support and we'll make a decision very soon but right now things look good,” Comer said, adding that he is “testing the waters.”

Armstrong, who previously worked as a lawyer and was described by other GOP lawmakers as a bright, up-and-coming member, also said he would be interested if leaders hold an election.

“If we are going to have an election for the position, I will be considering it going forward,” Armstrong told The Hill.

Green, a veteran of the Iraq and Afghanistan wars who is also viewed by leadership as a rising star, told The Hill he is “running” for the post.

In conversations with multiple GOP lawmakers familiar with the discussions, members offered competing views on who could land the role.

“If I were to bet, I'd put money on Comer because he's been a loyal, quiet guy. He got passed over for other stuff, it's his time to take a shot,” one GOP lawmaker said. “And as a freshman, that's too big a job. You're not gonna give it to them. You'd have revolt," the member added with a laugh.

But Rep. Patrick McHenry</people/patrick-mchenry> (R-N.C.), a member of the Steering Committee, said freshmen shouldn’t be ruled out.

“Lots of interest for the slot, great competition. And the good news about Republicans is that it's not pure seniority,” he said. “I think we're seeing that we've got a lot of talented members that are interested.”

The two top Republicans on the Steering Committee -- Minority Leader Kevin McCarthy</people/kevin-mccarthy> (Calif.) and Minority Whip Steve Scalise</people/steve-scalise> (La.) -- yield the most power on the panel, with McCarthy receiving four votes and Scalise receiving two. The rest of the 29 members are allotted one vote each.

Multiple sources said that Hice, despite being the most senior member running for the position, could face significant hurdles after voting against McCarthy for Speaker at the start of the 116th Congress, as well as bucking leadership on key issues in the past.

“That doesn't play well when it comes time for these appointments,” one Republican member said.

Hice, who is a member of the House Freedom Caucus, said he doesn’t believe past tensions will be a factor, noting conservatives and leadership have managed to come together in the minority as they work together to defend the president from Democratic attacks.

“That was then, this is now -- [it has] long been water under the bridge. And being in the minority has a way of pulling us all together, we’re rowing together on the same team for the same purpose,” he said.

The Georgia Republican highlighted his experience working with Meadows and Jordan — both founding members of the Freedom Caucus and close allies of the president — on the Oversight Committee, adding that he believes he can bring the same level of vitality to the role.

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USPS-20-1215-A-000461

“That's a committee that Democrats have used to attack the president and impeachment and all this sort of stuff, and we've had incredible leadership with Jim and Mark,” Hice said. “I just think we need to keep that spirit.”

Roy, another Freedom Caucus member who previously worked as chief of staff for Sen. Ted Cruz</people/ted-cruz> (R-Texas), has also had his own run-ins with leadership, most notably when he infuriated colleagues by single-handedly blocking a voice vote on a $19 billion disaster aid package last year.

But sources close to Roy highlighted he is interested in the role, noting he is the only freshman to serve as the top Republican on one of the panel’s subcommittees.

The Texas Republican, while expressing interest in the role, has acknowledged he likely faces an uphill climb.

“I've let people know that I'd be happy to do it, but I don't really think I see leadership rushing to get a spirited freshman to be in that role,” he said.

Roy, who said he thinks McCarthy is looking to move in a different direction, added that he will touch base with relevant members during next week’s House recess to gauge their level of support.

Both Meadows and Jordan have shown that despite an initial frosty relationship with McCarthy, a thawing is possible. The two lawmakers, who have established themselves as Trump’s attack dogs on Capitol Hill, managed to secure coveted committee posts under McCarthy’s leadership. Many have credited Trump as the uniting factor among previously opposing factions within the GOP.

And one thing GOP leaders are looking for in Meadows’s successor is someone who won’t back down from a confrontation with Democrats.

“It's important that we have somebody fill that role that's going to be aggressive in carrying out the proper job of oversight,” said Scalise. “And we've been in touch -- we've heard from a lot of members that are interested and that's a good thing.”

Thank you.

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <(b)(6)
Sent: Tuesday, March 10, 2020 8:33 PM
To: Marshall, Thomas J - Washington, DC
Subject: Fwd: Washington Examiner Opinion: Close the Postal Security Loophole

Tom,

(b)(5)

Thanks,

Megan

Begin forwarded message:

From: "Walker, Janice D - Washington, DC" <(b)(6)
Date: March 10, 2020 at 7:41:05 PM EDT
To: "Brennan, Megan J - Washington, DC" <>>,
"Stroman, Ronald A - Washington, DC" (b)(6) >>, "Marshall,
Thomas J - Washington, DC" <>, "Barksdale, Gary R"
>
Cc: "Adams, Jeffery A - Washington, DC" <
"Partenheimer, David A - Washington, DC"
<, "Weidner, Keith E - Washington, DC"
(b)(6) >>, "Sallay, Rod (HQ) - Washington, DC"
, "Mendonca, Pat - Washington, DC"
, "Latham, Sandra R - Washington, DC"
Subject: Washington Examiner Opinion: Close the Postal Security Loophole

(b)(5)

https://www.washingtonexaminer.com/opinion/op-eds/close-the-postal-security-loophole

Close the postal security loophole
by Juliette Kayyem<https://www.washingtonexaminer.com/author/juliette-kayyem>
| March 10, 2020 12:20 AM

On the surface, counterfeit goods pose a minor nuisance — a cheap bag made of fake leather that falls apart, or a phone charger that only works for a week. But these products, often sold at bargain-basement prices, create a tangible risk for countless Americans every day. While e-commerce has changed the way we shop, it has opened the floodgates for deceptive goods that threaten consumer health and safety — not to mention serious economic damage for American businesses.

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The White House recently issued an executive order promising to crack down on international counterfeiting and intellectual property theft. For this commitment to be effective, it is crucial that law enforcement have access to the tools needed to stop these illegal shipments from ever reaching our country in the first place.

Unfortunately, a law designed to stop dangerous material sent through the mail, including counterfeit goods, remains unenforced over one year since President Trump signed it into law.

Congress passed the Synthetics and Trafficking Overdose Prevention or STOP Act with overwhelming bipartisan support, and Trump signed it into law in October 2018. If properly enforced, the law would close a security gap frequently abused by counterfeit goods traffickers. It requires packages sent internationally to the U.S. through the postal system to include advance electronic data, used to screen international packages for illegal opioids, potential terrorist risks, and other dangerous material, as has already been required for packages sent through private carriers for nearly two decades.

At a recent White House press briefing, senior counselor Kellyanne Conway spoke of how this discrepancy creates a security loophole, saying, "our third-party carriers have been [providing security data] for a long time — your UPS, your FedEx, for example. And so, now, our own U.S. Postal Service needs to get on board with that." And a recent report from the United States Senate Finance Committee specifically highlighted the importance of enforcing the STOP Act to address counterfeits, noting that the data it requires is "useful to target and prevent counterfeit goods."

Yet although the STOP Act set strict timelines for implementing new standards, more than a year since its passage federal agencies continue to miss its key deadlines. While the U.S. Postal Service and Customs and Border Protection were required to have advance data on all packages from China and on 70% of international packages overall by December 2018, they have repeatedly fallen short. Meanwhile, critical reports to Congress on compliance and progress are not public. In the White House briefing, Conway cited numbers ranging from 35% to 38% compliance — nowhere near what is required nor what is needed to keep the country secure.

That is more serious than a bureaucratic delay. Because of low manufacturing standards or sub-par materials, knock-off products ranging from toys to pharmaceuticals are "putting the health and safety of consumers at direct and significant risk," according to the Senate Finance Committee. And a report from the U.S. Commission on the Theft of American Intellectual Property estimated counterfeit and pirated goods cost the U.S. economy between $29 and $41 billion per year, with over 60% of these products traveling through the postal service. Those revenues should be going to American businesses and supporting American jobs and innovations, not lining the pockets of criminals.

Consider the New Jersey mother whose garment designs were copied by Chinese counterfeiters who had the gall to use her own daughter's photos in their advertisements. Or the Virginia inventors who appeared on Shark Tank but were bombarded by negative reviews from consumers who unwittingly bought foreign knock-offs of their car-cleaning innovation. Or the music teacher who patented a device that helps students hold their violin bow properly but then saw foreign counterfeiters steal the idea to profit themselves.

With countless stories like these, it's unacceptable that fully enforcing the STOP Act is anything but a top priority.

Unless the law is followed, the postal loophole will remain a glaring vulnerability exploited by counterfeiters, drug traffickers fueling the opioid crisis, and other bad actors. The administration's new executive order is a promising step, but it must be accompanied by accountability from our federal agencies, and from responsible oversight from Congress to ensure laws like the STOP Act are not only signed into law but properly implemented so they can be effective.

Juliette Kayyem, the Belfer Lecturer in International Security at Harvard Kennedy School, served as assistant secretary for intergovernmental affairs at the Department of Homeland Security. She is a senior adviser to Americans for Securing All Packages, a coalition focused on closing the postal security loophole.

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]
Sent: Tuesday, March 10, 2020 2:58 PM
To: M. -Mike- Duncan Robert
Subject: Re: [EXTERNAL] Today

Good afternoon Chairman Duncan,

[redacted](b)(5)[redacted] I enjoyed the discussion. They posed thoughtful questions.

I shared with the group that I read their biographies. What an impressive, accomplished group of people. It gives me hope for the future. I also thanked them for their service to our communities and country.

Safe travels.

Megan

> On Mar 10, 2020, at 1:50 PM, M. -Mike- Duncan Robert <[redacted](b)(6)[redacted] wrote:
>
> Megan,
>
> [redacted](b)(5)[redacted] I understand the Fellows greatly enjoyed your presentation.
>
> [redacted](b)(5)[redacted].
> I look forward to talking with you Thursday.
>
> Mike
>
>
>
> Sent from my iPhone

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted]> on behalf of Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Tuesday, March 10, 2020 11:47 AM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] A fax, a check, and a three week wait

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted](b)(6)[redacted]

From: (b)(6) [mailto:[redacted](b)(6)[redacted]]
Sent: Tuesday, March 10, 2020 11:44 AM
To: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Subject: [EXTERNAL] A fax, a check, and a three week wait

Dear Postmaster Brennan,

My name is (b)(6) and I run a mail-based company here in DC called L(b)(6). We specialize in storytelling by mail, and greatly appreciate the hard work of the many USPS employees we come into contact with on a weekly basis (and were proud to be featured in USPS link<https://link.usps.com/2019/07/12/sparking-joy/> a few months ago).

That being said, USPS needs a better system for ordering large quantities of stamps. We spend between four and five figures on postage per week. We use, mostly, USPS's 25-cent First-class Presort stamps. The only Post Office I've found that carries it is the Postal store at the National Postal Museum (the customer service there is excellent by the way), and when they run out, it can take them days to get a new shipment. They're not available online, and when I called 1-800-stamp-24, I was told that the only way to order them was to mail or fax in an order form and a check, then wait 2-3 weeks for processing.

No other billion-dollar business that I've encountered has lead times like that, nor ordering processes as antiquated and cumbersome. Amazon could get me a live horse in 48 hours. I understand that this is well below your pay-grade, but please sell these stamps online or by phone, with reasonable fulfllment times (less than 2 weeks). I've bought similarly priced and sized products from USPS.com<http://usps.com/>, so I know it's doable.

P.S. If you're ever up near (b)(6), I'd love to show you our letters, and our little mailing operation. I'm looking forward to hosting another group from USPS later this month.

All the best,

(b)(6)
[redacted](b)(6)[redacted]

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Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted]>
Sent: Tuesday, March 10, 2020 7:40 AM
To: Mendonca, Pat - Washington, DC
Subject: Fwd: [EXTERNAL] America held hostage by coronavirus

Pat,

Are you receiving this newsletter?

Thanks,

Megan

Begin forwarded message:

From: POLITICO Nightly <[redacted]>
Date: March 9, 2020 at 9:43:56 PM EDT
To: "[redacted]" <[redacted]>
Subject: [EXTERNAL] America held hostage by coronavirus
Reply-To: "POLITICO, LLC" <reply-fe8c1c75746c007a77-2670445_HTML-726802857-1376319-0@politicoemail.com>

Your intelligence briefing on how coronavirus is impacting politics, public policy, markets and global health.

Mar 09, 2020 View in browser<http://go.politicoemail.com/?qs=d08b40b10af316663010fb96c1a24387cdae6a83ad8d80978d3e2e5120a1622cfdbce011075a5923647b8cdfe38e93cd>

[POLITICO Nightly: Coronavirus Special Edition]

By Renuka Rayasam<mailto:rrayasam@politico.com> and Sudeep Reddy<mailto:sreddy@politico.com>

Welcome to POLITICO Nightly: Coronavirus Special Edition. We'll provide a nightly intelligence brief from POLITICO's global newsroom on the impact of the coronavirus on our politics and policy, the economy and global health. If you prefer to not receive this newsletter, send us a note at reply@politico.com<mailto:reply@politico.com>.

MARKETS COLLAPSED AROUND THE WORLD and that wasn't even the only big story Monday.

Italy effectively pushed a nation of 60 million people into a lockdown, borrowing a page from China's draconian playbook to contain the coronavirus outbreak. The White House and Congress each launched talks to rescue the U.S. economy <http://go.politicoemail.com/?qs=d08b40b10af31666358d674a658d585fcbd93fef8b65cb6ad3c663c122a36f3ed58515b5fb7c969ebe78e26c90e3427e> , a rush to action not seen since the 2008 financial crisis and 9/11 terrorist attacks. And debate raged among U.S. health officials about which parts of the American economy need to be shuttered on the fly to calm the spread of the virus and stem the panic gripping huge swaths of the nation.

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After a dizzying Monday, here are five things to watch tomorrow:

— Shutdowns ahead . Government officials will soon need to decide which industries — or entire communities — go into lockdown. Trump administration officials are debating whether to discourage Americans from boarding cruise ships, POLITICO's Dan Diamond reported exclusively<http://go.politicoemail.com/?qs=d08b40b10af316667fdfaf3b9b09cbd19e9b4ca5c4ca29d6b56c46a7e0ccfcb52eb7a550c9a050a434d0279991b8e5d8>, despite the damage it would wreak on Florida in an election year.

— Economic relief ahead — for industries and workers. President Donald Trump announced Monday that he will discuss with lawmakers Tuesday a wide-ranging aid package <http://go.politicoemail.com/?qs=d08b40b10af31666358d674a658d585fcbd93fef8b65cb6ad3c663c122a36f3ed58515b5fb7c969ebe78e26c90e3427e> , including a payroll tax cut and targeted measures for hourly workers and industries. But some lawmakers are not even sure whether they want to show up to work. POLITICO's Heather Caygle and Kyle Cheney captured the anxiety<http://go.politicoemail.com/?qs=d08b40b10af316666a372b88ed6938ac129d84b842740be5ff731e70f9738ac5d44b24d2d21a36afc1ae195cf97b1c4a> in a testy Hill meeting with chiefs of staff.

— Don't touch POTUS. The American president interacted with lawmakers and allies who are now self-quarantining<http://go.politicoemail.com/?qs=d08b40b10af316668b0bbc7ac566dd12928d830b92d49c2ffdafa9d6bdbcd7228b85e414b94a3fd0ca7ddb8e14ab95b8> due to coronavirus concerns. Now he must decide whether to scale back the presidential schedule and change his own way of life. The big question Monday night was whether Trump is getting tested himself. He didn't answer, and his vice president said he didn't know.

— Market mayhem needs a floor. Monday's 8 percent decline in stocks sliced more than 2,000 points off the Dow Jones Industrial Average — after a plunge right out of the gates triggered circuit breakers for a 7 percent drop and halted trading. After markets closed, the Federal Reserve announced cash injections into the financial system and regulators urged banks to work with people hit by the virus fallout. Central bankers can stimulate all they want but they can't stop a virus.

[A man wears a face mask outside the New York Stock Exchange | AP Photo]

A man wears a face mask outside the New York Stock Exchange | AP Photo

— The Saudi-Russian war on U.S. oil is working — and Trump needs them to back down. Oil traders witnessed the plunge of a lifetime — a 25 percent tumble, the largest in three decades, to around $30 a barrel - thanks to a deadlock between Saudi Arabia and Russia over who should cut oil production. (Their apparent decision: Make the U.S. shale producers do it, a move that could devastate swaths of America's oil industry at a time when the U.S. economy is already expected to struggle.) Trump has courted leaders of both countries but they now seem determined to stick it to the U.S.

The world is drowning itself in hand sanitizer and suffocating itself with fear. Take our tour through the other key stories below.

And listen to our latest coronavirus episodes of POLITICO Dispatch<http://go.politicoemail.com/?qs=d08b40b10af3166675df7930f12ca3c491f5a6fecbd80cd3eca85df3091e806f3b6ea4d83004e79f2b26a052878bbab5>, a new podcast on the biggest stories of the day.

Talking to the Experts

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USPS-20-1215-A-000469

As we've entered a new stage of this epidemic, the most important thing to watch from an American health policy perspective is testing, says Joanne Kenen, POLITICO's executive editor for health care. More of what she tells us:

Cases have been identified in more than three dozen states; rising numbers are community spread. Testing has been a pain point: Supplies and procedures have been a moving target on Monday, HHS Secretary Alex Azar couldn't say how many Americans have been tested<http://go.politicoemail.com/?qs=d08b40b10af31666de6e5cecece160540eea823dbb2cd72a14a9686c87cfd5acbf3b6faf494ba043fe126024a0d3f737> for coronavirus because private labs don't need to report their numbers to the federal government.

We are tracking how states begin to shape their response<http://go.politicoemail.com/?qs=d08b40b10af316662d949a8403c0eabc79450cf8e408937983cfe33fa5238a2d6f483c0b3aa37bdbcaa6e80d983bf5bf>, after the faltering and contradictory federal efforts. And whether hospitals, which have had several weeks to prepare, be up to the task? You can find me at JKenen@politico.com<mailto:JKenen@politico.com> or @joannekenen<http://go.politicoemail.com/?qs=d08b40b10af31666afc66cc2279ba9195b6c38ff44954781e7b43c03c9787faf1bade9c82d75e7299c8764f5107aae39>.

Palace Intrigue

The blame game starts: White House officials and staffers are pointing fingers at each other for bungling the response to the fast-moving crisis at the same time they are figuring out what that response should be, reports POLITICO's Nancy Cook<http://go.politicoemail.com/?qs=d08b40b10af3166693d31b0722f83f6a46d947c28d87755ca0365c03f74db91807678147291ca5f49f2a708ed7b1907b>.

Everyone does agree on one thing — the crisis is someone else's fault. Officials are pointing fingers at national security staff, the vice president's office and the CDC. The back-biting and scramble to head off a precipitous economic slide is a continuation of the administration's early attempts to contain the virus.

Azar is urging the administration to shut down the cruise industry<http://go.politicoemail.com/?qs=d08b40b10af316667fdfaf3b9b09cbd19e9b4ca5c4ca29d6b56c46a7e0ccfcb52eb7a550c9a050a434d0279991b8e5d8>, but the White House is worried that such a move would threaten the Florida economy heading into the 2020 election. Right now the Defense Department is providing four facilities to quarantine about 3,000 Grand Princess cruise ship passengers after a case was found on board. Azar will provide an update on the administration's response Tuesday afternoon<http://go.politicoemail.com/?qs=d08b40b10af3166681c241cba8afa147874c547b473aa1032a170dd5836dcd276daa5ea90773363a6497327a36a7253a> at a forum about biosimilars.

Turning to Congress

FIRST IN POLITICO: Democratic senators want answers: Massachusetts Sens. Elizabeth Warren and Ed Markey are asking Vice President Mike Pence to explain Trump's comments at a CDC press conference, in a letter<http://go.politicoemail.com/?qs=d08b40b10af31666e7c9be158b2b94950d0b18416201867d132b860dfee61f13c4791b93f361d60288351506fa9a61c1> shared first with POLITICO's Dan Diamond. Trump's Friday wide-ranging comments on everything from Fox News ratings to misinformation about testing availability alarmed the Senators, who said that they have deeper questions about Trump's management of the viral outbreak.

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"This series of false, politicized, and nonsensical statements by the President are deeply troubling," the Massachusetts Democrats wrote in their letter to Pence. "Friday's press conference was a disservice to the nation and the non-partisan scientists and public health experts at the CDC and across the federal government."

Who to protect first? Congress is dealing with an irreconcilable challenge — figuring out how to protect lawmakers from the virus while plotting a response to deal with fallout from the outbreak. While a growing number of lawmakers self-quarantine, House Speaker Nancy Pelosi met committee chairs this evening<http://go.politicoemail.com/?qs=d08b40b10af316666a372b88ed6938ac129d84b842740be5ff731e70f9738ac5d44b24d2d21a36afc1ae195cf97b1c4a> to hammer out a Democratic led response to the outbreak. Paid sick leave is at the top of their wish list. They also want to expand unemployment insurance, bolster food programs and ensure free testing.

At the same time top House aides fumed after a meeting with Congress' top doctor that left them with few concrete answers on how to protect their aging bosses from contracting the virus. They wanted guidance on when to call off large meetings or shut down buildings completely, but got little certainty .

Senators offered a frank assessment of their risk: One of them is going to contract the illness<http://go.politicoemail.com/?qs=d08b40b10af31666d45f71584bcbabcbe20d1ae9d998c547057dc84a3e521b0aa41c70c04354caf3aa8a9c6ca8e92355>. Senate lawmakers said they have no plans to change how they go about their business which involves attending a lot of public events and shaking hands. But about two-thirds of them are over the age at 60, the group most vulnerable to the impact of the coronavirus.

Forced compromise: The outbreak is revealing how philosophical differences between the two parties translate into practical policy. Much of the Republican response has focused on tax breaks and relief for business owners. Democrats want to bolster safety net programs.

Monday marked the first day newly confirmed cases outside of China (3,949) surpassed the Chinese high-water mark of 3,389. Patterson Clark's graphic<http://go.politicoemail.com/?qs=d08b40b10af316664ee3575e4d6745d47d190dcbfd527a9affb40539643a2814dcac798f48ce9b9ba499d0bb6490cfde> has more on the international case tallies.

[Patterson Clark, POLITICO Pro DataPoint]

The Global Fight

Leaders across Europe hoped coronavirus would be a mere blip, with low economic impact. Instead, Monday showed issues across the continent may just be starting.

Some, like European Commission President Ursula von der Leyen, are operating business as usual<http://go.politicoemail.com/?qs=d08b40b10af316669eccbca5c42552dcc27ca3fa7467229787d1669121c2b6406d432240efc45537a5437d96f7a7333d> amid the virus' spread. But the real crisis in Europe isn't ending soon<http://go.politicoemail.com/?qs=d08b40b10af3166649b98b5e479166e81e52e011b11d25f911d7b0021127bfd1691663968d8d4787fce75d39158a5a26>, as already weakened eurozone economies sink further. In the strongest sign of trouble in Europe, Italy is taking the unprecedented step of locking down the entire country<http://go.politicoemail.com/?qs=d08b40b10af316666878bf9828f52b970eb067680c8079ae831669434c4abd7e88ec99f735016feab7feee099fc57ddf> for the next month.

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Even as some Italian officials warned that their health system was on the verge of collapse and citizens debated Rome's legal authority to effectively seal off an entire country, von der Leyen expressed satisfaction with the EU's emergency response after what she acknowledged was a rough start.

Parting Words

Melania Trump cancels California fundraiser<http://go.politicoemail.com/?qs=d08b40b10af316667fdfaf3b9b09cbd19e9b4ca5c4ca29d6b56c46a7e0ccfcb52eb7a550c9a050a434d0279991b8e5d8>

"My phone's been blowing up": CPAC attendees rip the group's virus messaging<http://go.politicoemail.com/?qs=d08b40b10af3166657fb5cdfb0d263e91b4f9bad2a78cecc980082720e7b53da639be8c8483282bd5ba7b1f0cd6307cd>

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Renuka Rayasam @renurayasam<http://go.politicoemail.com/?qs=d08b40b10af3166625618b4986aba459681ebc7a52d57a33ade956f4c97611438b6a7e0ca662864a415478f8354249b0>

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To change your alert settings, please go to https://secure.politico.com/newsletter-settings<http://go.politicoemail.com/?qs=d08b40b10af316660fa834d7d682a8cebcd715fd55993268e2e0002c5d990708fc457742b9b021d0e3b2c17d9efa3398>

[https://static.politico.com/hosted/icon-politico-logo.png]

This email was sent to megan.j.brennan@usps.com by: POLITICO, LLC 1000 Wilson Blvd. Arlington, VA, 22209, USA

Please click here<http://go.politicoemail.com/?qs=d08b40b10af316664e8480898fad0d4ff334ac678d93b327a4e837c0deff3b28b118c3a919939d5d4c8f85872da9f0037558667e5b3cac13> and follow the steps to unsubscribe.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Monday, March 9, 2020 12:51 PM
To: Tulino, Douglas A - Washington, DC
Cc: Cronkhite, Isaac S - Washington, DC
Subject: Fwd: [EXTERNAL] Re: Tran Memo on Coronavirus Response/Preparedness.

Doug,

[redacted](b)(5)[redacted]

Thanks,

Megan

Begin forwarded message:

From: (b)(6) <[redacted](b)(6)[redacted]>
Date: March 9, 2020 at 12:47:06 PM EDT
To: "[redacted]" Ted Lee <[redacted](b)(6)[redacted]>, Patrick Rothwell <[redacted](b)(6)[redacted], Union <[redacted]>, "Taylor, Susan - Pittsburgh, PA" <[redacted], "Price, Lori A - Pittsburgh, PA" <[redacted], "Trainer Jr, David C" <[redacted], "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]>
Cc: (b)(6) [redacted]>, "[redacted]"
Subject: [EXTERNAL] Re: T(b) Memo on Coronavirus Response/Preparedness.
Reply-To: "[redacted](b)(6)[redacted]"

Just so you are prepared (b) you are not allowed to voice your opinion or speak up, just so you kbow you will be receiving a 1838c and will be waljed with in the near near near future

Sent from Yahoo Mail on Android<https://go.onelink.me/107872968?pid=InProduct&c=Global_Internal_YGrowth_AndroidEmailSig__AndroidUsers&af_wl=ym&af_sub1=Internal&af_sub2=Global_YGrowth&af_sub3=EmailSignature>

On Mon, Mar 9, 2020 at 12:29 AM,(b)(6) wrote:
Subject: (b) Memo on Coronavirus Response/Preparedness.
To: Susan Taylor, Lori Price, David Trainer, Meghan Brennan, NALC84, Ted Lee, Pat Rothwell
(b)(6) [redacted](b)(6)[redacted]

A) About the Author:

Trained at a premier university, prior to joining the USPS in November 2016, through my employment with federal contractor Booz Allen Hamilton in Washington D.C, I worked as a senior technical consultant (for 7+ years) for many federal agencies including FEMA and the FBI Headquarters. There was an attempt in 2018 (by the managerial staff-members at the Castle Shannon office) to smear/besmirch my reputation but I prevailed in the end. Nevertheless, my long tenure working for federal agencies provide credence to my statements here. In my less than 3.5 years with the USPS in Pittsburgh, I was either affiliated and/or worked at 8 different Postal offices: (b)(6) . As the result, I've gained many contacts and unique insights of the activities/concerns at quite a large selection of Pittsburgh postal offices -- this memo is the consequence of what I've learned through these contacts.

AMERICAN OVERSIGHT

B) Problem Statements/Scenarios:

As an Asian American, I'm acutely aware of the coronavirus risks. The good news: Many people who are infected will eventually recover from it. The bad news: Many 80+ years old people died because of it. Indeed, 60+ years old with weak immune system or people with underlying medical conditions are at seriously risks. I myself delivered mails to 5-7 hi-rise apartments complexes in the (b)(6) and encountered many elderly/retirees people in the lobby of these apartments. On several occasions (at these locations), while putting mails into cluster-mailboxes, I sneezed and coughed and attracted stares from the elderly customers. Some even asked loudly: "Where's your mask? Where's your hand-sanitizer?" In addition, my own mother is 80+ years old.

Mail-carriers' exposure to the coronavirus: I myself shop weekly in Asian supermarkets and attend religious buildings frequented by Asian community (Catholic, Buddhism ...) which are congregated by many people with travel histories to cororavirus hard-hit regions of China/South-Korea. Our (b)(6) office delivers to (b)(6) University with a students body with worldwide travel history. Furthermore, many CCAs and fulltime-carriers at the bottom-rung of the payscale (first year, second year fulltime) supplement their postal incomes with Uber/Lyft gigs which bring additional risks of exposure with infected Uber/Lyft riders from the airport ...

Bottom-line: Even though mail-carriers maybe OK from the virus -- our customers and loved ones at home maybe put at risk through our interactions with them. If several elderly/retirees apartment complexes experienced an explosion number of coronavirus infections and the mail-carrier is the common link between them -- I'm pretty sure that's an outcome we all want to avoid. because the media will be all over it.

C) USPS follows CDC guidance on Coronavirus:

According to the "USPS publication" (link: https://link.usps.com/2020/02/11/coronavirus-update), the USPS follows CDC guidance, which outlined two broad recommendations:

1) Recommendation 1: Advice on sanitary/hygienic practices: frequent hand-washing, avoid touching eyes/mouths ...

2) Recommendation 2: Stay home when you are sick.

Please note that CDC says simply "stay home when you're sick" because:

(a) As of 3/8/2020, the test kits for testing cornavirus was slow to be made available widely

(b) Many symptoms for coronavirus overlap with many other respiratory illness such as: strep-throat, annual influenza, seasonal allergy and even common cold

(c) People with coronavirus infection may be asymptomatic (i.e: has no outward symptoms), but are still capable of spreading the virus.

(d) The advice of "stay home when you are sick" -- according to medical experts, are meant to reducing further infection of any respiratory illness at the workplace.

D) Our failures in implementing CDC Recommendation #1:

i) Lack of hand-sanitizer and mask at our case-station (at the post office) and travel-size hand-sanitizer in our postal vehicles. Mail-carriers want to avoid sneezing/coughing at the letters/magazines/catalogs.

ii) CDC advises "wash hand regularly" -- we lack alcohol based washing mechanism while on the street (in our postal vehicles).

iii) The use of "personal bottles" (abbreviated as "p-bottles") by certain segment of mail-carriers, especially among the CCAs (on their regular mail duties as well as Amazon runs on Sunday/holidays). In addition to the cringe-induced reactions, this practice is certain to qualify as "unsanitary and unhygienic," and totally against the CDC-recommendation.

Suggested solution to fighting (iii) the usage of "p-bottles": educating the mail-carriers about taking time for comfort-stops (and travel time to find the nearest accommodation), educating the mail-carriers on morning vehicle-inspection to include inspecting the postal vehicle's interior (with a smell-test). Most importantly, supervisors must be

AMERICAN OVERSIGHT

educated on not pushing the CCAs to the point of avoiding comfort-stops and forced them to employ other unsanitary/unhygienic activities. This should continue even after the coronavirus problem is solved.

E) Our failures in implementing CDC Recommendation #2 "stay home when you're sick":

i) Supervisors charging LWOP "Leave Without Pay" on mail-carriers calling in sick: This happened to me. I called in sick for 4 days, I have a doctor's note and was not on any Restricted Leave list. I was charged LWOP for my first-day of sickness, automatically, without the supervisor asking whether I would like to use Sick Leave or Annual Leave (which I do have available balance) for it. Two stewards at Grant St that automatic-charging of LWOP on sick-calls automatically has long been a policy at the (b)(6) station. I commend manager (b)(6) for looking into reviewing it when I brought up the issue to him. However, Union (b)(6) confirmed that charging LWOP on sick-calls are going on everywhere in Pittsburgh. It takes up to 2 months for the grievance process for the mail-carrier to be "made-whole" (i.e: changing LWOP to either sick-leave or annual-leave). Meanwhile, the LWOP has the effects of discouraging employees to "stay home when you're sick" per CDC guidance. Manager said that the LWOP was intended for fighting sick-leave abuses but there are other tools to fight that (as described below). Also, 1-2 sick-leave abusers can't be the reason for charging LWOP automatically on anyone calling sick.

ii) Wrangling over "doctor's note" wordings on "incapacity to work": Upon returning from sickness, I submitted a doctor's note stating "The doctor has examined the patient. The patient is fully able to return to work with no restrictions on date AA/BB/CC. We urge employers to consider this an excused absence" -- I have experienced inconsistencies of acceptance of such doctor's note among supervisors/managers at various postal offices -- even though I submitted same standard-form doctor's note from the same medical provider (an Urgent Care facility). One supervisor claimed "oh, it didn't say incapacitated" Yet, at least 3 different supervisors/managers at different office accepted the form just fine. The standard-form issued by the Urgent Care facility are accepted by employers all over the city yet are rejected by a few supervisors because it didn't say "incapacitated" and require 2-months of wrangling via the grievance process for the doctor's note to be accepted finally. The end-result is the same: discouraging employees from taking sick-leave while the CDC guidance says "stay home when you're sick."

Analysis 1: Financial effects of LWOP on mail-carriers: Many mail-carriers live paycheck-to-paycheck with many financial obligations: House mortgage/rentals, car payments, student loans payments, child-support payments. Many USPS mail-carriers are also active members of the military reserve forces with some require governmental clearances (which are at risk of losing clearances due to missed loan payments). Psychological effects include: Our abilities to heal from illness are reduced by financial concerns and the uncertainties of 2-months grievance-handling process.

Analysis 2: USPS already have other tools to fight fraudulent sick-leave abuse: Utilizing the Postal Inspector, the USPS can document fraudulent sick-leave abuse if someone call sick but go out fishing. The USPS currently employs teams of "watchers" who monitor social networks (Facebook, Instagram, Twitter) to find evidences of abuse.

Analysis 3: USPS already have "claw-back" mechanism for overpaying: If it is decided that a mail-carrier was paid sick-leave/annual-leave improperly, the USPS can always send a "Notice of Demand" to collect overpayments. The USPS should change the policy to allow sickleave/annual-leave as requested by the employee at the time of calling in sick and use claw-back mechanism later if needed.

Analysis 4: Comparison of LWOP and Uber/Lyft workers: Analyzing the media coverage, one major issue is the lack of sick-leave for gig-employees (Uber/Lyft) and employees of the low-wage restaurant industry (food servers, line-cooks, dish-washers ...). Mail-carriers have sick-leave, but unable to be paid immediately due to LWOP and must wait 2 months (for the grievance handling) to be paid -- then, mail-carriers are treated no better than the other workers with no sick-leave benefits at all.

Analysis 5: Conflicts between "Pay For Performance" evaluation of supervisors/managers vs. CDC guideline: Supervisors/managers are evaluated annually for Pay For Performance ratings/rankings. Utilization of Overtime Pay and utilization of Unscheduled Leave are major components of such evaluation. However, as described in this section. Such overemphasis on reducing Overtime Pay and Unscheduled Leave lead to policy implementations (such as charging LWOP

AMERICAN OVERSIGHT

for sick-calls and wrangling over doctor's note) that has an effect of discouraging employees to "stay home when you're sick."

Alternative solution: The OPM recently posts a link: https://www.opm.gov/policy-data-oversight/covid-19/questions-and-answers-on-human-resources-flexibilities-and-authorities-for-coronavirus-disease-2019-covid-19.pdf , in section D, regarding "Weather and Safety Leave", that is worth looking into as an alternative/additional method of leave during the outbreak of communicable diseases such as coronavirus.

In summary, for all of the foregoing reasons, we are woefully unprepared for the coronavirus. It behooves me that if this is the first time you hear about these concerns, then what's going on with the Safety & Health Committees at the USPS and at the NALC -- they are the ones who are charged with our Safety& Health. The coronavirus challenge is unprecedented in its speed. We need quick solutions such as: suspending these policies (charging LWOP, wrangling over doctor's note) that discourage employees from "stay home when you're sick"). The supervisors/managers should be relieved of being evaluated on usage of Overtime/Unscheduled Absence due to the coronavirus challenge. Also, the "p-bottles" unhygienic/unsanitary practices must end ASAP.

Sincerely yours,

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <(b)(6)> on behalf of Brennan, Megan J - Washington, DC <[redacted]>
Sent: Monday, March 9, 2020 12:19 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] How many reports of stolen mail are required before action is taken?

Rhonda J. Stavely
Executive Administrator to the Postmaster General
(b)(6)

From: (b)(6) [mailto:(b)(6)
Sent: Monday, March 9, 2020 11:32 AM
To: Brennan, Megan J - Washington, DC (b)(6) v>
Subject: [EXTERNAL] How many reports of stolen mail are required before action is taken?

Dear Postmaster General,

My name is (b)(6) I reside at (b)(6) For almost one year I have been reporting my mail missing through your informed delivery app. I've sent reports to the postal inspector. Any important mail is stolen. IE. social security, w-2 s , bank statements, insurance, checks payable to me etc. the culprit is my landlord, (b)(6) , a convicted thief and scam artist. He is an Israeli citizen of Russian extraction, and has absolutely zero respect for our laws.
He also steals Amazon packages and resells them on eBay, mailing the stolen merchandise through USPS I implore you to investigate this man and deal with him forthwith. Thank you in advance for your attention to this matter.
Respectfully yours,
(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Saturday, March 7, 2020 1:25 PM
To: Williams Jr, David E (COO) - Washington, DC; Cronkhite, Isaac S - Washington, DC
Subject: FW: [EXTERNAL] Long Driveway Policy

Thanks,

Megan

-------- Original message --------
From: (b)(6) [redacted](b)(6)[redacted]
Date: 3/7/20 10:14 AM (GMT-05:00)
To: "Brennan, Megan J - Washington, DC" <[redacted](b)(6)[redacted]
Subject: [EXTERNAL] Long Driveway Policy

Ms. Brennan,

I will get right to the point. I am a 20+ year rural carrier in South Jersey. Recently , In the interest of “safety” and to avoid any backing accidents , We have been ordered not to drive our vehicles down ANY long driveways , regardless of ample accommodations to turn around and retrace safely. There is unyieldingly NO EXCEPTIONS. We have been instructed to leave notices for customers to pick up their packages or accountable items at the post office. We are an EXTREMELY rural community with a majority of homes with driveways In excess of 200 feet and/or in secluded in wooded lots obscuring our view of the home from the street. Additionally , some homes are located 10-15 miles from their local post office!

This policy , fully implemented a few days ago has begun a huge public outcry of disgust and outright hatred for our already damaged reputation. Customers have begun calling Consumer affairs, their congressmen ,and complaining to Amazon that the few packages still entrusted to the USPS care and now not being delivered!

This new policy is completely undermining the purpose of our very existence: to “deliver “.

If my customers wanted to drive to pick up their packages they would have gone to Walmart . Some of my elderly and feeble customers order their heavier items to be delivered to their door so as to avoid having to carry the weight themselves. I’m sure UPS, FedEx, and Amazon will be more than willing to pick up our slack!

In a world where people want to get paid for doing nothing , my fellow rural carriers and I are begging You to let us give good customer service , because these are more than customers to us. In many cases , they are our friends and neighbors . This policy not only hurts our brand but also our personal reputations in the communities we serve.

Your prompt attention in this matter is greatly appreciated.

Sincerely,
(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Sent: Saturday, March 7, 2020 8:02 AM
To: Elston, Michael J - Washington, DC
Subject: The Washington Post: Trump picks Mark Meadows to be new White House chief of staff

(b)(5)

Trump picks Mark Meadows to be new White House chief of staff https://www.washingtonpost.com/politics/trump-picks-mark-meadows-as-new-white-house-chief-of-staff/2020/03/06/c669d3fe-6010-11ea-8baf-519cedb6ccd9_story.html

[redacted](b)(5)[redacted]

Thanks,

Megan

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted]
Sent: Friday, March 6, 2020 2:52 PM
To: Williams Jr, David E (COO) - Washington, DC; Cronkhite, Isaac S - Washington, DC
Subject: Fwd: [EXTERNAL] Save the Postal Service $100,000's

Thanks,

Megan

Begin forwarded message:

From: [redacted]>
Date: March 6, 2020 at 4:56:25 AM EST
To: "Brennan, Megan J - Washington, DC" [redacted]>
Subject: [EXTERNAL] Save the Postal Service $100,000's

Hi, I'm a PTF in Minnesota and I want to tell you one simple way to save $100,000's for the Postal Service. ONLY HAVE CURBSIDE DELIVERY AND ONLY APPROVE THE LARGEST BOXES.

Delivery goes so smoothly and quickly like this. I have spent countless hours FIGHTING with cluster boxes. They WASTE time, they DO NOT save time!!!

They COST the Postal Service money!!

When we have to go up to the door with every small package because either

1. The cluster box is full.
2. We're running Amazon and don't know which address is in which cluster box.
3. The parcels lockers are all used.
4. It's a small package but odd shaped.
5. We're running Amazon and don't have the arrow key for that town.

it WASTES our time!!!

Probably 85-90% of packages will fit in the large mailboxes. That would save us a TON of time and effort and would save the Postal Service $100,000's.

I work seven 13 hour days a week at Christmastime. I DESPISE it and I'm not the only one. We need our time better managed at work, these cluster boxes waste so much of our time thereby costing USPS $100,000's.

It's just common sense to us carriers and we've been SCREAMING it for years but NO-ONE LISTENS! Bluntly, CLUSTER BOXES ARE A PAIN IN THE ASS! They cause us continual problems....frozen shut, don't open, don't lock, don't shut, nothing fits; TOTAL NUISANCE!! Not to mention we freeze to death here in Minnesota delivering to them. And...most CUSTOMERS hate them too!

AMERICAN OVERSIGHT

It would be so simple to just require customers to keep only the LARGEST boxes up. I hope you can see my point and fix the situation. I actually know of carriers who have quit just BECAUSE of the misery cluster boxes cause us!

I know you probably think they save USPS money but believe me, they DON'T AT ALL! They COST USPS money!!

Well, I "said" my piece, hope it doesn't fall on deaf "ears" and something is done about it.

Thanks for your time.☺

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted](b)(6)[redacted]
Sent: Thursday, March 5, 2020 7:30 AM
To: Marshall, Thomas J - Washington, DC
Subject: FW: USPS Update

Thank you.

Megan

From: Mendonca, Pat - Washington, DC
Sent: Thursday, March 5, 2020 7:17 AM
To: Brennan, Megan J - Washington, DC <[redacted](b)(6)[redacted]>
Subject: FW: USPS Update

From: Kadlec, Robert (OS/ASPR/IO) [mailto[redacted](b)(6)[redacted]
Sent: Thursday, March 5, 2020 7:16 AM
To: Mendonca, Pat - Washington, DC [redacted](b)(6)[redacted]
Cc: Marshall, Thomas J - Washington, DC [redacted]
Subject: [EXTERNAL] Re: USPS Update

Thanks Pat will call you later sorry been crazy busy. Hope you and yours are well. Best. Bob
Sent from my iPhone

On Mar 5, 2020, at 7:12 AM, Mendonca, Pat - Washington, DC
[redacted](b)(6)[redacted]> wrote:
Bob :

(b)(5) [redacted]

.

AMERICAN OVERSIGHT

We (b)(5)

[redacted]

Thank you

Pat

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <[redacted] (b)(6) [redacted] on behalf of Brennan, Megan J - Washington, DC [redacted]
Sent: Wednesday, March 4, 2020 1:21 PM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Email sent to Jeff Bezos this am re USPS and lack of communication [redacted] (b)(5) [redacted]

Importance: High

_____

Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted] (b)(6)

From: (b)(6) [mailto: [redacted] (b)(6)
Sent: Wednesday, March 4, 2020 1:16 PM
To: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Subject: [EXTERNAL] Email sent to Jeff Bezos this am re USPS and lack of communication
Importance: High

Hi Megan,

I am so sorry to contact you like this. I wanted to get a CC of the email I sent Jeff Bezos to your hands. I really need your help. See email below please.

We are LOVING our local postmaster (b)(6) WA and Sub Contractor (b)(6) who is picking up our packages for delivery - but I cant support them if we dont get communication or resolve in the next couple of hours. UPS is currently working on stealing your business because I haven't heard from you guys I have to start the negotiation process – please get me an answer soon – USPS is my preferred vendor.

Only way to reach me is my cell [redacted] (b)(6) [redacted]

(b)
(6)

[redacted] (b)(6) [redacted]

[redacted] (b)(6)

[redacted] (b)(6) [redacted]

AMERICAN OVERSIGHT

www.palousebrand.com<http://www.palousebrand.com/>
w<http://www.facebook.com/palousebrand>ww.facebook.com/palousebrand<http://www.facebook.com/palousebrand>

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(b)(6)

Subject: USPS not communicating with me about ability to supply flat rate packaging envelopes
Importance: High

Hi J(b)

Sorry to bother you again. USPS seems to be unable to supply me with communication on flat rate packaging supplies in order to fill my Amazon orders. I ran out of their supplies on flat rate padded last night. They aren't communicating to their team members trying to support me either (who have been awesome). Victory packaging has been contacted, but at best they will have me a few days of supplies to me by FRIDAY and that's a MAYBE.

I was promised (as my contact (b)(6) – in copy here -at USPS was) yesterday by 1 PM to have an answer from the Executive team at the USPS (see attached email). We are getting NO ANSWER.

Here is what I need:

1. I will buy the same padded flat rate envelope they use – it will be unprinted plain white (I have these pre-purchased in my warehouse now 10,000 of them). I will still buy flat rate packaging pricing from them – the label will say FLAT RATE PADDED ENVELOPE. Then they ship it.
2. OR – they can communicate with me how many they are shipping to me so I can make sure my supply chain will support me.
3. OR – you can have someone at UPS or FEDEX at the decision making level reach out to me to match the postal flat rate – I will shift the business to them as fast as possible. We are trying to reach them but stuck with account manager that don't have decision making capabilities.

Using a cubic pricing option from USPS will NOT work for me – in some cases it costs me over $2.50 to ship per package. I have to use flat rate only or I will be paying customers to order from me – we have slim margins.

I DO NOT WANT to raise my prices. I want my company and Amazon to be known for taking care of people trying to supply and NOT price gouging. Jeff – I have my supply chain set up – I will fulfill EVERY order placed thru Amazon – I just need to be able to ship.

I look at myself as a partner extension to you – the decisions I make affect how Amazon is portrayed – is there anyone at the EXECUTIVE USPS level you can lean on to help them make the choice to let me buy the envelope and ship using flat rate?

AMERICAN OVERSIGHT

PS – thanks for approving my second AMAZON Lending request. We are going to use the money to air freight packaging in from my plant overseas to try and stay in stock.

Again – if anyone needs to reach me I am available on my cell at (b)(6)

Thanks,
(b)
(6)

cid:C63563EB-9A94-4A8C-BD67-34CF4244CC22]

[signatureline]

(b)(6)

(b)(6)

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AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC <(b)(6)> on behalf of Brennan, Megan J - Washington, DC <[redacted]>
Sent: Tuesday, March 3, 2020 7:43 AM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Lee County Mail Service-Damage of Property by Postal Carrier

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
(b)(6)

From: (b)(6) [mailto:(b)(6)]
Sent: Tuesday, March 3, 2020 7:11 AM
To: Brennan, Megan J - Washington, DC <(b)(6)>; Allen Whitaker <(b)(6)>; Riojas, Karen B - SANFORD, NC <[redacted]>
Subject: [EXTERNAL] Lee County Mail Service-Damage of Property by Postal Carrier

As an auditor, I could not let this most recent criminal act go. Multiple neighbors have complained to the Postmaster concerning improper delivery of mail, packages being stuffed improperly in boxes, packages delivered with obviously broken items inside, and mail opened. On multiple occasions, our Amazon USPS delivered packages have been purposefully placed in our neighbors unlatched mailboxes, because the postal delivery person, apparently didn't want to get out of their vehicle to properly deliver the packages because they were to big to fit in our secure mailbox. (Please notice, we have no gate or animals that would prevent or impede door step delivery.) Most recently, the postal deliverer has now damaged property to avoid delivering our mail properly. We have a lockbox with an open slat/slot for mail delivery. This was purchased by the property owners to avoid mail theft. However, on March 3, 2020, our mail delivery person has now broken our safety latch mail box to stuff Amazon packages in it that wouldn't fit through the slat/slot. With our mail box latch broken, the door would not close properly, so the mail carrier left the door hanging open with the stuffed Amazon packages exposed and seen from the street . A picture of our damaged property and how it was left was documented.
I am writing and bringing this matter to the attention of you and anyone else that will hear and handle this matter. I am not a lawyer or a postal carrier, but I believe that purposefully misplaced mail and damaged property is federally illegal and against USPS delivery protocol.
Please have someone address this matter and replace our damaged property. This type of delivery service exposes and invites our neighbors to become victims of fraud and theft. Therefore, the DOJ and other federal agencies will be contacted as well concerning this matter and others matters that are and have been of similar concern.

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Stavely, Rhonda J - Washington, DC [redacted] > on behalf of Brennan, Megan J - Washington, DC [redacted] >
Sent: Monday, March 2, 2020 10:04 AM
To: Stavely, Rhonda J - Washington, DC
Subject: FW: [EXTERNAL] Re: Hello

_____
Rhonda J. Stavely
Executive Administrator to the Postmaster General
[redacted]

From: (b)(6)
Sent: Monday, March 2, 2020 10:02 AM
To: Brennan, Megan J - Washington, DC <(b)(6)
Subject: [EXTERNAL] Re: Hello

I have had an issue with the Postmaster where we get mail at our PO Box in a different town , (b)(6) Maine. We live in M(b)(6) Maine and occasionally Amazon or a different company has sent mail to our street address as well as another carrier dropped packages at the post offices do the confusion of who exactly was going to be the carrier for the items and there never was an issue until she took over at that post office as well as when she. Worked in (b)(6) and used to return items and didn't even call us although a very small town to say we had something before just returning it. She apparently told UPS they couldn't leave package there and they came to house and told me a few months ago and then called the postmaster in (b)(6) and told them not to call us to get anything there anymore and make extra effort. This I find unbelievable and actually received complaints in the past of even a rug yes a very large item being returned years ago by the (b)(6) t Post Office and that person sending it couldn't believe they just didn't call us to say it was there rather than sending it back to them as they do at many post offices and now MS (b)(6) think has over stepped her bounds in a power struggle actually calling another Post Master telling them they can't be polite. There also are many complaints on the (b)(6) as Website about MS (b)(6) rude behavior referred to as lady long blonde hair as she always does seem annoyed and not to want to want to bother. Can you please inform me if this is actually a rule that the post office can not call a customer on occasion if a price of mail shows up there rather than refusing it especially in very small towns where there aren't thousands of small letters and packages as MS (b)(6) she would have if she did this but rather Towns of a few hundred or thousand with less than that in homes getting mail so why she would say she would have thousands of prices of mail in a day to call people in a small town like (b)(6) is beyond me or large packages like rugs she has to return.

Thank you,
(b)(6)
[redacted]

our street is
(b)(6) [redacted]

AMERICAN OVERSIGHT

[redacted](b)(6)[redacted]

And as I said Amazon usually uses UPS but occasionally it's USPS which we don't know ahead of time and very rarely a stray letter that's important and the current postmaster is courteous and went out of her way to call and nod was ordered by MS (b)(6) to return anything she gets or send to (b)(6) which I think is totally uncalled for and I'm wondering if beyond MS (b)(6) duties and something MS (b)(6) should try to do in fact to help her customers out rather than stamping her customers packages return as I hear the PO Box customers complaining there about returned packages to the street address and it's hard to believe she can't accept packages using the (b)(6) t per the form and would end up with thousands of packages as she said nor needed to call (b)(6) t and tell them they cannot make a courtesy call nor can she in occasion to be polite rather than rude.

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Monday, March 2, 2020 6:56 AM
To: Curtis, Angela H - Eastern Area, PA
Subject: Fwd: [EXTERNAL] Post Office - Columbia, TN

Thanks,

Megan

-------- Original message --------
From: (b)(6) [redacted] (b)(6) [redacted]
Date: 3/2/20 1:26 AM (GMT-05:00)
To: "Brennan, Megan J - Washington, DC" <[redacted] (b)(6) [redacted]
Subject: [EXTERNAL] Post Office - (b)(6) a, TN

Ms Brennan,

My name is (b)(6) . I have filed several complaints with regards to my packages not being delivered. Today was another day. I was waiting on a package from amazon and around 6:30pm I received notification that there was an attempted delivery at 12:00noon. MY family and I were home all day. The package required no signature and could be left.

I went and chased out going camera's on the house from 10am - 7:00pm. There was not a single attempt nor a single USPS vehicle on our street at all during the day. This has now happened to me 4 times and my neighbors are having the same problem.

The last time it happened I was told by the local (b)(6) USPS office I had to come down and get it they would not try to redeliver it. I went down to pick it up and after the supervisor got done yelling at me she told me it was out for delivery. That was a 1 hour round trip drive for me. When I returned home the package was laying in my driveway right outside my garage soak n wet in the rain. There is a sign asking not to leave packages in front of the garage because twice before they leave packages and I have backed out of my garage and ran them over.

So long story short no attempted deliver yesterday (and 3 times prior win different packages) and no USPS driver on my cameras. No signature required so it should have been left. This means one thing and my neighbors agree the driver is lazy and probably decided not to work that day.

I spoke to amazon and this seems to be a on going problem and getting worse.

Again the supervisor is a pretty mean lady and I normally wont call people out but she is 100% in the wrong and so are the drivers.

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Please let me know you received this I would prefer this gets handled through the proper chain instead of on social media. Some of my neighbors are very famous people some of whom I manage.

Thank you

(b)(6)

AMERICAN OVERSIGHT

Mendonca, Pat - Washington, DC

From: Brennan, Megan J - Washington, DC [redacted] (b)(6) [redacted]
Sent: Sunday, March 1, 2020 12:17 PM
To: Mendonca, Pat - Washington, DC
Subject: Re: Discussion Items for 1:00 pm Call

Pat,

[redacted] (b)(5) [redacted]

Thanks,

Megan

-------- Original message --------
From: "Mendonca, Pat - Washington, DC" <[redacted] (b)(6) [redacted]
Date: 3/1/20 12:07 PM (GMT-05:00)
To: "Brennan, Megan J - Washington, DC" <[redacted] (b)(6) [redacted]
Cc: "Marshall, Thomas J - Washington, DC" [redacted]
Subject: RE: Discussion Items for 1:00 pm Call

Okay

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Sunday, March 1, 2020 12:05 PM
To: Mendonca, Pat - Washington, DC [redacted] (b)(6) [redacted]
Cc: Marshall, Thomas J - Washington, DC [redacted]
Subject: Re: Discussion Items for 1:00 pm Call

Pat,

[redacted] (b)(5) [redacted]

I do need an updated summary after our call - [redacted] (b)(5) [redacted]
Thank you.

Megan

On Mar 1, 2020, at 11:48 AM, Mendonca, Pat - Washington, DC <[redacted] (b)(6) [redacted]

No

AMERICAN OVERSIGHT

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Sunday, March 1, 2020 11:42 AM
To: Mendonca, Pat - Washington, DC <pat.mendonca@usps.gov<mailto:pat.mendonca@usps.gov>>
Subject: Re: Discussion Items for 1:00 pm Call

Pat,

(b)(5)
Thank you.

Megan

On Mar 1, 2020, at 10:57 AM, Mendonca, Pat - Washington, DC
(b)(6) wrote:

Per Seattle, I (b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Sunday, March 1, 2020 10:51 AM
To: Mendonca, Pat - Washington, DC <
Cc: Williams Jr, David E (COO) - Washington, DC (b)(6)
Marshall, Thomas J - Washington, DC ; Calamoneri,
Kevin A - Washington, DC <>; Cronkhite, Isaac S -
Washington, DC >>; Storey, Simon M - Washington, DC
>>; Raub, William F - Washington, DC - Contractor
>>; Swigart, Michael A - Washington, DC
>>; Walker, Janice D - Washington, DC
>
Subject: Re: Discussion Items for 1:00 pm Call

(b)(5)

(b)(5)

Thank you.

Megan

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On Mar 1, 2020, at 10:19 AM, Mendonca, Pat - Washington, DC [redacted] wrote:

(b)(5) [redacted]

-----Original Appointment-----
From: Mendonca, Pat - Washington, DC
Sent: Saturday, February 29, 2020 7:08 PM
To: Mendonca, Pat - Washington, DC; Brennan, Megan J - Washington, DC; Williams Jr, David E (COO) - Washington, DC; Marshall, Thomas J - Washington, DC; Calamoneri, Kevin A - Washington, DC [redacted]; Cronkhite, Isaac S - Washington, DC; Storey, Simon M - Washington, DC; Raub, William F - Washington, DC - Contractor; Swigart, Michael A - Washington, DC; Walker, Janice D - Washington, DC
Subject: Seattle Discussion - Do Not Forward this INvite
When: Sunday, March 1, 2020 1:00 PM-2:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where:

Pat Mendonca invites you to join an online meeting using WebEx.

Please note, you do NOT need a WebEx account to join the meeting.

Meeting Number: [redacted]
Meeting Password: This meeting does not require a password.

To join this meeting (Now from mobile devices!)
---
1. Go to https://[redacted]
2. If requested, enter your name and email address.

AMERICAN OVERSIGHT

3. If a password is required, enter the meeting password: This meeting does not require a password.
4. Click "Join".
5. Follow the instructions that appear on your screen.

Teleconference information

Provide your phone number when you join the meeting to receive a call back. Alternatively, you can call:
Call-in number: [redacted]

[redacted] (b)(6) [redacted]

[redacted] (b)(6) [redacted]

[redacted] (b)(6) [redacted]

IMPORTANT NOTICE: This Webex service includes a feature that allows audio and any documents and other materials exchanged or viewed during the session to be recorded. By joining this session, you automatically consent to such recordings. If you do not consent to the recording, discuss your concerns with the meeting host prior to the start of the recording or do not join the session. Please note that any such recordings may be subject to discovery in the event of litigation.

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: Accepted: Follow up Meeting: PMG/GC/CCMO/CFO/SRVPFIN - Amazon Parcel Brief Review

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: Accepted: Meeting: (b)(3), 410(c)(2), (b)(5)

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Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: (b)(3),
Date: Wednesday, April 22, 2020 5:24:07 PM

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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Duplicate

AMERICAN OVERSIGHT

Duplicate

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From: Marshall, Thomas J - Washington, DC

To: Abayomi, Omotara X - Washington, DC; Ackerman, William G - Washington, DC; Acors-Pierce, Deborah K - Washington, DC; Adams, Rory E - Washington, DC; Alesevich, Walter - Washington, DC; Alverno, Anthony F - Washington, DC; Auglis, Lyndsay M - Washington, DC; Azzopardi, Dominic - Washington, DC; Bell, Keedah - Washington, DC; Belt, David C - Washington, DC; Boardman, Stephan J - Washington, DC; Boblick, Jeffrey J - Washington, DC; Boissaye, Arkiatou - Washington, DC; Bonanno, Natalie A - Washington, DC; Bourque, Wendy J - Washington, DC; Bramesco, Julienne W - Washington, DC; Brantley, Carrie A - Denver, CO; Brewster-Johnson, Jessica Y - Washington, DC; Britt, Jasmine - Washington, DC; Brown, Ian D - Washington, DC; Brown, Rebecca E - Washington, DC - Contractor; Brownlie, Caroline R - Washington, DC; Calamoneri, Kevin A - Washington, DC; Castorina, Janine - Washington, DC; Chambers, Keisha K - Washington, DC; Champi, Elaine K - Washington, DC; Chavannes-Battle, Nancy P - Washington, DC; Cheema, Nabeel R - Washington, DC; Chounet, Kaitlyn R - Washington, DC; Collins, Davon M - Washington, DC; Connelly, Jacqueline A - Washington, DC; Connolly, Matthew J - Washington, DC; Coolidge, Lucy R - Arlington, VA; Cooper, Richard T - Washington, DC; Crump, Linda K - St Louis, MO; Davison, Jacob O - Washington, DC; Dietz, Robert J - Washington, DC; Dobson, Tracy A - Washington, DC; Donahue, Ray E - Washington, DC; Duttry, Rebecca H - Washington, DC; Dym, Lori J - Washington, DC; ECSGC; Ellis, David B - Washington, DC; Epstein, Shoshana O - Washington, DC; Flynn, Terence F - Washington, DC; Francis, Eboni B - Washington, DC; Fray, Joseph B - Washington, DC; Gillespie, Christopher P - Washington, DC; Giusto, Jesse - Washington, DC; Goulian, Eric D - Washington, DC; Gurrola, Kathleen R - Washington, DC; Hale, Tyler - Washington, DC; Hamilton, Amanda J - Washington, DC; Harris, Wendy A - Washington, DC; Healy, Abigail K - Washington, DC; Hofer, Joshua - Washington, DC; Howley, Jacob D - Washington, DC; Hunnicutt, Rachel K - Washington, DC; Hunter, Natalie D - Washington, DC; Jackson, Michelle A - Washington, DC; Jung, Uk J - Washington, DC - Contractor; Kiely, Michael F - Sw, DC; King, Bryan R - Washington, DC; Koetting, Eric P - Washington, DC; Kramer, Mary Jane - Washington, DC; Lee, Clevette M - Washington, DC; Lewis, Michael A - Washington, DC; Lind, Christopher W - Washington, DC; Lynch, Erin E - Washington, DC; Mace, Ann M - Washington, DC; Marcello, Kara C - Washington, DC; Marino, Lauren M - Washington, DC; Marshall, Thomas J - Washington, DC; McClease, Tiffany N - Washington, DC; McNulty, Peter J - Washington, DC; Meadows, B Jeff - Washington, DC; Meyerson, Christopher C - Washington, DC; Miley, Catherine E - Washington, DC; Miras, Lucia R - Washington, DC; Moguel Resendiz, Mariana - Washington, DC - Contractor; Mortimer, Melissa M - Washington, DC; Mungo, Dannielle S - Washington, DC; Noel, Christy - Washington, DC; Nwude, Glenda J - Washington, DC; O"Neil, Tamara M - Washington, DC; Paine-Powell, Linda S - Washington, DC; Pangilinan, Regina K - Washington, DC; Parker, Latoya N - Washington, DC; Pelton, Valerie J - Washington, DC; Powers, Sean M - Washington, DC; Rackow, Jeffrey A - Washington, DC; Raykher, Mikhail - Washington, DC; Raynor, LaSandy K - Landover, MD; Reed, Elizabeth A - Washington, DC; Rehrig, Morgan E - Washington, DC; Reimer, Brian M - Washington, DC; Rho, Richard Y - Washington, DC; Riley, Sandra A - Washington, DC; Robinson, Sean C - Washington, DC; Samman, Sydney K - Headquarters, DC - Contractor; Sanchez-Hernandez, Cynthia - Washington, DC; Sindermann, Robert P - Washington, DC; Stevenson, Ruth B - Washington, DC; Stokes, Stacey T - Washington, DC; Surratt, Monica R - Gaithersburg, MD; Taddonio, Kelly A - Washington, DC; Thomason, John P - Washington, DC; Thompson, Tai - Washington, DC; Trumpbour, William J - Washington, DC; Tucker, James L - Washington, DC; Valentin, Maria C - Washington, DC; Vance, Karren D - Washington, DC; Votsch, Maria W - Washington, DC; Washington, Anastasia M - Washington, DC; Weaver, Lauren E - Washington, DC; Weaver, Michael D - Washington, DC; Weidner, Keith E - Washington, DC; Wheeler, Courtney B - Washington, DC; White, Daneisha E - Washington, DC; Whitehead, Nia - Washington, DC; Windmueller, Michelle A - Washington, DC; Woody, Cheryl L - Washington, DC; Wysokinski, Brittany M - Washington, DC; Zomer, Micah T - Washington, DC; Adibisedeh, Sara - San Francisco, CA; Aguilar, Mariana L - Long Beach, CA; Allen, Cynthia R - Memphis, TN; Alvarez, Alison D - Chicago, IL; Apter, Simon M - Seattle, WA; Aukema, Susan E - Denver, CO; Bartholf, Frank M - St Louis, MO; Baskette, Margaret L - Tampa, FL; Beatty, Conny Davinroy - St Louis, MO; Bianchi, Timothy - Denver, CO; Bingenheimer, Katherine A - St Louis, MO; Bjurstrom, Stanford M - St Louis, MO; Black, Austin D - Dallas, TX; Blair, Doris W - Charlotte, NC; Blum, Thomas J - Dallas, TX; Bolden-Diggs, Mary M - Memphis, TN; Bonds, Leigh K - Salt Lake City, UT; Booth, Charles E - Dallas, TX; Bormann, Shelley V - Long Beach, CA; Bosland, Carl C - Washington, DC; Bradley, Yvette K - Dallas, TX; Bray, Wilma M - Denver, CO; Breslin, Jennifer - Philadelphia, PA; Briody, Maureen O - St Louis, MO; Brothers, Hannah C - Chicago, IL; Brown, Shana Y - Long Beach, CA; Burrell, Edith R - Philadelphia, PA; Burton, Eve G - Denver, CO; Bushong, Matthew B - Denver, CO; Campbell-Harris, Erika F - Atlanta, GA; Campion, James E - Philadelphia, PA; Carey, Naomi C - Seattle, WA; Carleton, Daniel C - Philadelphia, PA; Carlile, Christine - Dallas, TX; Carlson, Deborah W - Chicago, IL; Cates, Kimberly K - St. Louis, MO; Cavanaugh, Cheryl A - Seattle, WA; Cervantes, Hermelinda - Long Beach, CA; Cioffi, Barbara H - St. Louis, MO; Colling, James C - Denver, CO; Coney, Steven E - Dallas, TX; Costello, Amy J - Denver, CO; Cotton, Earl L - Atlanta, GA; Crawford, Kathleen D - Chicago, IL; Delvecchio, Patricia - Philadelphia, PA; DeNinno, Sherilyn A - San Diego, CA; Dole, Miriam D - Philadelphia, PA; Dorsey, Mary S - Dallas, TX; Draves, Daren K - San Diego, CA; DuBard, Jaye P - Memphis, TN; Dudley, Renee G - Windsor, CT; Eisenstein, Adam G - Chicago, IL; Elifson, Kelly E - Washington, DC; Embry, Candace D - Landover, MD; Essig, Theresa E - Chicago, IL; Everett, Yvonne - San Francisco, CA; Eves, Roderick D - St. Louis, MO; Ferrera, Isabelle F - Chicago, IL; Fezette, Carrie A - St. Louis, MO; Flick, Andrew M - San Francisco, CA; Friedman, David S - New York, NY; Friedman, James A - Windsor, CT; Fryda, Eric B - Dallas, TX; Gaines, Kim D - Philadelphia, PA; Gann, Traci G - Dallas, TX; Gause, Kevin G - St Louis, MO; Gegen, Theresa M - Dallas, TX; Glass, Jeffrey A - St. Louis, MO; Grant, Helen R - St Louis, MO; Griffith-Lesesne, Ladonna L - Washington, DC; Guerra, Nikolai G - Chicago, IL; Whitley, Jane G - Clearwater, FL; Hansen, Vivienne - San Diego, CA; Harbaugh, Kyle B - St Louis, MO; Hardy, Jason L - Tampa, FL; Harper, Margaret E - Windsor, CT; Harrington, Birgit K - St. Louis, MO; Harris, Angela M - Long Beach, CA; Heininger, Rozann M - St Louis, MO; Hellerud, Julie A - Denver, CO; Henry, Adrian B - Long Beach, CA; Herbst, Kimberly A - St Louis, MO; Hicks, Klara S - Seattle, WA; Hover, Cheryl A - New York, NY; Hudson, La Tonya - Chicago, IL; Hui-Tsang, Marsha M - New York, NY; Humphreys, Deanna M - Dallas, TX; Ingram, Phil - San Diego, CA; Irons, Krista M - New York, NY; Jackson, Amber N - Landover, MD; Jackson, Jason - Long Beach, CA; Jackson, Lisa J; James, Stuart - New York, NY; Janeiro, Jennifer L - Dallas, TX; Jenkins, Nadalynn F - Dallas, TX; John, Elizabeth M - Dallas, TX; Johnstun, Tia A - Salt Lake City, UT; Jones II, Ronald E - Dallas, TX; Jones, Rosa E - Chicago, IL; Kearns, Jennifer A - Washington, DC; Kelly, Kandace - Omaha, NE; Kennish, Tonya L - Denver, CO; Kim, Christin - Philadelphia, PA;

AMERICAN OVERSIGHT

Kingsbury, Dallas G - Washington, DC; Kupper, David R - St Louis, MO; Stephenson, Rebecca L - Chicago, IL; Brown, Terese M - Roselle, IL; Ladymon, Margaret S - Dallas, TX; Lalor, Carol J - Salt Lake City, UT; Larson, David P - Salt Lake City, UT; Lasalle, Susan L - Dallas, TX; Lashley, Storm P - Landover, MD; Lee, Tanai M - New York, NY; Lee, Tom - Long Beach, CA; Lee-Peel, Brenda - Chicago, IL; Leffler, Carol J - Denver, CO; Levine, Deborah M - Denver, CO; Levine, Kenneth A - New York, NY; Lewis Jr, JC - Dallas, TX; Lietaer, Jessica L - Denver, CO; Lindemann, Jane E - St Louis, MO; Lindsay, Brittany R - Saint Louis, MO; Lisy, Deborah L - Chicago, IL; Little, Julie B - Charlotte, NC; Livingston, Nathan R - St Louis, MO; Locke, Tanisha J - Long Beach, CA; Love, Lorisa M - Chicago, IL; Love-Hobbs, Rachael M - Salt Lake City, UT; Luo, Huimin - San Francisco, CA; Lusty, Kirk C - Salt Lake City, UT; Macneill, Gina M - Philadelphia, PA; Mandernach, Ann E - St Louis, MO; Manta, Mark J - Philadelphia, PA; Mapp, David E - Philadelphia, PA; Marcial, Lisa A - Philadelphia, PA; Markle, Lori L - Philadelphia, PA; Marrero, Javier A - Winter Haven, FL; Marshall, Donna G - Philadelphia, PA; Martinez, Orlando H - Denver, CO; Martinez-Santiago, Xaymara L - St Louis, MO; Mathis, Jeffrey B - Dallas, TX; Mccabe, Suzanne B - Philadelphia, PA; Mcdermott, Heather L - Chicago, IL; Medina, Megan E - Philadelphia, PA; Meek, Catherine V - Long Beach, CA; Meingossner, Robert P - Philadelphia, PA; Merlino, Anthony V - New York, NY; Merritt, Ingrid Y - Windsor, CT; Mihal, Bobbi K - Dallas, TX; Muckle, Patricia A - Denver, CO; Murray, Gwendolyn E - St Louis, MO; New, Sion - Atlanta, GA; Nguyen, Vietlong T - Long Beach, CA; Odom, Brian J - Denver, CO; Osimokun, Brandy A - Washington, DC; Pace, Jennifer C - Denver, CO; Pham, Thao T - Philadelphia, PA; Philbrick, Tammie J - Atlanta, GA; Pizarro, Yolanda M - Philadelphia, PA; Porter, Felica B - Atlanta, GA; Potanos, Thea E - Denver, CO; Price, Roberta - St Louis, MO; Provoda, Wendy I - Windsor, CT; Ra, Jocelyn J - Long Beach, CA; Rae, Donneve S - Denver, CO - Contractor; Rahe, Brenda L - St Louis, MO; Ramsay, Jane - Dallas, TX; Randenberg, Corey J - San Diego, CA; Rauch, Suzanne E - Denver, CO; Reed, James M - Tampa, FL; Ribreau, Greg A - Charlotte, NC; Rice, Anthony T - Windsor, CT; Richards, Brittany P - St. Louis, MO; Rivera, Alexander R - Denver, CO; Robison, Isabel M - Dallas, TX; Rodriguez, Luis O - Philadelphia, PA; Rogers, A Elaine - Windsor, CT; Romig, Melissa A - Dallas, TX; Rosen, Edith S - Tampa, FL; Rosen, Maryl R - Chicago, IL; Rowe, Leslie L - New York, NY; Roxas, Arthur G - St Louis, MO; Rutter, Monique L - San Francisco, CA; Saliba, Richard G - Dallas, TX; Salvon, Michael R - Windsor, CT; Samonte, Alvin S - San Francisco, CA; Schmidt, Samuel J - Salt Lake City, UT; Schwartzman, Steven B - Seattle, WA; Shaver, Meghan E - St. Louis, MO; Sheldon, Jeffrey L - Tampa, FL; Silverman, David D - Philadelphia, PA; Simon-Pearson, Rebecca L - Long Beach, CA; Skahan, Michael R - Dallas, TX; Skoglund, Jacqui - St Louis, MO; Sloan, Heather R - Chicago, IL; Smart, Ezell - Saint Louis, MO; Smith, Brenda M - Philadelphia, PA; Snyder, Shauna M - St Louis, MO; Soderstrum, Brenton D - Landover, MD; Solomon, Nathan T - St Louis, MO; Soto Arocho, Javier - St Louis, MO; Spector, Donald M - New York, NY; Stellabotte, James R - Philadelphia, PA; Strouse Gasser, Idala H - Chicago, IL; Sykes, Gwen M - Memphis, TN; Tadlock, Dynelle M - San Diego, CA; Taylor, Diane L - Windsor, CT; Taylor, Heather L - Washington, DC; Telfer, Jeanine M - Long Beach, CA; Thompson, Joy D - Denver, CO; Thompson, Sineta D - Washington, DC; Tita, Michael R - Salt Lake City, UT; Torrez, Graciela M - Dallas, TX; Traverse, Kathy L - Memphis, TN; Tucker, Valerie L - San Diego, CA; Tyburski, Jean E - Windsor, CT; Varela, Mark A - St. Louis, MO; Varszegi, Melinda A - Salt Lake City, UT; Vicini, Donald J - Dallas, TX; Villegas, Jessica - San Francisco, CA; Walker, Steven - Dallas, TX; Walsh, Colette A - New York, NY; Walsh, Kristen L - Atlanta, GA; Warner, Linda L - Tampa, FL; Webster, Kevin W - Windsor, CT; White, Teresa F - St Louis, MO; Wiedemann-Hudson, Wendy - St Louis, MO; Wilson, Mark F - San Francisco, CA; Winsco, Victoria - Atlanta, GA; Winslow, Deborah C - San Francisco, CA; Witherspoon, Tanya L - Philadelphia, PA; Wolf, Paul C - Dallas, TX; Wu, Dennis W - San Francisco, CA; Yang, Xinyu - Dallas, TX; Zadina, Christopher W - Chicago, IL; Zielinski, Scott L - Seattle, WA

Subject: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.
Date: Wednesday, May 6, 2020 7:49:20 PM
Attachments: Business Letter on USPS Relief to Congressional Leaders - 4-30-20.pdf
2020 05 05 Letter to McCarthy_McConnell_Mnuchin.pdf

(b)(5)

-Tom

AMERICAN OVERSIGHT

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Image

UNITED STATES CONGRESS

FOR IMMEDIATE RELEASE
Apr. 30, 2020

Contacts:
Aryele Bradford (Maloney): (202) 226-5181
Jamie Smith (Connolly): (202) 309-8359
Kevin Fogarty (King): (202) 225-3062

Maloney, Connolly, and King to Hold Press Conference on Launch of Bipartisan "Postal Preservation Caucus"

Members to Discuss Legislation to Save the Postal Service

Washington, D.C. (April 30, 2020)—Today, Rep. Carolyn B. Maloney, the Chairwoman of the Committee on Oversight and Reform, Rep. Gerald E. Connolly, the Chairman of the Subcommittee on Government Operations, Rep. Peter King, the Ranking Member of the House Committee on Homeland Security's Emergency Preparedness Subcommittee, will hold a telephone press conference to announce the launch of the bipartisan "Postal Preservation Caucus" to urge House and Senate leadership to provide emergency funding to save the Postal Service.

Due to the coronavirus crisis, the Postal Service estimates revenue losses of $13 billion by the end of this fiscal year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus would be $54 billion

WHO: Reps. Maloney, Connolly, King

WHAT: Press Conference to Save the Postal Service

WHEN: Thursday, April 30, 2020 at 3:00 PM

Media please RSVP to OversightPress@mail.house.gov by 1:00 PM today for dial-in information. Please also provide the number from which you will be calling.

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###

Cosponsor H.R. 6425: The Protect Our Post Offices Act

Cosponsors (70): Reps. Adams, Axne, Beatty, Blumenauer, Blunt Rochester, Bonamici, Boyle, Brownley, Carbajal, Castor, Chu, Cicilline, Clark, Cleaver, Cohen, Costa, Courtney, Dean, DeGette, DelBene, Dingell, Doyle, Escobar, Evans, Gabbard, Garamendi, Garcia (IL), Garcia (TX),Vicente Gonzalez, Grijalva, Haaland, Hastings, Hayes, Heck, Higgins, Horsford, Holmes Norton, Johnson (GA), Kaptur, Keating, Kind, Krishnamoorthi, Langevin, Lee (CA), Lowenthal, Malinowski, McGovern, Meeks, Moulton, Murphy, Omar, Panetta, Pappas, Perlmutter, Peters (CA), Phillips, Pingree, Pocan, Raskin, Ryan, Schiff, Scott (GA), Sewell, Sires, Smith (WA), Swalwell, Takano, Underwood, Wild, Wilson (TX)

Supported by: The National Association of Postal Supervisors, The Association of United States Postal Lessors

Dear Colleague,

In this time of crisis, the United States Postal Service is more important than ever. Please join me by cosponsoring **H.R. 6425, The Protect Our Post Offices Act,** a bill to provide emergency funding for the U.S. Postal Service**.** For particularly vulnerable individuals, the postal service may be the only way they can receive medications or other critical documents right now. Yet, without assistance from the federal government, this typically self-funding agency may not be able to sustain itself much longer.

The Protect Our Post Offices Act would allocate **$25 billion** in emergency appropriations to the United States Postal Service. These funds can be used by USPS to make up lost revenue, purchase and provide PPE for front-line postal workers, and other purposes that are necessary to support continuing services for USPS.

The USPS employs 620,000 workers, and provides critical services such as delivering prescriptions, the 2020 Census, and mail-in ballots in addition to regular mail delivery. These services become even more crucial in the time of a global pandemic that has greatly limited in-person contact.

Unfortunately, the pandemic has also accelerated financial problems USPS already faced. Officials have warned that because of the decrease in mail volumes, the Postal Service may run out of funding as soon as June of this year.

USPS estimates a net loss of $22 billion over the next eighteen months, and over $54 billion in the long term, as a result of this pandemic. We must protect our constituents and local postal workers by ensuring the postal service can continue to provide on-time mail delivery and protect front-line workers during the COVID-19 pandemic.

Please join me in ensuring thousands of postal employees can continue to provide us with

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essential services during this pandemic and provide emergency funding for USPS.

To become a cosponsor or for more information, please contact Abbie Callahan.

Sincerely,

Joe Neguse

Member of Congress

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From: Marshall, Thomas J - Washington, DC

To: Abayomi, Omotara X - Washington, DC; Ackerman, William G - Washington, DC; Acors-Pierce, Deborah K - Washington, DC; Adams, Rory E - Washington, DC; Alesevich, Walter - Washington, DC; Alverno, Anthony F - Washington, DC; Auglis, Lyndsay M - Washington, DC; Azzopardi, Dominic - Washington, DC; Bell, Keedah - Washington, DC; Belt, David C - Washington, DC; Boardman, Stephan J - Washington, DC; Boblick, Jeffrey J - Washington, DC; Boissaye, Arkiatou - Washington, DC; Bonanno, Natalie A - Washington, DC; Bourque, Wendy J - Washington, DC; Bramesco, Julienne W - Washington, DC; Brantley, Carrie A - Denver, CO; Brewster-Johnson, Jessica Y - Washington, DC; Britt, Jasmine - Washington, DC; Brown, Ian D - Washington, DC; Brown, Rebecca E - Washington, DC - Contractor; Brownlie, Caroline R - Washington, DC; Calamoneri, Kevin A - Washington, DC; Castorina, Janine - Washington, DC; Chambers, Keisha K - Washington, DC; Champi, Elaine K - Washington, DC; Chavannes-Battle, Nancy P - Washington, DC; 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Subject: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.
Date: Wednesday, May 6, 2020 7:49:13 PM
Attachments: Business Letter on USPS Relief to Congressional Leaders - 4-30-20.pdf
2020 05 05 Letter to McCarthy_McConnell_Mnuchin.pdf

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

[Image]

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UNITED STATES CONGRESS

FOR IMMEDIATE RELEASE
Apr. 30, 2020

Contacts:
Aryele Bradford (Maloney): (202) 226-5181
Jamie Smith (Connolly): (202) 309-8359
Kevin Fogarty (King): (202) 225-3062

Maloney, Connolly, and King to Hold
Press Conference on Launch of Bipartisan
"Postal Preservation Caucus"

Members to Discuss Legislation to Save the Postal Service

Washington, D.C. (April 30, 2020)-Today, Rep. Carolyn B. Maloney, the Chairwoman of the Committee on Oversight and Reform, Rep. Gerald E. Connolly, the Chairman of the Subcommittee on Government Operations, Rep. Peter King, the Ranking Member of the House Committee on Homeland Security's Emergency Preparedness Subcommittee, will hold a telephone press conference to announce the launch of the bipartisan "Postal Preservation Caucus" to urge House and Senate leadership to provide emergency funding to save the Postal Service.

Due to the coronavirus crisis, the Postal Service estimates revenue losses of $13 billion by the end of this fiscal year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus would be $54 billion

WHO: Reps. Maloney, Connolly, King

WHAT: Press Conference to Save the Postal Service

WHEN: Thursday, April 30, 2020 at 3:00 PM

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Cosponsor H.R. 6425: The Protect Our Post Offices Act<http://dearcolleague.us/2020/04/support-the-u-s-postal-service-cosponsor-h-r-6425-4/>
Cosponsors (70): Reps. Adams, Axne, Beatty, Blumenauer, Blunt Rochester, Bonamici, Boyle, Brownley, Carbajal, Castor, Chu, Cicilline, Clark, Cleaver, Cohen, Costa, Courtney, Dean, DeGette, DelBene, Dingell, Doyle, Escobar, Evans, Gabbard,
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Supported by: The National Association of Postal Supervisors, The Association of United States Postal Lessors
Dear Colleague,
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bill<https://www.congress.gov/bill/116th-congress/house-bill/6425/cosponsors?

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searchResultViewType=expanded&KWICView=false> to provide emergency funding for the U.S. Postal Service. For particularly vulnerable individuals, the postal service may be the only way they can receive medications or other critical documents right now. Yet, without assistance from the federal government, this typically self-funding agency may not be able to sustain itself much longer.

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Unfortunately, the pandemic has also accelerated financial problems USPS already faced. Officials have warned that because of the decrease in mail volumes, the Postal Service may run out of funding as soon as June of this year.

USPS estimates a net loss of $22 billion over the next eighteen months<https://about.usps.com/newsroom/statements/041020-pmg-statement-on-usps-stimulus-needs.htm>, and over $54 billion in the long term, as a result of this pandemic. We must protect our constituents and local postal workers by ensuring the postal service can continue to provide on-time mail delivery and protect front-line workers during the COVID-19 pandemic.

Please join me in ensuring thousands of postal employees can continue to provide us with essential services during this pandemic and provide emergency funding for USPS.

To become a cosponsor or for more information, please contact Abbie Callahan.

Sincerely,

Joe Neguse

Member of Congress

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Washington, Anastasia M - Washington, DC; Weaver, Lauren E - Washington, DC; Weaver, Michael D - Washington, DC; Weidner, Keith E - Washington, DC; Wheeler, Courtney B - Washington, DC; White, Daneisha E - Washington, DC; Whitehead, Nia - Washington, DC; Windmueller, Michelle A - Washington, DC; Woody, Cheryl L - Washington, DC; Wysokinski, Brittany M - Washington, DC; Zomer, Micah T - Washington, DC; Adibisedeh, Sara - San Francisco, CA; Aguilar, Mariana L - Long Beach, CA; Allen, Cynthia R - Memphis, TN; Alvarez, Alison D - Chicago, IL; Apter, Simon M - Seattle, WA; Aukema, Susan E - Denver, CO; Bartholf, Frank M - St Louis, MO; Baskette, Margaret L - Tampa, FL; Beatty, Conny Davinroy - St Louis, MO; Bianchi, Timothy - Denver, CO; Bingenheimer, Katherine A - St Louis, MO; Bjurstrom, Stanford M - St Louis, MO; Black, Austin D - Dallas, TX; Blair, Doris W - Charlotte, NC; Blum, Thomas J - Dallas, TX; Bolden-Diggs, Mary M - Memphis, TN; Bonds, Leigh K - Salt Lake City, UT; Booth, Charles E - Dallas, TX; Bormann, Shelley V - Long Beach, CA; Bosland, Carl C - Washington, DC; Bradley, Yvette K - Dallas, TX; Bray, Wilma M - Denver, CO; Breslin, Jennifer - Philadelphia, PA; Briody, Maureen O - St Louis, MO; Brothers, Hannah C - Chicago, IL; Brown, Shana Y - Long Beach, CA; Burrell, Edith R - Philadelphia, PA; Burton, Eve G - Denver, CO; Bushong, Matthew B - Denver, CO; Campbell-Harris, Erika F - Atlanta, GA; Campion, James E - Philadelphia, PA; Carey, Naomi C - Seattle, WA; Carleton, Daniel C - Philadelphia, PA; Carlile, Christine - Dallas, TX; Carlson, Deborah W - Chicago, IL; Cates, Kimberly K - St. Louis, MO; Cavanaugh, Cheryl A - Seattle, WA; Cervantes, Hermelinda - Long Beach, CA; Cioffi, Barbara H - St. Louis, MO; Colling, James C - Denver, CO; Coney, Steven E - Dallas, TX; Costello, Amy J - Denver, CO; Cotton, Earl L - Atlanta, GA; Crawford, Kathleen D - Chicago, IL; Delvecchio, Patricia - Philadelphia, PA; DeNinno, Sherilyn A - San Diego, CA; Dole, Miriam D - Philadelphia, PA; Dorsey, Mary S - Dallas, TX; Draves, Daren K - San Diego, CA; DuBard, Jaye P - Memphis, TN; Dudley, Renee G - Windsor, CT; Eisenstein, Adam G - Chicago, IL; Elifson, Kelly E - Washington, DC; Embry, Candace D - Landover, MD; Essig, Theresa E - Chicago, IL; Everett, Yvonne - San Francisco, CA; Eves, Roderick D - St. Louis, MO; Ferrera, Isabelle F - Chicago, IL; Fezette, Carrie A - St. Louis, MO; Flick, Andrew M - San Francisco, CA; Friedman, David S - New York, NY; Friedman, James A - Windsor, CT; Fryda, Eric B - Dallas, TX; Gaines, Kim D - Philadelphia, PA; Gann, Traci G - Dallas, TX; Gause, Kevin G - St Louis, MO; Gegen, Theresa M - Dallas, TX; Glass, Jeffrey A - St. Louis, MO; Grant, Helen R - St Louis, MO; Griffith-Lesesne, Ladonna L - Washington, DC; Guerra, Nikolai G - Chicago, IL; Whitley, Jane G - Clearwater, FL; Hansen, Vivienne - San Diego, CA; Harbaugh, Kyle B - St Louis, MO; Hardy, Jason L - Tampa, FL; Harper, Margaret E - Windsor, CT; Harrington, Birgit K - St. Louis, MO; Harris, Angela M - Long Beach, CA; Heininger, Rozann M - St Louis, MO; Hellerud, Julie A - Denver, CO; Henry, Adrian B - Long Beach, CA; Herbst, Kimberly A - St Louis, MO; Hicks, Klara S - Seattle, WA; Hover, Cheryl A - New York, NY; Hudson, La Tonya - Chicago, IL; Hui-Tsang, Marsha M - New York, NY; Humphreys, Deanna M - Dallas, TX; Ingram, Phil - San Diego, CA; Irons, Krista M - New York, NY; Jackson, Amber N - Landover, MD; Jackson, Jason - Long Beach, CA; Jackson, Lisa J; James, Stuart - New York, NY; Janeiro, Jennifer L - Dallas, TX; Jenkins, Nadalynn F - Dallas, TX; John, Elizabeth M - Dallas, TX; Johnstun, Tia A - Salt Lake City, UT; Jones II, Ronald E - Dallas, TX; Jones, Rosa E - Chicago, IL; Kearns, Jennifer A - Washington, DC; Kelly, Kandace - Omaha, NE; Kennish, Tonya L - Denver, CO; Kim, Christin - Philadelphia, PA;

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Kingsbury, Dallas G - Washington, DC; Kupper, David R - St Louis, MO; Stephenson, Rebecca L - Chicago, IL; Brown, Terese M - Roselle, IL; Ladymon, Margaret S - Dallas, TX; Lalor, Carol J - Salt Lake City, UT; Larson, David P - Salt Lake City, UT; Lasalle, Susan L - Dallas, TX; Lashley, Storm P - Landover, MD; Lee, Tanai M - New York, NY; Lee, Tom - Long Beach, CA; Lee-Peel, Brenda - Chicago, IL; Leffler, Carol J - Denver, CO; Levine, Deborah M - Denver, CO; Levine, Kenneth A - New York, NY; Lewis Jr, JC - Dallas, TX; Lietaer, Jessica L - Denver, CO; Lindemann, Jane E - St Louis, MO; Lindsay, Brittany R - Saint Louis, MO; Lisy, Deborah L - Chicago, IL; Little, Julie B - Charlotte, NC; Livingston, Nathan R - St Louis, MO; Locke, Tanisha J - Long Beach, CA; Love, Lorisa M - Chicago, IL; Love-Hobbs, Rachael M - Salt Lake City, UT; Luo, Huimin - San Francisco, CA; Lusty, Kirk C - Salt Lake City, UT; Macneill, Gina M - Philadelphia, PA; Mandernach, Ann E - St Louis, MO; Manta, Mark J - Philadelphia, PA; Mapp, David E - Philadelphia, PA; Marcial, Lisa A - Philadelphia, PA; Markle, Lori L - Philadelphia, PA; Marrero, Javier A - Winter Haven, FL; Marshall, Donna G - Philadelphia, PA; Martinez, Orlando H - Denver, CO; Martinez-Santiago, Xaymara L - St Louis, MO; Mathis, Jeffrey B - Dallas, TX; Mccabe, Suzanne B - Philadelphia, PA; Mcdermott, Heather L - Chicago, IL; Medina, Megan E - Philadelphia, PA; Meek, Catherine V - Long Beach, CA; Meingossner, Robert P - Philadelphia, PA; Merlino, Anthony V - New York, NY; Merritt, Ingrid Y - Windsor, CT; Mihal, Bobbi K - Dallas, TX; Muckle, Patricia A - Denver, CO; Murray, Gwendolyn E - St Louis, MO; New, Sion - Atlanta, GA; Nguyen, Vietlong T - Long Beach, CA; Odom, Brian J - Denver, CO; Osimokun, Brandy A - Washington, DC; Pace, Jennifer C - Denver, CO; Pham, Thao T - Philadelphia, PA; Philbrick, Tammie J - Atlanta, GA; Pizarro, Yolanda M - Philadelphia, PA; Porter, Felica B - Atlanta, GA; Potanos, Thea E - Denver, CO; Price, Roberta - St Louis, MO; Provoda, Wendy I - Windsor, CT; Ra, Jocelyn J - Long Beach, CA; Rae, Donneve S - Denver, CO - Contractor; Rahe, Brenda L - St Louis, MO; Ramsay, Jane - Dallas, TX; Randenberg, Corey J - San Diego, CA; Rauch, Suzanne E - Denver, CO; Reed, James M - Tampa, FL; Ribreau, Greg A - Charlotte, NC; Rice, Anthony T - Windsor, CT; Richards, Brittany P - St. Louis, MO; Rivera, Alexander R - Denver, CO; Robison, Isabel M - Dallas, TX; Rodriguez, Luis O - Philadelphia, PA; Rogers, A Elaine - Windsor, CT; Romig, Melissa A - Dallas, TX; Rosen, Edith S - Tampa, FL; Rosen, Maryl R - Chicago, IL; Rowe, Leslie L - New York, NY; Roxas, Arthur G - St Louis, MO; Rutter, Monique L - San Francisco, CA; Saliba, Richard G - Dallas, TX; Salvon, Michael R - Windsor, CT; Samonte, Alvin S - San Francisco, CA; Schmidt, Samuel J - Salt Lake City, UT; Schwartzman, Steven B - Seattle, WA; Shaver, Meghan E - St. Louis, MO; Sheldon, Jeffrey L - Tampa, FL; Silverman, David D - Philadelphia, PA; Simon-Pearson, Rebecca L - Long Beach, CA; Skahan, Michael R - Dallas, TX; Skoglund, Jacqui - St Louis, MO; Sloan, Heather R - Chicago, IL; Smart, Ezell - Saint Louis, MO; Smith, Brenda M - Philadelphia, PA; Snyder, Shauna M - St Louis, MO; Soderstrum, Brenton D - Landover, MD; Solomon, Nathan T - St Louis, MO; Soto Arocho, Javier - St Louis, MO; Spector, Donald M - New York, NY; Stellabotte, James R - Philadelphia, PA; Strouse Gasser, Idala H - Chicago, IL; Sykes, Gwen M - Memphis, TN; Tadlock, Dynelle M - San Diego, CA; Taylor, Diane L - Windsor, CT; Taylor, Heather L - Washington, DC; Telfer, Jeanine M - Long Beach, CA; Thompson, Joy D - Denver, CO; Thompson, Sineta D - Washington, DC; Tita, Michael R - Salt Lake City, UT; Torrez, Graciela M - Dallas, TX; Traverse, Kathy L - Memphis, TN; Tucker, Valerie L - San Diego, CA; Tyburski, Jean E - Windsor, CT; Varela, Mark A - St. Louis, MO; Varszegi, Melinda A - Salt Lake City, UT; Vicini, Donald J - Dallas, TX; Villegas, Jessica - San Francisco, CA; Walker, Steven - Dallas, TX; Walsh, Colette A - New York, NY; Walsh, Kristen L - Atlanta, GA; Warner, Linda L - Tampa, FL; Webster, Kevin W - Windsor, CT; White, Teresa F - St Louis, MO; Wiedemann-Hudson, Wendy - St Louis, MO; Wilson, Mark F - San Francisco, CA; Winsco, Victoria - Atlanta, GA; Winslow, Deborah C - San Francisco, CA; Witherspoon, Tanya L - Philadelphia, PA; Wolf, Paul C - Dallas, TX; Wu, Dennis W - San Francisco, CA; Yang, Xinyu - Dallas, TX; Zadina, Christopher W - Chicago, IL; Zielinski, Scott L - Seattle, WA

Subject: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.
Date: Wednesday, May 6, 2020 7:49:21 PM
Attachments: Business Letter on USPS Relief to Congressional Leaders - 4-30-20.pdf
2020 05 05 Letter to McCarthy_McConnell_Mnuchin.pdf

(b)(5)

-Tom

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Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Image

UNITED STATES CONGRESS

FOR IMMEDIATE RELEASE
Apr. 30, 2020

Contacts:
Aryele Bradford (Maloney): (202) 226-5181
Jamie Smith (Connolly): (202) 309-8359
Kevin Fogarty (King): (202) 225-3062

Maloney, Connolly, and King to Hold Press Conference on Launch of Bipartisan "Postal Preservation Caucus"

Members to Discuss Legislation to Save the Postal Service

Washington, D.C. (April 30, 2020)—Today, Rep. Carolyn B. Maloney, the Chairwoman of the Committee on Oversight and Reform, Rep. Gerald E. Connolly, the Chairman of the Subcommittee on Government Operations, Rep. Peter King, the Ranking Member of the House Committee on Homeland Security's Emergency Preparedness Subcommittee, will hold a telephone press conference to announce the launch of the bipartisan "Postal Preservation Caucus" to urge House and Senate leadership to provide emergency funding to save the Postal Service.

Due to the coronavirus crisis, the Postal Service estimates revenue losses of $13 billion by the end of this fiscal year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus would be $54 billion

WHO: Reps. Maloney, Connolly, King

WHAT: Press Conference to Save the Postal Service

WHEN: Thursday, April 30, 2020 at 3:00 PM

Media please RSVP to OversightPress@mail.house.gov by 1:00 PM today for dial-in information. Please also provide the number from which you will be calling.

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Cosponsor H.R. 6425: The Protect Our Post Offices Act

Cosponsors (70): Reps. Adams, Axne, Beatty, Blumenauer, Blunt Rochester, Bonamici, Boyle, Brownley, Carbajal, Castor, Chu, Cicilline, Clark, Cleaver, Cohen, Costa, Courtney, Dean, DeGette, DelBene, Dingell, Doyle, Escobar, Evans, Gabbard, Garamendi, Garcia (IL), Garcia (TX),Vicente Gonzalez, Grijalva, Haaland, Hastings, Hayes, Heck, Higgins, Horsford, Holmes Norton, Johnson (GA), Kaptur, Keating, Kind, Krishnamoorthi, Langevin, Lee (CA), Lowenthal, Malinowski, McGovern, Meeks, Moulton, Murphy, Omar, Panetta, Pappas, Perlmutter, Peters (CA), Phillips, Pingree, Pocan, Raskin, Ryan, Schiff, Scott (GA), Sewell, Sires, Smith (WA), Swalwell, Takano, Underwood, Wild, Wilson (TX)

Supported by: The National Association of Postal Supervisors, The Association of United States Postal Lessors

Dear Colleague,

In this time of crisis, the United States Postal Service is more important than ever. Please join me by cosponsoring **H.R. 6425, The Protect Our Post Offices Act,** a bill to provide emergency funding for the U.S. Postal Service**.** For particularly vulnerable individuals, the postal service may be the only way they can receive medications or other critical documents right now. Yet, without assistance from the federal government, this typically self-funding agency may not be able to sustain itself much longer.

The Protect Our Post Offices Act would allocate **$25 billion** in emergency appropriations to the United States Postal Service. These funds can be used by USPS to make up lost revenue, purchase and provide PPE for front-line postal workers, and other purposes that are necessary to support continuing services for USPS.

The USPS employs 620,000 workers, and provides critical services such as delivering prescriptions, the 2020 Census, and mail-in ballots in addition to regular mail delivery. These services become even more crucial in the time of a global pandemic that has greatly limited in-person contact.

Unfortunately, the pandemic has also accelerated financial problems USPS already faced. Officials have warned that because of the decrease in mail volumes, the Postal Service may run out of funding as soon as June of this year.

USPS estimates a net loss of $22 billion over the next eighteen months, and over $54 billion in the long term, as a result of this pandemic. We must protect our constituents and local postal workers by ensuring the postal service can continue to provide on-time mail delivery and protect front-line workers during the COVID-19 pandemic.

Please join me in ensuring thousands of postal employees can continue to provide us with

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essential services during this pandemic and provide emergency funding for USPS.

To become a cosponsor or for more information, please contact Abbie Callahan.

Sincerely,

Joe Neguse

Member of Congress

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From: Marshall, Thomas J - Washington, DC
To: Walk, John EOP/WHO; Doty, George E. III EOP/WHO
Subject: Contact Information Regarding COVID-19/Coronavirus
Date: Monday, March 2, 2020 12:38:06 PM

SENSITIVE COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

John or Jed,

(b)(5)

Best regards,

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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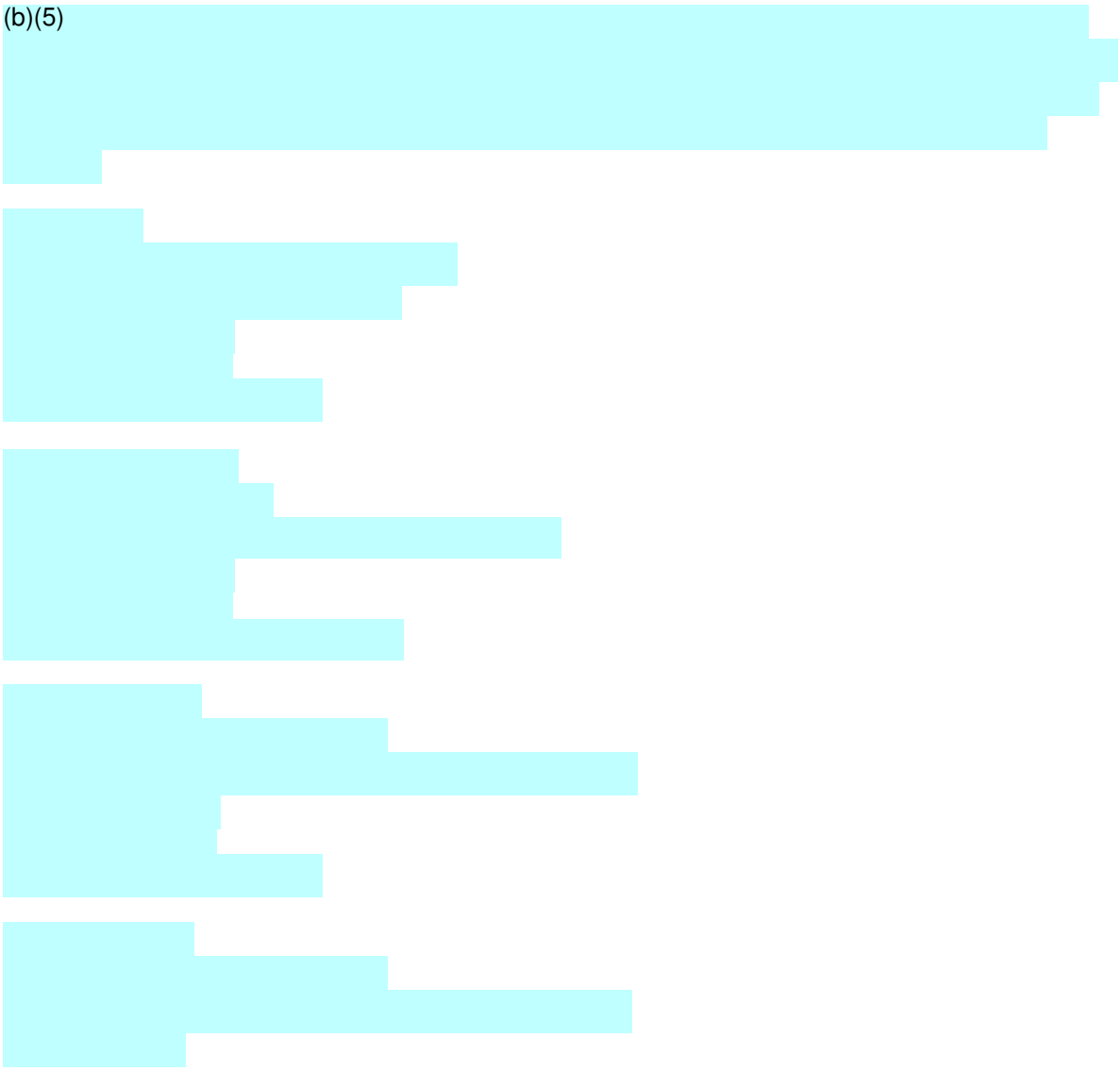
From: Marshall, Thomas J - Washington, DC
To: Calamoneri, Kevin A - Washington, DC; Bartholf, Frank M - St Louis, MO; Ellis, David B - Washington, DC
Cc: Brennan, Megan J - Washington, DC; Pangilinan, Regina K - Washington, DC
Subject: COVID-19
Date: Tuesday, March 10, 2020 10:31:14 AM

(b)(5)



-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC
Subject: Current Status of the Draft Op-Ed
Date: Sunday, April 26, 2020 10:02:43 AM
Attachments: Draft Op-Ed (003) (003) jm3.docx

Janice, to keep you in the loop, attached is (b)(5)

-Tom

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Non-responsive record

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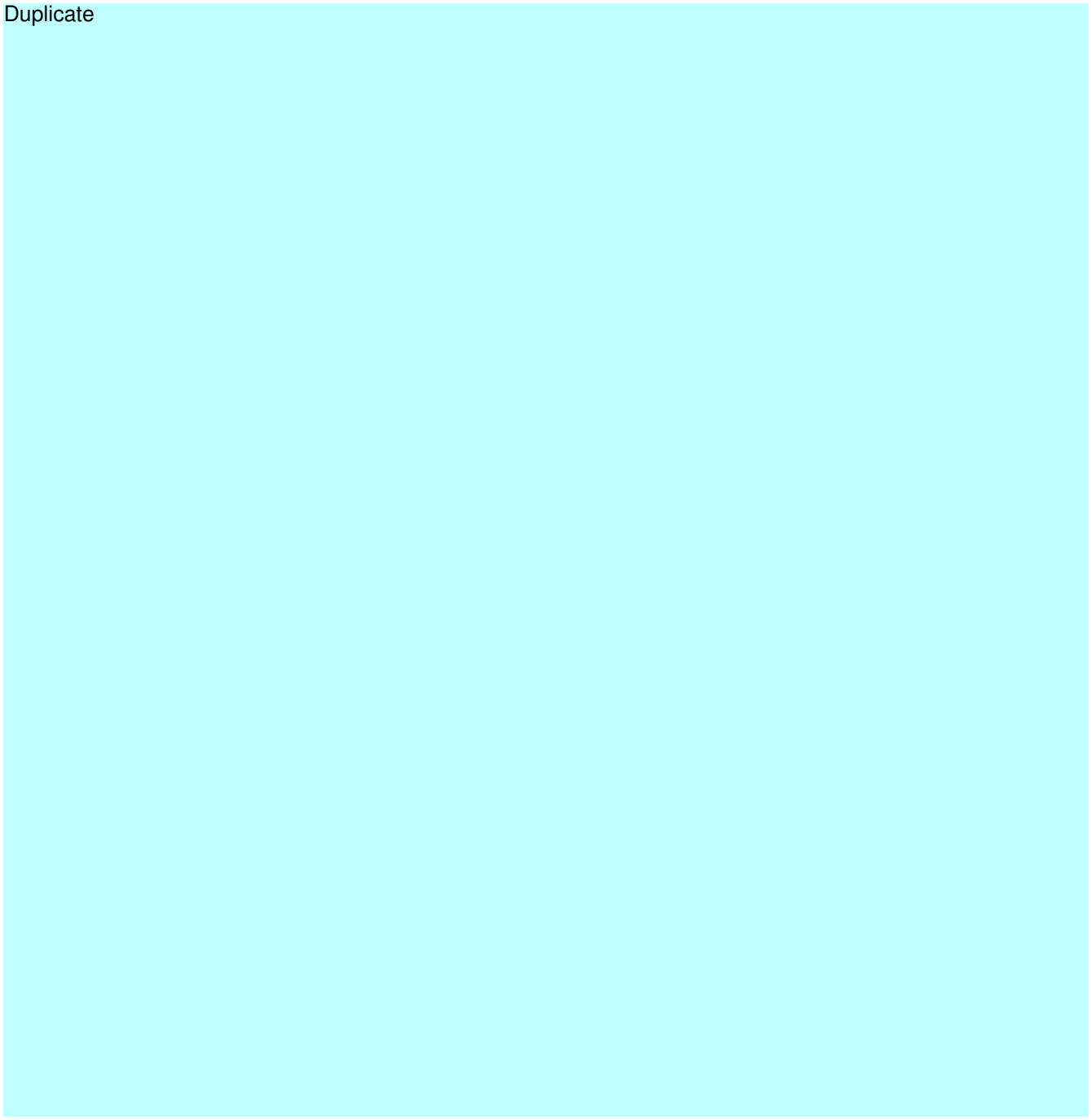

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From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC; Calamoneri, Kevin A - Washington, DC; Bonanno, Natalie A - Washington, DC
Subject:	Draft Message to our staff
Date:	Friday, May 8, 2020 3:55:33 PM
Attachments:	2020-04-01 Mission Statement.pdf DRAFT - PMG May 2020 Open Session Script v6.docx

Guys, (b)(5)

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Elston, Michael J - Washington, DC; Jim Morrell
Subject:	Draft WSJ Op-Ed from the PMG
Date:	Friday, April 24, 2020 7:25:28 PM
Attachments:	Draft Op-Ed (003).docx

Mike, and Jim, (b)(5)

Talk to you both soon.

-Tom

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Elston, Michael J - Washington, DC
Cc:	Brennan, Megan J - Washington, DC; Weidner, Keith E - Washington, DC
Subject:	Essential Service/Critical Infrastructure Talking Points
Date:	Monday, March 23, 2020 3:58:00 PM
Attachments:	PMEF Talking Points.docx

Mike, (b)(5)

Let us know if you have any questions or concerns.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Elston, Michael J - Washington, DC
Cc:	Brennan, Megan J - Washington, DC
Subject:	FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date:	Friday, April 24, 2020 2:40:58 PM
Attachments:	Draft Op-Ed (003).docx
Importance:	High

Mike, fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Friday, April 24, 2020 2:41:31 PM
Attachments: Draft Op-Ed (003).docx
Importance: High

Fyi, as discussed.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 24, 2020 2:41 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Importance: High

Mike, fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Calamoneri, Kevin A - Washington, DC
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Friday, April 24, 2020 2:46:16 PM
Attachments: Draft Op-Ed (003).docx
Importance: High

Fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 24, 2020 2:41 PM
To: Elston, Michael J - Washington, DC <(b)(3), (b)(6), 410(c)(2) >
Cc: Brennan, Megan J - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Importance: High

Mike, fyi. (b)(5)(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

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Duplicate

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From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC; Calamoneri, Kevin A - Washington, DC
Subject:	FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date:	Friday, April 24, 2020 6:02:36 PM
Attachments:	Draft Op-Ed (003).docx Draft Op-Ed (003).docx
Importance:	High

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 24, 2020 6:01 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Importance: High

Megan, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 24, 2020 2:41 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Importance: High

Mike, fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Wednesday, April 29, 2020 6:51:11 PM
Attachments: Draft Op-Ed (003).docx

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 21, 2020 8:28 PM
To: 'Roman Martinez IV' (b)(6)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

Thanks Governor Martinez, and (b)(5)

Have a good evening.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Roman Martinez IV (b)(6)
Sent: Tuesday, April 21, 2020 8:22 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Tom,
I(b)(5)

Best,
Roman

Sent from my iPhone

> On Apr 21, 2020, at 7:19 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:
>
> Governor Martinez, I(b)(5)
>
> -Tom

AMERICAN OVERSIGHT

>
> Thomas J. Marshall
> General Counsel and Executive Vice President United States Postal
> Service
>
>
> -----Original Message-----
> From: Marshall, Thomas J - Washington, DC
> Sent: Monday, April 20, 2020 6:15 PM
> To: 'John Barger' (b)(6) ; 'Ron Bloom'
> (b)(6) ; 'Robert Mike Duncan' (b)(6)
> 'Roman Martinez IV' (b)(6) ; 'David C. Williams'
(b)(6) Brennan, Megan J - Washington, DC
> (b)(6), (b)(3), 410(c)(2)
> Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
> 'Jim Morrell' (b)(6) >
> Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal
> Service | The American Spectator
>
> ATTORNEY-CLIENT COMMUNICATION
> PRIVILEGED AND CONFIDENTIAL
>
> Governor Barger,
>
> (b)(5)

>
> -Tom
>
> Thomas J. Marshall
> General Counsel and Executive Vice President United States Postal
> Service
>
>
> -----Original Message-----
> From: Marshall, Thomas J - Washington, DC
> Sent: Sunday, April 19, 2020 12:08 PM
> To: John Barger (b)(6) ; Ron Bloom
> (b)(6) ; Robert Mike Duncan (b)(6)
> Roman Martinez IV (b)(6) David C. Williams
(b)(6) Brennan, Megan J - Washington, DC
> (b)(6), (b)(3), 410(c)(2)
> Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
> Jim Morrell (b)(6)
> Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal
> Service | The American Spectator
>
> Governor Barger, (b)(5)

AMERICAN OVERSIGHT

(b)(5)

>
> -----Original Message-----
> From: John Barger [(b)(6)
> Sent: Sunday, April 19, 2020 9:57 AM
> To: Ron Bloom (b)(6) ; Robert Mike Duncan
>(b)(6) ; John Barger (b)(6)
> Roman Martinez IV (b)(6) David C. Williams
>(b)(6) Marshall, Thomas J - Washington, DC
> (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC
> (b)(6), (b)(3), 410(c)(2)
> Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
> Jim Morrell (b)(6)
> Subject: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service
> | The American Spectator
>
> CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
>
> (b)(5)

>
>
> John M. Barger
> Managing Director
> www.northerncrosspartners.com
>
>
> Please excuse typos, courtesy of iPhone keyboard, oversized thumbs,
> aggressive Apple algorithms <Draft Op-Ed (003).docx> <Draft Op-Ed
> (003).docx>

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Tuesday, April 21, 2020 8:28:38 PM
Attachments: Draft Op-Ed (003).docx

Fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 21, 2020 8:28 PM
To: 'Roman Martinez IV' (b)(6)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

(b)(5)

Have a good evening.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Roman Martinez IV [(b)(6)
Sent: Tuesday, April 21, 2020 8:22 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

Tom,
(b)(5)
(b)(5)
Best,
Roman

Sent from my iPhone

Duplicate

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: COVID-19 Bill Summary & Proposed Technical Assistance
Date: Monday, March 23, 2020 8:55:10 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Duplicate

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC
Cc: Elston, Michael J - Washington, DC; Selde, Jennifer L - Washington, DC
Subject: FW: COVID-19 Bill Summary & Proposed Technical Assistance
Date: Tuesday, March 24, 2020 11:57:26 AM
Attachments: OLL20305 - TA (5).docx
Importance: High

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, March 24, 2020 11:20 AM
To: 'M. -Mike- Duncan Robert' (b)(6) ; 'David Williams (b)(6)
(b)(6) ; 'John Barger (b)(6)
(b)(6) 'Bloom, Ron' (b)(6) >; 'Roman Martinez IV
(b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: COVID-19 Bill Summary & Proposed Technical Assistance
Importance: High

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: COVID-19 Bill Summary & Proposed Technical Assistance
Date: Wednesday, March 25, 2020 8:54:16 PM
Attachments: OLL20305 - TA (5).docx
Importance: High

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, March 24, 2020 11:20 AM
To: 'M. -Mike- Duncan Robert' (b)(6) >; 'David Williams ((b)(6))'
<(b)(6) >; 'John Barger ((b)(6) '
(b)(6) >; 'Bloom, Ron' (b)(6) >; 'Roman Martinez IV
(b)(6) (b)(6)
Cc: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Stroman, Ronald A - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: RE: COVID-19 Bill Summary & Proposed Technical Assistance
Importance: High

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, March 23, 2020 4:30 PM
To: 'M. -Mike- Duncan Robert' (b)(6) >; David Williams
(b)(6))
(b)(6) John Barger
(b)(6) >)
(b)(6) com>>; Bloom, Ron
(b)(6) >; Roman Martinez IV
(b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

Subject: COVID-19 Bill Summary & Proposed Technical Assistance

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Corbett, Joseph - Washington, DC
Subject: FW: COVID-19 Bill Summary & Proposed Technical Assistance
Date: Monday, March 23, 2020 8:07:07 PM
Attachments: 2020-03-23 COVID-19 bill USPS summary (2).docx
2020-03-23 COVID-19 bill USPS TA (3)-dcb CLEAN.DOCX

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Critical Infrastructure
Date: Thursday, March 26, 2020 7:35:48 PM
Attachments: COVID19 Letter 3-20-2020 - Law Department Revision.doc
Industry Essential Letter v3.doc
Critical Infrastructure ltr. (002).pdf
2020 03 23 Marshall to Bonner re Essential Public Service Provided by th....pdf
USPS Operational Memo 31920.docx
2020 03-26 FINAL Letter re Providing Essential Services.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, March 26, 2020 1:55 PM
To: 'M. -Mike- Duncan Robert' <(b)(6) >; 'David Williams (b)(6) '
(b)(6) >; 'John Barger (b)(6)
(b)(6) ; 'Bloom, Ron' (b)(6) ; 'Roman Martinez IV
(b)(6)
Cc: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Critical Infrastructure

Governors,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, March 23, 2020 3:09 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;

AMERICAN OVERSIGHT

Stavely, Rhonda J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: FW: Critical Infrastructure

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, March 23, 2020 1:28 PM
To: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Mendonca,
Pat - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stavely, Rhonda J -
Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) ;
Brownlie, Caroline R - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: FW: Critical Infrastructure

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, March 21, 2020 12:18 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Mendonca,
Pat - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Brownlie, Caroline R - Washington, DC
(b)(6), (b)(3), 410(c)(2) gov>>
Subject: FW: Critical Infrastructure

Megan, (b)(5)

-Tom

From: Marshall, Thomas J - Washington, DC
Sent: Friday, March 20, 2020 11:54 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Brownlie, Caroline R - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC
(b)(6), (b)(3), 410(c)(2) gov>>; Mendonca, Pat - Washington, DC
(b)(6), (b)(3), 410(c)(2) >
Subject: Critical Infrastructure

Megan, (b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Stroman, Ronald A - Washington, DC; Cronkhite, Isaac S - Washington, DC; Storey, Simon M - Washington, DC
Cc:	Brennan, Megan J - Washington, DC; Weidner, Keith E - Washington, DC; Ellis, David B - Washington, DC; Stavely, Rhonda J - Washington, DC
Subject:	FW: Letters for Governoer/Mayors, and to All Members, and to Postal Executives
Date:	Wednesday, April 1, 2020 5:36:30 PM
Attachments:	DRAFT - PMG Letter to States Localities_v2.docx DRAFT - PMG Letter to Congress re COVID-19 v10.docx Postal Leadership Team Letter (002).docx

All, (b)(5)

Megan, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 29, 2020 4:10 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Letters for Governoer/Mayors, and to All Members

Megan and Kristin, (b)(5)

-Tom

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From: Marshall, Thomas J - Washington, DC
To: Seaver, Kristin A - Washington, DC; Cronkhite, Isaac S - Washington, DC
Subject: FW: Letters for Governoer/Mayors, and to All Members
Date: Friday, April 10, 2020 10:14:05 AM
Attachments: DRAFT - PMG Letter to States Localities_v2.docx
DRAFT - PMG Letter to Congress re COVID-19 v10.docx

Kristin, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 29, 2020 4:10 PM
To: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Letters for Governoer/Mayors, and to All Members

Megan and Kristin, (b)(5)

-Tom

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Stavely, Rhonda J - Washington, DC; Latham, Sandra R - Washington, DC
Cc:	Seaver, Kristin A - Washington, DC; Weidner, Keith E - Washington, DC
Subject:	FW: Letters for Governoer/Mayors, and to All Members
Date:	Friday, April 10, 2020 10:19:10 AM
Attachments:	DRAFT - PMG Letter to States Localities_v2.docx DRAFT - PMG Letter to Congress re COVID-19 v10.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 29, 2020 4:10 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: Letters for Governoer/Mayors, and to All Members

Megan and Kristin, (b)(5)

.

-Tom

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From: Marshall, Thomas J - Washington, DC
To: Barger/NorthernCrossPartners
Subject: FW: Mission Statement and Related Items
Date: Friday, May 8, 2020 8:26:46 PM
Attachments: 2020-04-01 Mission Statement.pdf
DRAFT - PMG May 2020 Open Session Script v6.docx
BOG press release PMG appointment Final.docx

Governor Barger,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

Gang,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

[redacted]

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: FW: Mission Statement and Related Items
Date: Friday, May 8, 2020 8:29:20 PM
Attachments: 2020-04-01 Mission Statement.pdf
DRAFT - PMG May 2020 Open Session Script v6.docx
BOG press release PMG appointment Final.docx

Mike, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

Gang,

(b)(5)

AMERICAN OVERSIGHT

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC
Subject:	FW: Mission Statement and Related Items
Date:	Saturday, May 9, 2020 3:45:56 PM
Attachments:	2020-04-01 Mission Statement.pdf DRAFT - PMG May 2020 Open Session Script v6.docx BOG press release PMG appointment Final.docx

(b) (5)

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:21 PM
To: Brennan, Megan J - Washington, DC (b) (6), (b) (3), 410(c)(2)
Subject: FW: Mission Statement and Related Items

(b) (5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

Gang,

(b) (5)

AMERICAN OVERSIGHT

(b) (5)

[redacted]

[redacted]

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Mission Statement and Related Items
Date: Saturday, May 9, 2020 3:46:41 PM
Attachments: 2020-04-01 Mission Statement.pdf
DRAFT - PMG May 2020 Open Session Script v6.docx
BOG press release PMG appointment Final.docx

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 8:27 PM
To: 'Barger/NorthernCrossPartners' (b)(6)
Subject: FW: Mission Statement and Related Items

Governor Barger,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

Gang,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: FW: Mission Statement and Related Items
Date: Sunday, May 10, 2020 8:23:52 PM

Mike, (b)

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, May 10, 2020 8:23 PM
To: ALL
Subject: RE: Mission Statement and Related Items

(b)
(5)

[redacted]

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

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(b)
(5)

[redacted]

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Mission Statement and Related Items
Date: Sunday, May 10, 2020 8:25:27 PM

Megan, (b)

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, May 10, 2020 8:23 PM
To: ALL
Subject: RE: Mission Statement and Related Items

(b)
(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

AMERICAN OVERSIGHT

Gang,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Mission Statement and Related Items
Date: Friday, May 8, 2020 6:21:29 PM
Attachments: 2020-04-01 Mission Statement.pdf
DRAFT - PMG May 2020 Open Session Script v6.docx
BOG press release PMG appointment Final.docx

Megan, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

Gang,

(b)(5)

(b)(5)

-Tom

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Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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Coronavirus Is Threatening One of Government's Most Ubiquitous Services: The Mail.

The Postal Service needs billions to continue funding its operations and make other payments, the agency told lawmakers.

By Nicholas Fandos<https://www.nytimes.com/by/nicholas-fandos> and Jim Tankersley<https://www.nytimes.com/by/jim-tankersley>

* April 9, 2020, 2:16 p.m. ET

*

WASHINGTON - The coronavirus pandemic is ravaging the United States Postal Service, with mail volume down by nearly a third already compared to same time last year and dropping quickly, as businesses drastically cut back on solicitations, advertisements and all kinds of letters that make up the bulk of mail service's bottom line.

The falloff comes even as package delivery has surged - but not by nearly enough to offset the losses from mail volume.

The result, the Postal Service told Congress on Thursday, is a multibillion-dollar financial shortfall that could cause one of the government's oldest and most reliable entities to run out of cash by the end of September and throw regular delivery into doubt at a time when Americans may still be trapped at home.

Megan J. Brennan, the postmaster general, told lawmakers on the House Oversight and Reform Committee on Thursday that the agency believed it would need $25 billion in federal grants to cover lost revenue from the pandemic, plus an additional $25 billion to update aging infrastructure. Another $14 billion is needed to pay off long-term debt related to the Postal Service's retirement benefits program along with $25 billion in unrestricted borrowing authority to weather the rapidly unfolding crisis, she said, according to officials familiar with the information she shared privately, who described it on condition of anonymity.

Even with an increase in online shopping and package delivery to Americans cooped up at home, the agency could see a 50-percent reduction in total mail volume by the end of June, compared to the same period last year, Ms. Brennan told the lawmakers. Postal officials fear a sizable portion of that lost mail may never return.

In total, the Postal Service anticipates losing $13 billion in revenue this fiscal year because of the pandemic and another $54 billion in losses over 10 years.

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"They are chilling numbers," said Representative Gerald E. Connolly, Democrat of Virginia, who leads the House subcommittee responsible for the Postal Service. "The reaction of a lot of my colleagues - their jaws were dropping. It is one thing to say the Postal Service is suffering. It is another to hear these specifics."

As Congress spends trillions of dollars to try to save private businesses with loans and grants, the Postal Service has emerged as an unusual sticking point, bogged down by a long-running debate over its future. The agency does not normally use taxpayer money, but has struggled in recent years under mounting debt.

House Democrats are ready to give the Postal Service most of what it is asking for. But President Trump has so far rejected direct relief, repeatedly saying the Postal Service could solve its own woes simply by raising prices on packages delivered for big online retailers like Amazon.

Steven Mnuchin, the Treasury secretary, squashed a bipartisan attempt to send the agency emergency funds last month, insisting instead that his department be given new authority to lend up to $10 billion to the Postal Service on terms it helps set, other officials familiar with the negotiations said.

Ms. Brennan told lawmakers on Thursday that the agency was already in talks with the Treasury about the potential loan, but its revenue predictions suggest that money would not be enough if the crisis continues.

For now, the mail service, which operates under government-mandated service requirements, has continued uninterrupted. Even as scores of its more than 600,000 person work force have fallen ill and some have died, mail sorters and carriers have continued to walk their routes in every corner of the country, <https://www.nytimes.com/2020/03/23/us/coronavirus-post-office-workers.html> in many cases the only physical lifeline Americans now have to the outside world. They deliver medicines, election ballots, coronavirus test kits and packages ordered online.

But the administration's position has fanned fears among some lawmakers, postal union representatives and others who rely on the service that Trump administration officials are willing to let the postal network essentially go bankrupt to force its leaders to accept an overhaul to the postal business model that many conservatives have long sought - one that could limit delivery service and aid commercial competitors like FedEx and UPS.

In a statement to The New York Times, Ms. Brennan said the Postal Service was "at a critical juncture," quickly losing revenue because demand for its most profitable postal products was "plummeting as a result of the pandemic."

"At a time when America needs the Postal Service more than ever, the reason we are so needed is having a devastating effect on our business," she said. "The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover."

She called on Congress to "shore up the finances of the Postal Service, and enable us to continue to fulfill our indispensable role during the pandemic, and to play an effective role in the nation's economic recovery."

Negotiators on Capitol Hill had reached a tentative deal last month to provide the Postal Service around $13 billion dollars in direct relief as part of the $2 trillion CARES Act. The figure would have been far below a proposal by House Democrats, but it had the buy-in of a key Republican negotiator: Senator Ron Johnson of Wisconsin, the chairman of the Senate Homeland Security and Governmental Affairs Committee, according to the officials familiar with the talks, where were not authorized to publicly discuss them.

But Mr. Mnuchin said the administration would not have it. The Treasury secretary told lawmakers that a direct infusion of cash was a non-starter, and advocated instead for creating the $10 billion in new lending authority.

Department officials did not respond to a request to comment Thursday on postal issues.

Mr. Connolly said Thursday that he would recommend House leadership promptly back the new, higher figures presented by the Postal Service.

"We weren't shooting for the moon. We weren't solving all the problems. We were just trying to get them through," Mr. Connolly said. "The question is, will the Republicans join us?

Some Republican lawmakers remain open to direct cash payments, as well, under certain circumstances.

Historically, the Postal Service has counted on strong support from Republicans representing rural districts, where their service is a lifeline to homes and small businesses. But it is unclear if they would allocate the funds without imposing reform requirements on the agency or if they are willing to overpower Mr. Mnuchin and the White House.

An independent executive agency, the Postal Service has not taken federal funding in decades, running instead off revenue raised from stamps and other postal products. But since the 2008 financial crisis, it has struggled to stay in the black, weighed down largely by a congressional mandate to pre-fund its retirement benefits programs.

The agency has stopped making those payments in recent years, running up billions of dollars in debt, while its mail delivery business has otherwise remained profitable. Lawmakers in both parties have proposed overhauls to the service along the way, but none have stuck.

The postal unions and Democrats fear that the Trump administration is now trying to take advantage of the coronavirus crisis to push through a long-sought overhaul<https://www.nytimes.com/2018/12/04/us/politics/trump-amazon-post-office.html> of the Postal Service that would benefit private package carriers and eliminate certain

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costly rural delivery routes.
Mr. Trump has frequently criticized the service for not charging higher prices to deliver packages for large online retailers like Amazon - a company he has sometimes singled out<https://www.nytimes.com/2018/04/12/us/politics/trump-postal-service-amazon.html?action=click&module=RelatedCoverage&pgtype=Article®ion=Footer> in his Twitter tirades on postal issues. Aides have said the president's criticisms often followed critical stories about his administration published by the Washington Post, which is owned by Amazon founder Jeff Bezos.
He repeated the criticism this week, as he appeared to reject calls for a cash bailout. Asked about Mr. Connolly's proposal, he said the congressman should focus instead on raising package delivery prices.
"Tell your Democrat friend that he ought to focus on that, because if he focused on that, he could truly save the Post Office," the president said.
Mr. Trump ordered a review of the Postal Service and its pricing policies in 2018. His administration published the review<https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf> in December of that year. Its recommendations included steps that could reduce the frequency of mail delivery and increases in the prices of sending some packages. Online retailers criticized the recommendations, which they said could particularly hurt rural customers.
The report did not spur any action in Congress last year. But a longtime congressional advocate of changes to the service, Mark Meadows of North Carolina, recently took over as Mr. Trump's chief of staff. Critics of the report fear the White House could be trying to use the pandemic as another opening.
"At the end of the day, they have an agenda," said Mark Dimondstein, the president of the American Postal Workers Union, which represents 200,000 postal workers. "Raise prices, reduce worker benefits, and reduce services, make it appear more profitable and set it up for sale."
"The Covid crisis should not be used to achieve political aims," he added.
A lobbying group on postal issues that includes Amazon and other online retailers, the Package Coalition, raised concerns this week that the strings Treasury officials might attach to postal loans could raise prices during a pandemic that has made Americans more dependent on package delivery.
"The Treasury has the Postal Service over a $10-billion barrel, and the Postal Service is on the brink of bankruptcy," said the coalition's chairman, the former Army secretary John M. McHugh. "What do you do? We're worried they'll accept the terms."

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Our Discussion Yesterday
Date: Wednesday, April 29, 2020 6:48:48 PM
Attachments: DRAFT - Govs Letter to Congressional Leadership v1.docx
DRAFT - White Paper to Congressional Leadership v1 (002) (005) (002).docx

---

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 20, 2020 1:01 PM
To: 'John Barger' (b)(6)
Subject: Our Discussion Yesterday

ATTORNEY-CLIENT COMMUNICATION
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Governor Barger,

(b)(5)

-Tom

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Our Discussion Yesterday
Date: Wednesday, April 29, 2020 6:43:04 PM
Attachments: DRAFT - Govs Letter to Congressional Leadership v1.docx
DRAFT - White Paper to Congressional Leadership v1 (002) (005) (002).docx

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 20, 2020 1:01 PM
To: 'John Barger' (b)(6)
Subject: Our Discussion Yesterday

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governor Barger,

(b)(5)

-Tom

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Passantino, Stefan (59582)
Cc: (b)(6) ; Rick Hohlt; Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC; Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election
Date: Sunday, May 10, 2020 8:05:51 PM
Attachments: 2020 05-08 vote-by-mail letter - Legal Strategy draft CLEAN.DOCX

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

(b)(5)

-Tom

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, May 10, 2020 5:35 PM
To: (b)(6) ; 'Rick Hohlt' (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410c2 Elston, Michael J - Washington, DC (b)(6), (b)(3), 410c2 ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410c2
Subject: RE: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

(b)(5)

-Tom

From: Rick Hohlt (b)(6)
Sent: Friday, May 8, 2020 3:29 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410c2
Cc: (b)(6) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410c2 (b)(6) >
Subject: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General

AMERICAN OVERSIGHT

Election

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC
Subject:	FW: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election
Date:	Friday, May 8, 2020 5:01:14 PM
Attachments:	1. 2020 General Election-Earliest Date Absentee Ballots can be mailed ou....docx 2. 2020 General Election- Alphabetical by State-list of when absentee ba....docx

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b) (6)]
Sent: Friday, May 8, 2020 3:29 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b) (6) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; (b) (6)
Subject: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Brownlie, Caroline R - Washington, DC; Belt, David C - Washington, DC
Subject: FW: [EXTERNAL] : STATE ABSENTEE VOTING info since our call
Date: Monday, May 4, 2020 7:33:47 PM

Keith, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b)(6)
Sent: Monday, May 4, 2020 1:33 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6)
Subject: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Brownlie, Caroline R - Washington, DC; Belt, David C - Washington, DC
Subject: FW: [EXTERNAL] : STATE ABSENTEE VOTING info since our call
Date: Monday, May 4, 2020 7:33:50 PM

Keith, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt [(b)(6)]
Sent: Monday, May 4, 2020 1:33 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6)
Subject: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

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From: Marshall, Thomas J - Washington, DC
To: Donnellan, Joyce A - Washington, DC
Subject: FW: [EXTERNAL] Axios Alerts: White House debated halting travel from South Korea, Italy
Date: Tuesday, March 10, 2020 2:53:23 PM

(b)(6)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Axios [mailto:newsletter@axios.com]
Sent: Tuesday, March 10, 2020 1:29 PM
To: Marshall, Thomas J - Washington, DC
Subject: [EXTERNAL] Axios Alerts: White House debated halting travel from South Korea, Italy

[Axios Logo] Alerts[https://link.axios.com/img/3fa084ece2276277098b45b4bpq7n.hd/cf712f28.gif]<https://link.axios.com/click/19676147.409/aHR0cDovL3d3dy5heGlvcy5jb20_dXRtX3NvdXJjZT1JbHJ3YqdC21vWk5kaXVtPWJsYWlsdnV0bV3QlV3Wlm3WJhdnJ1bGG3ydHNfd29yZGG3Sb4Hkece2276277098b45b4bc785271c>

[https://static.axios.com/img-email/generic-author-2x.png]

Axios

White House debated halting travel from South Korea, Italy

Why it matters: Senior Trump administration officials ultimately decided against the move because they believe the coronavirus is spreading too quickly to be contained.

[Read on Axios]
<https://link.axios.com/click/19676147.409/aHR0cHM6Ly93d3cuYXhpb3MuY29tL3dteXRLWbvdXNILWRlYmf0ZWQuGFudGluZy10cmF2ZWwtZnJvbS1rb3V0aC1rb3JlYS1pdGFseS1hbWlkLWNvcm9uYXZpcnVzLTA2ZDA3Ngrxl.WMwMDgtNDE4YS1iNDA0LTg5ZDNhMTI1NDg4Mc5cdG1wPSN0cmVtbT13b3JrZC1dG16c291cmNlPWFvZXJlbnV0bV9qZWRpdW09tZW1haWwmdXRtX2NhbXBhaWdubPWFvZXJlbc193b3JrZA/58d984ece2276277098b45b4bcf2ed711>

Axios, 3100 Clarendon Blvd, Suite 1300, Arlington VA 22201

You received this email because you signed up for news alerts from Axios.
Change your preferences or unsubscribe here: <https://link.axios.com/oo/58d984ece2276277098b45b4bpq7n.hd/e21c150f>

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] FW: On vote-by-mail michele obama involved in mail voting
Date: Monday, May 11, 2020 12:03:41 PM

(

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b)(6)
Sent: Monday, May 11, 2020 11:23 AM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410c2 Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410c2
Cc: 'Passantino, Stefan (59582)(b)(6)
Subject: [EXTERNAL] FW: On vote-by-mail michele obama involved in mail voting

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From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Cc:	Weidner, Keith E - Washington, DC
Subject:	FW: [EXTERNAL] Fwd: COVID19_3_xml 2020.3.22.2110.pdf.pdf
Date:	Monday, March 23, 2020 12:14:40 PM
Attachments:	COVID19_3_xml 2020.3.22.2110.pdf.pdf ATT00001.htm

---

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Monday, March 23, 2020 12:13 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fwd: [EXTERNAL] Fwd: COVID19_3_xml 2020.3.22.2110.pdf.pdf

(b)(5)
Sent from my iPhone

Begin forwarded message:
From: "Selde, Jennifer L - Washington, DC" (b)(6), (b)(3), 410(c)(2) >>
Date: March 23, 2020 at 12:00:06 PM EDT
To: "Elston, Michael J - Washington, DC" (b)(6), (b)(3), 410(c)(2) >,
"Smith, Kevin R - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Subject: FW: [EXTERNAL] Fwd: COVID19_3_xml 2020.3.22.2110.pdf.pdf

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brownlie, Caroline R - Washington, DC; Belt, David C - Washington, DC; Howley, Jacob D - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] Fwd: COVID19_3_xml 2020.3.22.2110.pdf.pdf
Date: Monday, March 23, 2020 12:14:20 PM
Attachments: COVID19_3_xml 2020.3.22.2110.pdf.pdf
ATT00001.htm

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] JUNE Primary Elections 2020: Closest Absentee Ballot Request Date to Primary Election 2020
Date: Thursday, May 7, 2020 3:54:16 PM
Attachments: 1. JUNE Primary Elections 2020- Presidential and Congressional.docx

---

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt [(b)(6)]
Sent: Thursday, May 7, 2020 11:31 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c) gov>; (b)(6)
Subject: [EXTERNAL] JUNE Primary Elections 2020: Closest Absentee Ballot Request Date to Primary Election 2020

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Tuesday, April 21, 2020 7:40:41 PM
Attachments: Draft Op-Ed (003).docx
Draft Op-Ed (003).docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Wednesday, April 29, 2020 6:49:46 PM
Attachments: Draft Op-Ed (003).docx

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 20, 2020 6:15 PM
To: 'John Barger' (b)(6) ; 'Ron Bloom' (b)(6) ; 'Robert Mike Duncan' (b)(6) ; 'Roman Martinez IV' (b)(6) 'David C. Williams' (b)(6) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, (b)(6), (b)(3), 410(c)(2) 'Jim Morrell' (b)(6)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governor Barger,

Further to (b)(5)

. Have a good evening.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 19, 2020 12:08 PM
To: John Barger (b)(6) >; Ron Bloom (b)(6) Robert Mike Duncan (b)(6) Roman Martinez IV (b)(6) ; David C. Williams (b)(6) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Jim Morrell (b)(6)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

Governor Barger, (b)(5)

AMERICAN OVERSIGHT

unify us. Further, we are prepared to work with everyone to achieve a result in the short run, and over the long term, (b)(5)

-----Original Message-----
From: John Barger (b)(6)
Sent: Sunday, April 19, 2020 9:57 AM
To: Ron Bloom (b)(6) >; Robert Mike Duncan (b)(6) ; John Barger (b)(6) ; Roman Martinez IV (b)(6) ; David C. Williams (b)(6) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Jim Morrell (b)(6)
Subject: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

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(b)(5)

John M. Barger
Managing Director
www.northerncrosspartners.com

Please excuse typos, courtesy of iPhone keyboard, oversized thumbs, aggressive Apple algorithms

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Wednesday, April 29, 2020 6:50:33 PM
Attachments: Draft Op-Ed (003).docx
Draft Op-Ed (003).docx

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 21, 2020 7:19 PM
To: 'Roman Martinez IV' (b)(6)
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

Governor Martinez, I had to step away for a meeting, but I did want to circle back to you concerning (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 20, 2020 6:15 PM
To: 'John Barger' (b)(6) ; 'Ron Bloom' (b)(6) >; 'Robert Mike Duncan' (b)(6) 'Roman Martinez IV' (b)(6) ; 'David C. Williams' (b)(6) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) 'Jim Morrell' (b)(6)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governor Barger,

Further to our discussion yesterday, (b)(5)

-Tom

Thomas J. Marshall

AMERICAN OVERSIGHT

General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 19, 2020 12:08 PM
To: John Barger (b)(6) ; Ron Bloom (b)(6) >; Robert Mike Duncan (b)(6) ; Roman Martinez IV (b)(6) >; David C. Williams (b)(6) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Jim Morrell (b)(6)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

Governor Barger, (b)(5)

-----Original Message-----
From: John Barger [(b)(6)
Sent: Sunday, April 19, 2020 9:57 AM
To: Ron Bloom (b)(6) ; Robert Mike Duncan (b)(6) ; John Barger (b)(6) ; Roman Martinez IV (b)(6) David C. Williams (b)(6) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Jim Morrell (b)(6)
Subject: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

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(b)(5)

John M. Barger
Managing Director
www.northerncrosspartners.com

AMERICAN OVERSIGHT

Please excuse typos, courtesy of iPhone keyboard, oversized thumbs, aggressive Apple algorithms

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Monday, April 20, 2020 6:15:58 PM
Attachments: Draft Op-Ed (003).docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] PostCom Bulletin Issue 16-20, April 16, 2020
Date: Wednesday, April 29, 2020 6:53:44 PM
Attachments: PostCom Bulletin 16-20, April 16, 2020.pdf

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 8:05 PM
To: 'Ron Bloom' (b)(6) 'John M. Barger' (b)(6)
Cc: 'Robert "Mike" Duncan' (b)(6) Elston, Michael J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] PostCom Bulletin Issue 16-20, April 16, 2020

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: [EXTERNAL] RE: Borrowing materials
Date: Friday, April 24, 2020 6:58:49 PM
Attachments: USPS - Treasury-FFB analysis summary.pdf

Megan, as discussed.

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG
Date: Sunday, April 26, 2020 11:55:52 AM
Attachments: Draft Op-Ed (003) (003) jm3.docx

Fyi. (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 26, 2020 11:53 AM
To: 'Jim Morrell' (b)(6)
Cc: Elston, Michael J - Washington, DC <Michael.J.Elston@usps.gov>
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

Jim, (b)(6)

(b)(5)

-Tom

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 7:32 PM
To: 'Jim Morrell' (b)(6)
Cc: Elston, Michael J - Washington, DC <Michael.J.Elston@usps.gov<mailto:Michael.J.Elston@usps.gov>>
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

(b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 7:18 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov<mailto:thomas.j.marshall@usps.gov>>
Cc: Elston, Michael J - Washington, DC <Michael.J.Elston@usps.gov<mailto:Michael.J.Elston@usps.gov>>
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Tom,

(b)(5)
(b)(5)

Thanks,

Jim

From: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov<mailto:thomas.j.marshall@usps.gov>>

AMERICAN OVERSIGHT

Sent: Saturday, April 25, 2020 2:03 PM
To: Jim Morrell (b)(6)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

Jim, (b)(5)

-Tom

From: Jim Morrell [(b)(6)
Sent: Saturday, April 25, 2020 12:56 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Re: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
(b)(5)

On Apr 25, 2020, at 12:53 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 12:46 PM
To: 'Jim Morrell' (b)(6) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Draft WSJ Op-Ed from the PMG

Thanks Jim. (b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 12:44 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thanks, Tom. (b)(5)

Jim

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Sent: Saturday, April 25, 2020 12:30 PM
To: Jim Morrell (b)(6) >; Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

(b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 12:14 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
(b)(5)

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Saturday, April 25, 2020 11:53 AM
To: Jim Morrell (b)(6) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 11:48 AM
To: Jim Morrell (b)(6) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Draft WSJ Op-Ed from the PMG

Jim, I(b)(5)

-Tom

From: Jim Morrell [(b)(6)
Sent: Saturday, April 25, 2020 11:23 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

AMERICAN OVERSIGHT

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

(b)(5)

Thanks,

Jim

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Friday, April 24, 2020 7:25 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Jim Morrell (b)(6)
Subject: [EXTERNAL] Draft WSJ Op-Ed from the PMG

Mike, and Jim, (b)(5)

-Tom

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject: FW: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG
Date: Sunday, April 26, 2020 5:07:50 PM
Attachments: Draft Op-Ed (003) (003) jm3.docx

Megan/Mike, (b)(5)

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Calamoneri, Kevin A - Washington, DC
Subject: FW: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG
Date: Sunday, April 26, 2020 5:09:22 PM
Attachments: Draft Op-Ed (003) (003) jm3.docx

Fyi. (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 26, 2020 5:08 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

Megan/Mike, (b)(5)

(b)(5)

(b)(5)

(b)
(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG
Date: Saturday, April 25, 2020 7:34:45 PM
Attachments: Draft Op-Ed (003) (003) jm3.docx

Megan, (b)(5)

From: Jim Morrell [(b)(6)
Sent: Saturday, April 25, 2020 7:18 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Tom,

(b)(5)

Thanks,

Jim

From: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) gov>>
Sent: Saturday, April 25, 2020 2:03 PM
To: Jim Morrell (b)(6)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

Jim, (b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 12:56 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: Re: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
(b)(5)

On Apr 25, 2020, at 12:53 PM, Marshall, Thomas J - Washington, DC

AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2) > wrote:

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 12:46 PM
To: (b)(6) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Draft WSJ Op-Ed from the PMG

Thanks Jim. (b)(5)

-Tom

From: Jim Morrell [(b)(6)
Sent: Saturday, April 25, 2020 12:44 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thanks, Tom. I(b)(5)

Jim

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Sent: Saturday, April 25, 2020 12:30 PM
To: Jim Morrell (b)(6) ; Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

Thanks Jim. (b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 12:14 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thanks, Tom. (b)(5)

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

Sent: Saturday, April 25, 2020 11:53 AM
To: Jim Morrell (b)(6) >; Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 11:48 AM
To: Jim Morrell (b)(6) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Draft WSJ Op-Ed from the PMG

Jim, (b)(5)

(b)(5)

-Tom

From: Jim Morrell (b)(6)]
Sent: Saturday, April 25, 2020 11:23 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thank you, Tom. (b)(5)

Thanks,

Jim

From: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Sent: Friday, April 24, 2020 7:25 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Jim Morrell (b)(6) >
Subject: [EXTERNAL] Draft WSJ Op-Ed from the PMG

Mike, and Jim, (b)(5)

AMERICAN OVERSIGHT

(b)(5)

Talk to you both soon.

-Tom

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] Re: USPS/Michael Best
Date: Friday, March 27, 2020 9:18:21 AM

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: John Barger (b)(6)]
Sent: Thursday, March 26, 2020 8:54 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6)
Subject: [EXTERNAL] Re: USPS/Michael Best

(b)(5)

Thanks,

John M. Barger

Please excuse typos, courtesy of iPhone keyboard, oversized thumbs, aggressive Apple algorithms

> On Mar 26, 2020, at 5:35 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:
>
> Governor Barger,
>
(b)(5)

AMERICAN OVERSIGHT

(b)(5)

(b)(5)

>
> -Tom
>
> Thomas J. Marshall
> General Counsel and Executive Vice President United States Postal
> Service
>
>
> <USPS DPA Memorandum (final) -- 27794003 v1.docx>

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [EXTERNAL] TOM MY EARLIER ELAIL WAS WRONG
Date: Monday, May 11, 2020 9:58:57 AM

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b)(6)
Sent: Monday, May 11, 2020 8:40 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410c2 ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410c2
Cc: (b)(6)
Subject: [EXTERNAL] TOM MY EARLIER ELAIL WAS WRONG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [Fulfilling our Mission + Talking Points] - attached
Date: Wednesday, May 6, 2020 10:40:13 AM
Attachments: 20200506.1004_Fulfilling our Mission_Draft_Alternative.docx
Importance: High

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Wednesday, May 6, 2020 10:29 AM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Smith, Jay L - Washington, DC (b)(6), (b)(3), 410(c)(2) Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [Fulfilling our Mission + Talking Points] - attached
Importance: High

Megan, Tom, Joe, and Luke
Attached are revisions based on (b)(5)

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: [Fulfilling our mission] - memo - attached
Date: Wednesday, May 6, 2020 3:12:13 PM
Attachments: 20200506.1412_Fulfilling our Mission_Draft.docx
REFERENCE1_ELT SUBSET AMAZON_20200429.1410_AMZ_vF.docx
REFERENCE2_20200506.1200_SourceData_BackUp_NetworkPlanning_LivingDocument.docx

---

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Wednesday, May 6, 2020 2:27 PM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [Fulfilling our mission] - memo - attached

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Krage Strako, Jakki - Washington, DC; Stavely, Rhonda J - Washington, DC
Cc: Weidner, Keith E - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Subject: FW: 20200505.2123_PMG_(b) _Brief (003)
Date: Wednesday, May 6, 2020 10:22:00 AM
Attachments: 20200505.2123_PMG_(b) _Brief (003).docx

Megan, (b)(5), (b)(3), 410(c)(2)

-Tom

AMERICAN OVERSIGHT

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Wednesday, May 6, 2020 7:31 AM
To: Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: 20200505.2123_PMG_(b)(5) _Brief (003)

Megan
(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: 20200506.1412_Fulfilling our Mission_DraftwJOe"s comments.docx
Date: Thursday, May 7, 2020 5:35:47 PM
Attachments: 20200506.1412_Fulfilling our Mission_DraftwJOe"s comments.docx

---

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Wednesday, May 6, 2020 6:33 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: 20200506.1412_Fulfilling our Mission_DraftwJOe's comments.docx

(b)(5)

Thanks, Joe

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: John Barger (b)(6)
Subject: FW: Ad Hoc Coordinating Committee
Date: Thursday, April 2, 2020 3:41:58 PM

Governor Barger,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Amazon call - Tuesday
Date: Sunday, April 5, 2020 4:03:46 PM

---

fyi

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 5, 2020 4:03 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Amazon call - Tuesday

(b)(5), (b)(3), 410(c)(2)

From: Krage Strako, Jakki - Washington, DC
Sent: Sunday, April 5, 2020 1:54 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Corbett, Joseph - Washington, DC <J(b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(5), (b) - Tuesday

Oops - hit send too soon.

(b)(5), (b)(3), 410(c)(2)

From: Krage Strako, Jakki - Washington, DC
Sent: Sunday, April 5, 2020 1:52 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: (b)(5), (b) - Tuesday

FYI

(b)(5), (b)(3), 410(c)(2)

From: Krage Strako, Jakki - Washington, DC
Sent: Sunday, April 5, 2020 1:49 PM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: (b)(5), (b) - Tuesday

Megan
(b)(5), (b)(3), 410(c)(2)
ct -
(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Krage Strako, Jakki - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: FW: (b)(3),
Date: Tuesday, April 28, 2020 2:44:52 PM
Attachments: (b)(3), 410(c)(2)

Megan and Jakki, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: (b)(3),
Date: Friday, April 24, 2020 3:03:48 PM

Fyi.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 24, 2020 2:53 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(3), 410(c)

Mike, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 22, 2020 5:24 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: (b)(3), 410(c)

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: (b)(3), 410(c)(2)
Date: Tuesday, April 14, 2020 2:30:16 PM
Attachments: Explanation of Contribution FY19 Update.pptx

For your review.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: (b)(3), 410(c)(2)
Date: Thursday, April 16, 2020 2:44:13 PM
Attachments: Board request (b)(3), 410(c)(2) .pptx
(b)(3), 410(c)(2)

Fyi.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Thursday, April 16, 2020 2:08 PM
To: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Brennan, Megan J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(3), 410(c)(2)

(b)
(5)

From: Elston, Michael J - Washington, DC
Sent: Monday, April 13, 2020 1:00 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Krage Strako, Jakki - Washington, DC <j(b)(6), (b)(3), 410(c)(2)
Subject: (b)(3), 410(c)(2)

Megan,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: (b)(3), 410(c)(2)
Date: Monday, April 13, 2020 1:54:32 PM
Attachments: 2019.9.6 Pricing BOG Orientation Deck--final.pptx

---

Fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Monday, April 13, 2020 1:00 PM
To: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Cc: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: (b)(3), 410(c)(2)

Megan,

(b)(5)

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service

AMERICAN OVERSIGHT

(202) 268-4800

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Rehrig, Morgan E - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: FW: Appropriate share D.C. Circuit decision (UPS v. PRC; D.C. Cir. No. 19-1026)
Date: Tuesday, April 14, 2020 11:22:37 PM
Attachments: 2020 04-14 UPS v. PRC opinion (appropriate share) (D.C. Cir. No. 19-1026....pdf

---

Thanks, Morgan. (b)(5)

Keith, for the next briefing sheet.

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From:	Marshall, Thomas J - Washington, DC
To:	Stroman, Ronald A - Washington, DC
Cc:	Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC
Subject:	FW: Appropriate share decision (UPS v. PRC; D.C. Cir. No. 19-1026)
Date:	Tuesday, April 14, 2020 11:37:36 AM
Attachments:	2020 04-14 UPS v. PRC opinion (appropriate share) (D.C. Cir. No. 19-1026).pdf

(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 14, 2020 10:45 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Appropriate share decision (UPS v. PRC; D.C. Cir. No. 19-1026)

FYI

(b)(5)

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Bloomberg Law story on USPS financials and COVID-19 response
Date: Monday, April 6, 2020 10:36:54 AM
Attachments: Financial Situation TPs.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 6, 2020 10:26 AM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC <Joseph.Corbett@usps.gov>
Cc: Foti, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c) ; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Bloomberg Law story on USPS financials and COVID-19 response

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Monday, April 6, 2020 9:38 AM
To: Walker, Janice D - Washington, DC <(b)(6), (b)(3), 410(c)(2) >;
Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall,
Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Costello,
Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2)
Subject: FW: Bloomberg Law story on USPS financials and COVID-19 response

Joe and Tom
(b)(5)

From: Monteith, Steven W - Washington, DC
Sent: Saturday, April 4, 2020 3:54 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) _CCMO

AMERICAN OVERSIGHT

DIRECT REPORTS <(b)(6), (b)(3), 410(c)(2) >>
Subject: RE: Bloomberg Law story on USPS financials and COVID-19 response

(b)(5)

From: Krage Strako, Jakki - Washington, DC
Sent: Saturday, April 4, 2020 12:44 PM
To: _CCMO DIRECT REPORTS
<(b)(6), (b)(3), 410(c)(2)
Subject: Fwd: Bloomberg Law story on USPS financials and COVID-19 response

Sent from my iPhone

Begin forwarded message:
From: "Walker, Janice D - Washington, DC" (b)(6), (b)(3), 410(c)(2) >>
Date: April 4, 2020 at 12:07:51 PM EDT
To: _Executive Leadership Team
<(b)(6), (b)(3), 410(c)(2) >, "Tulino, Douglas A - Washington, DC" (b)(6), (b)(3), 410(c)(2) >, COVID 19 Command Officers (b)(6), (b)(3), 410(c)(2)
Subject: Bloomberg Law story on USPS financials and COVID-19 response

(b)(5) .

https://news.bloomberglaw.com/daily-labor-report/reeling-postal-service-faces-coronavirus-financial-headwinds?context=search&index=4
Reeling Postal Service Faces Coronavirus Financial Headwinds
April 3, 2020, 9:44 PM
Louis C. LaBrecque
Reporter

· Covid-19 is accelerating decline of first-class, ad mail volume
· Halt in service possible by late June or early July: union chief

The U.S. Postal Service is facing “a rapid drop in mail volumes and a significant loss in needed revenues” because of the novel coronavirus that could lead to a halt in mail delivery.
Though the $2 trillion stimulus (Public Law 116-136<https://www.bgov.com/core/legislation/federal/full_text?niReferrerLink=federal-bills-6650366419806453771#!/6650366419806453771/6809970110761271306>) signed by President Donald Trump last month included a $10 billion line of credit for the Postal Service, the USPS is concerned this isn’t sufficient “to withstand the significant downturn in our business that could directly result from the pandemic,” spokesman David Partenheimer said Friday.
“Under a worst-case scenario, such a downturn could result in the Postal Service having insufficient liquidity to continue operations,” Partenheimer said. This could affect “access to communications and essential packages such as prescription drugs,” particularly in rural areas, he said.
Without additional funds, the USPS will run out of money by late June or early July, said Ronnie Stutts, president of the National Rural Letter Carriers Association, which represents about 130,000 postal workers. What’s needed is the $25 billion in cash that was stripped from the House version of the stimulus bill when it reached the Senate because of pressure from the White House, Stutts said. House Democrats are looking to again include the money in the next stimulus bill, he said.
With about 634,000 mostly union-represented workers, the service is the hub of the U.S. mailing industry and the roughly 7.5 million jobs it supports. The USPS reported<https://news.bloomberglaw.com/daily-labor-report/postal-service-sees-more-red-ink-despite-increased-revenue> a net loss of $8.8 billion in fiscal 2019 and lost another $748 million during the first quarter of fiscal 2020, which ended Dec. 31. Postmaster General Megan Brennan, who planned to retire Jan. 31 before delaying her retirement to allow the Postal Service to find a new

AMERICAN OVERSIGHT

chief<https://news.bloomberglaw.com/daily-labor-report/postal-chiefs-delay-on-retirement-signals-outside-candidates>, told<https://news.bloomberglaw.com/daily-labor-report/post-office-to-run-out-of-cash-in-2024-without-help-chief-says> Congress last April that the service will run out of money by 2024 without action from federal lawmakers.

Praise for USPS Response

Stutts and Paul Hogrogian, president of the National Postal Mail Handlers Union, in separate interviews said Brennan and the USPS are working to ensure continued mail delivery and employee safety during the coronavirus crisis.

"They are doing everything they can" to protect employees, including providing protective equipment and allowing employees who are sick or who need to take time away from work to care for family members to stay home, said Hogrogian, whose union represents about 47,000 USPS workers.

The Postal Service has "hundreds of thousands" of bottles of hand sanitizer available now and another 600,000 bottles will be arriving during the first half of April, Stutts said. The USPS also has about 15 million masks on hand to protect employees, he said.

According to information sent to postal unions Friday, 4,420 postal workers have been affected in some way by the coronavirus, including those in self-imposed or mandatory quarantine and 294 employees who tested positive, Stutts said. The Postal Service has about 630,000 employees and the people who tested positive for Covid-19 weren't necessarily exposed on the job, he said. The numbers for rural letter carriers are much smaller—14 have tested positive, Stutts said.

Though many rural carriers are close to their customers, Stutts implored the public to be safe in their interactions. "That's what we want to relate to the American people. Please keep your distance from the rural carriers," he said.

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: FW: Board Research Question
Date: Monday, May 4, 2020 7:45:59 PM
Attachments: 2009_08-05_Form_8-K.PDF

Mike, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Belt, David C - Washington, DC
Sent: Monday, May 4, 2020 7:03 PM
To: Marshall, Thomas J - Washington, DC (b)(6), b(3), 410(c)(2) Brownlie, Caroline R - Washington, DC (b)(6), b(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), b(3), 410(c)(2)
Subject: RE: Board Research Question

Tom,

(b)(5)

Thanks.

-Dave

From: Marshall, Thomas J - Washington, DC

AMERICAN OVERSIGHT

Sent: Friday, May 1, 2020 7:44 PM
To: Brownlie, Caroline R - Washington, DC
(b)(6), b(3), 410(c)(2) gov>>
Cc: Weidner, Keith E - Washington, DC (b)(6), b(3), 410(c)(2) Belt,
David C - Washington, DC (b)(6), b(3), 410(c)(2)
Subject: Re: Board Research Question

(b)(5)

Sent from my iPhone

On May 1, 2020, at 6:15 PM, Brownlie, Caroline R - Washington, DC
<(b)(6), b(3), 410(c)(2) > wrote:

Tom,

(b)(5)

Thanks,
Carrie

Caroline Rieger Brownlie
Managing Counsel, Legal Strategy

AMERICAN OVERSIGHT

US Postal Service Law Department
475 L'Enfant Plaza, SW
Room 6209
Washington, DC 20260-1135
Phone: (202) 268-3010
Cell: (b)(6)

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx
Date: Tuesday, April 7, 2020 7:24:25 PM
Attachments: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

---

(b)(5) Thanks.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Briefing Document - Scenarios for 2pm ET meeting
Date: Wednesday, April 29, 2020 4:33:12 PM
Attachments: (b)(3), 410(c)(2)

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Wednesday, April 29, 2020 1:06 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Briefing Document - Scenarios for 2pm ET meeting

Rhonda
Please print for Megan, Tom, Joe and and Luke. Thanks

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: call this afternoon
Date: Friday, April 10, 2020 2:15:40 PM
Attachments: image001.png

Fyi. Let's chat before the 3 pm.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Passantino, Stefan (59582) (b)(6)
Sent: Friday, April 10, 2020 1:56 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: call this afternoon

(b)(5)

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Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Stavely, Rhonda J - Washington, DC
Subject: FW: Critical Infrastructure
Date: Monday, March 23, 2020 3:08:43 PM
Attachments: USPS Operational Memo 31920.docx
COVID19 Letter 3-20-2020 - Law Department Revision.doc
Industry Essential Letter v3.doc
Critical Infrastructure ltr. (002).pdf
2020 03 23 Marshall to Bonner re Essential Public Service Provided by th....pdf

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, March 23, 2020 1:28 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Mendonca, Pat - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Critical Infrastructure

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, March 21, 2020 12:18 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Mendonca, Pat - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Critical Infrastructure

Megan, (b)(5)

-Tom

From: Marshall, Thomas J - Washington, DC
Sent: Friday, March 20, 2020 11:54 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Mendonca, Pat - Washington, DC

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(b)(6), (b)(3), 410(c)(2) >>
Subject: Critical Infrastructure

Megan, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From:	Marshall, Thomas J - Washington, DC
To:	Stroman, Ronald A - Washington, DC
Subject:	FW: Critical Infrastructure
Date:	Wednesday, March 25, 2020 8:08:30 PM
Attachments:	COVID19 Letter 3-20-2020 - Law Department Revision.doc Industry Essential Letter v3.doc Critical Infrastructure ltr. (002).pdf 2020 03 23 Marshall to Bonner re Essential Public Service Provided by th....pdf

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Monday, March 23, 2020 5:39 PM
To: (b)(6)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
(b)(6) >
Subject: Critical Infrastructure

Good evening Maria,

Thank you for your time Friday.

(b)(5)

Thank you.

Stay safe.

Megan
(202) 268-2544

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Current listing of task teams as discussed during WG call
Date: Wednesday, April 1, 2020 12:52:12 PM
Attachments: 2020 04-01 COVID-19 Task Teams (Addition of Law Department SMEs v.2).xlsx
Importance: High

Fyi, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC
Subject: FW: DHS/FEMA
Date: Thursday, April 2, 2020 3:33:28 PM
Attachments: image001.png

Fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Discussion materials for Board on Amazon and competitive market conditions
Date: Wednesday, April 15, 2020 6:11:03 PM
Attachments: image002.png
Amazon Priority NSA and competitive market briefing with highlights.docx
Amazon briefing for BOG office.docx
20200409 Amazon NSA Customer Relationshipv4.pptx

---

fyi

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Wednesday, April 15, 2020 5:10 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2) Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Discussion materials for Board on Amazon and competitive market conditions

Megan
(b)(5), (b)(3), 410(c)(2)

[cid:image002.png@01D61351.327140D0]

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Elston, Michael J - Washington, DC
Subject: FW: DRAFT - PMG May 2020 Open Session Script v6.docx
Date: Thursday, May 7, 2020 5:06:28 PM
Attachments: DRAFT - PMG May 2020 Open Session Script v6.docx
DRAFT - PMG May 2020 Open Session Script v6.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Pangilinan, Regina K - Washington, DC
Subject: FW: Draft Letter to Congressional Leadership
Date: Sunday, April 19, 2020 2:30:39 PM
Attachments: DRAFT - BOG Letter to Congressional Leadership v1 (002) (005).docx

---

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 11:04 PM
To: 'Ron Bloom' (b)(6) 'John M. Barger' (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Draft Letter to Congressional Leadership

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

Have a great weekend.

-Tom

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Draft Letter to Congressional Leadership
Date: Wednesday, April 29, 2020 6:46:39 PM
Attachments: DRAFT - BOG Letter to Congressional Leadership v1 (002) (005).docx

---

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 11:04 PM
To: Ron Bloom (b)(6) ; John M. Barger (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Draft Letter to Congressional Leadership

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

Have a great weekend.

-Tom

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Draft Letter to Congressional Leadership
Date: Wednesday, April 29, 2020 6:46:52 PM
Attachments: DRAFT - BOG Letter to Congressional Leadership v1 (002) (005).docx

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(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 11:08 PM
To: John M. Barger (b)(6)
Subject: FW: Draft Letter to Congressional Leadership

Governor Barger,

(b)(5)

Have a great evening, and I will talk to you soon.

-Tom

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 11:04 PM
To: 'Ron Bloom' (b)(6) 'John M. Barger' (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Draft Letter to Congressional Leadership

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

Have a great weekend.

-Tom

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Draft WSJ Op-Ed from the PMG
Date: Friday, April 24, 2020 7:33:01 PM
Attachments: Draft Op-Ed (003).docx

---

fyi

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Draft WSJ Op-Ed from the PMG
Date: Saturday, April 25, 2020 1:51:02 PM
Attachments: Draft Op-Ed (003) (003) jm2.docx
Draft Op-Ed (003) (003) jm2.docx

(b)(5)

-Tom

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Draft WSJ Op-Ed from the PMG
Date: Saturday, April 25, 2020 2:02:10 PM
Attachments: Draft Op-Ed (003) (003) jm2.docx
Draft Op-Ed (003) (003) jm2.docx

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 1:51 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Draft WSJ Op-Ed from the PMG

(b)(5)

-Tom

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 12:47 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Draft WSJ Op-Ed from the PMG

Megan, (b)(5)

-Tom

From: Brennan, Megan J - Washington, DC
Sent: Saturday, April 25, 2020 12:15 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Draft WSJ Op-Ed from the PMG

(b)(5)

Thank you.

Megan

On Apr 25, 2020, at 11:50 AM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) b)(6),

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 11:48 AM
To: 'Jim Morrell' (b)(6) Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: Draft WSJ Op-Ed from the PMG

Jim, (b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 11:23 AM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thank you, Tom. (b)(5)

Thanks,

Jim

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Friday, April 24, 2020 7:25 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Jim Morrell (b)(6) >
Subject: [EXTERNAL] Draft WSJ Op-Ed from the PMG

Mike, and Jim, (b)(5)

Talk to you both soon.

AMERICAN OVERSIGHT

-Tom
<Draft Op-Ed (003) (003) jm.docx>

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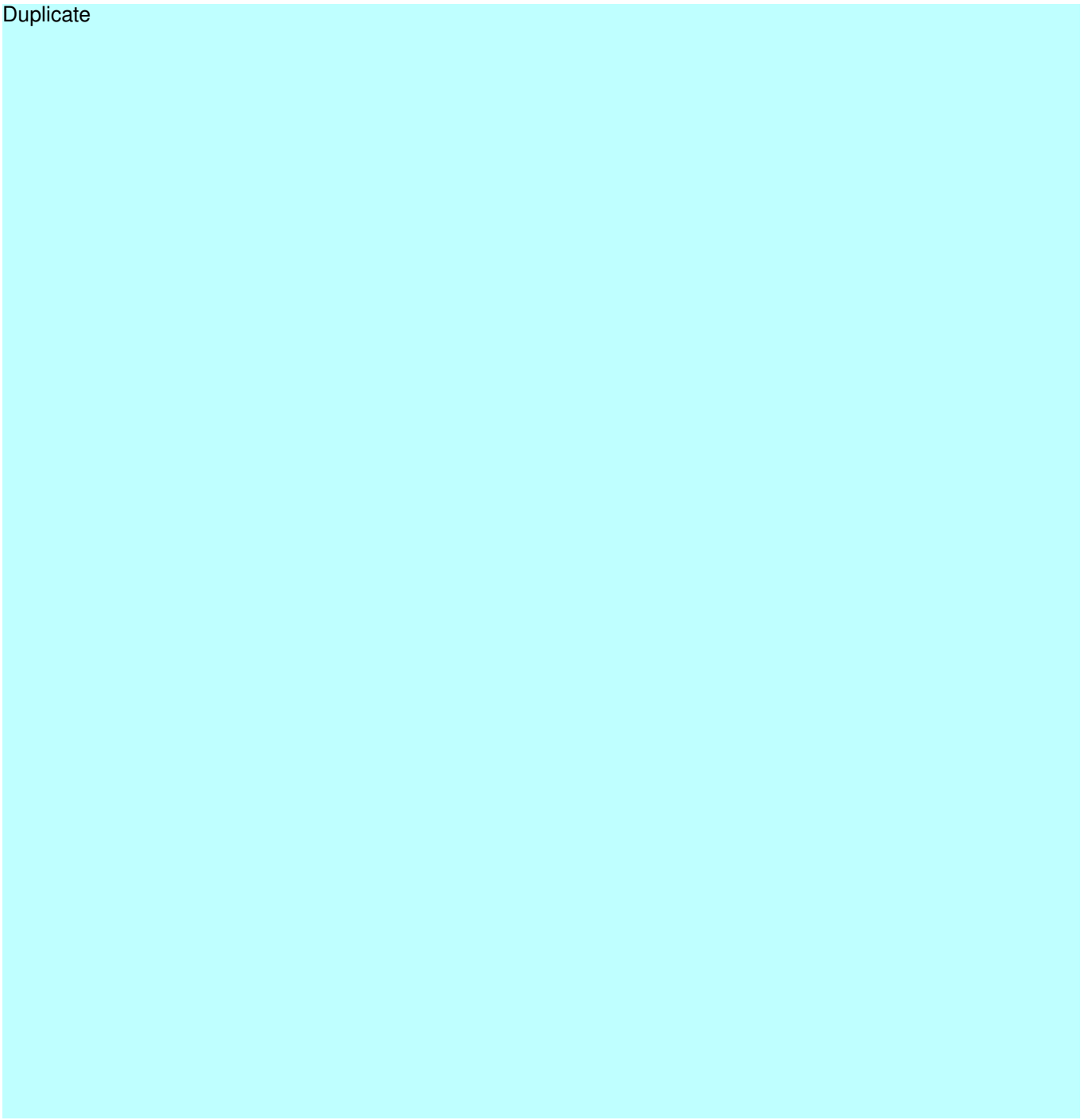

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From: Marshall, Thomas J - Washington, DC
To: Pangilinan, Regina K - Washington, DC
Subject: FW: Files for the Closed Meeting
Date: Thursday, April 9, 2020 9:43:08 AM
Attachments: image001.jpg
2020 04 08 Closed Presentation.pptx

Can you print me a color copy? Thanks.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Mendonca, Pat - Washington, DC
Sent: Wednesday, April 8, 2020 6:35 AM
To: Elston, Michael J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; ODell, Sheri L - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Grossmann, Luke T - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Latham, Sandra R - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Stavely, Rhonda J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Files for the Closed Meeting

Including Tom this time

From: Mendonca, Pat - Washington, DC
Sent: Wednesday, April 8, 2020 6:20 AM
To: Elston, Michael J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; ODell, Sheri L - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Taylor, Mary T - Washington, DC (b)(3), 410(c)(2), (b)(6) >>; Grossmann, Luke T - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Cc: Latham, Sandra R - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Stavely, Rhonda J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: Files for the Closed Meeting

Mike:

I inserted Luke's presentation into item 5 "COVID-19 Legislative Request", okay?

All the file are in the share drive.

I will send the pptx to Greg, Glen and CR-PMG.

Thank you

Pat

[cid:image001.jpg@01D60D6F.C2439BF0]

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Fulfilling our Mission with Parcel Select
Date: Tuesday, May 5, 2020 2:15:15 PM
Attachments: 20200505.1251_Fulfilling our Mission_Draft.docx

Keith, (b)(5), (b)(3), 410(c)(2) . Thanks.

From: Krage Strako, Jakki - Washington, DC
Sent: Tuesday, May 5, 2020 1:31 PM
To: Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fulfilling our Mission with Parcel Select

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Walker, Janice D - Washington, DC
Subject: FW: HHS Mask Mailing
Date: Tuesday, April 7, 2020 7:32:08 PM
Attachments: Draft - USPS Face Covering Distribution Reactive Statement - 4.4.20v3 (K....docx

---

Fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Solomon, Nathan T - St Louis, MO
Sent: Tuesday, April 7, 2020 6:38 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Bartholf, Frank M - St Louis, MO (b)(6), (b)(3), 410(c)(2) ; Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c) >
Subject: RE: HHS Mask Mailing

(b)(5)

Nate Solomon

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 7, 2020 6:35 PM
To: Bartholf, Frank M - St Louis, MO (b)(6), (b)(3), 410(c)(2) >; Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Solomon, Nathan T - St Louis, MO <(b)(6), (b)(3), 410(c)(2)
Subject: RE: HHS Mask Mailing

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Bartholf, Frank M - St Louis, MO
Sent: Tuesday, April 7, 2020 6:12 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Solomon, Nathan T - St Louis, MO(b)(6), (b)(3), 410(c)(2)
Subject: FW: HHS Mask Mailing

Tom,

(b)(5)

AMERICAN OVERSIGHT

(b)(5) .

Frank

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 7, 2020 3:45 PM
To: Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2) Ellis, David B (b)(6), (b)(3), 410(c)(2) ; Bartholf, Frank M - St Louis, MO (b)(6), (b)(3), 410(c)(2)
Subject: HHS Mask Mailing

(b)(5)

Sent from my iPhone

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Stroman, Ronald A - Washington, DC
Cc: Brennan, Megan J - Washington, DC
Subject: FW: House Dear Colleague Letter - Protect Our Post Offices Act
Date: Tuesday, May 5, 2020 4:52:03 PM
Attachments: image002.png
image003.png

(b)(5)

From: Elston, Michael J - Washington, DC
Sent: Thursday, April 30, 2020 12:01 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: House Dear Colleague Letter - Protect Our Post Offices Act

(b)

From: Kate Fogarty [(b)(6)]
Sent: Thursday, April 30, 2020 11:12 AM
To: Ron Bloom (b)(6) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Susan Brophy (b)(6) >; Mike Iger (b)(6) >
Subject: [EXTERNAL] House Dear Colleague Letter - Protect Our Post Offices Act

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Hi Ron and Mike,

Wanted to share this House Dear Colleague letter being passed around by Rep. Joe Neguse (D-CO) in an effort to get cosponsors for H.R. 6425, The Protect Our Post Offices Act. As you can see, there are already 70 cosponsors and it is supported by the National Association of Postal Supervisors and The Association of United States Postal Lessors.

Thanks,
Kate

#
Cosponsor H.R. 6425: The Protect Our Post Offices Act<http://dearcolleague.us/2020/04/support-the-u-s-postal-service-cosponsor-h-r-6425-4/>

Cosponsors (70): Reps. Adams, Axne, Beatty, Blumenauer, Blunt Rochester, Bonamici, Boyle, Brownley, Carbajal, Castor, Chu, Cicilline, Clark, Cleaver, Cohen, Costa, Courtney, Dean, DeGette, DelBene, Dingell, Doyle, Escobar, Evans, Gabbard,
Garamendi, Garcia (IL), Garcia (TX),Vicente Gonzalez, Grijalva, Haaland, Hastings, Hayes, Heck, Higgins, Horsford, Holmes Norton, Johnson (GA), Kaptur, Keating, Kind, Krishnamoorthi, Langevin, Lee (CA), Lowenthal, Malinowski, McGovern, Meeks, Moulton, Murphy,
Omar, Panetta, Pappas, Perlmutter, Peters (CA), Phillips, Pingree, Pocan, Raskin, Ryan, Schiff, Scott (GA), Sewell, Sires, Smith (WA), Swalwell, Takano, Underwood, Wild, Wilson (TX)

Supported by: The National Association of Postal Supervisors, The Association of United States Postal Lessors

Dear Colleague,

AMERICAN OVERSIGHT

In this time of crisis, the United States Postal Service is more important than ever. Please join me by cosponsoring H.R. 6425, The Protect Our Post Offices Act, a bill<https://www.congress.gov/bill/116th-congress/house-bill/6425/cosponsors?searchResultViewType=expanded&KWICView=false> to provide emergency funding for the U.S. Postal Service. For particularly vulnerable individuals, the postal service may be the only way they can receive medications or other critical documents right now. Yet, without assistance from the federal government, this typically self-funding agency may not be able to sustain itself much longer.

The Protect Our Post Offices Act would allocate $25 billion in emergency appropriations to the United States Postal Service. These funds can be used by USPS to make up lost revenue, purchase and provide PPE for front-line postal workers, and other purposes that are necessary to support continuing services for USPS.

The USPS employs 620,000 workers, and provides critical services such as delivering prescriptions, the 2020 Census, and mail-in ballots in addition to regular mail delivery. These services become even more crucial in the time of a global pandemic that has greatly limited in-person contact.

Unfortunately, the pandemic has also accelerated financial problems USPS already faced. Officials have warned that because of the decrease in mail volumes, the Postal Service may run out of funding as soon as June of this year[1].

USPS estimates a net loss of $22 billion over the next eighteen months<https://about.usps.com/newsroom/statements/041020-pmg-statement-on-usps-stimulus-needs.htm>, and over $54 billion in the long term, as a result of this pandemic. We must protect our constituents and local postal workers by ensuring the postal service can continue to provide on-time mail delivery and protect front-line workers during the COVID-19 pandemic.

Please join me in ensuring thousands of postal employees can continue to provide us with essential services during this pandemic and provide emergency funding for USPS.

To become a cosponsor or for more information, please contact Abbie Callahan at abbie.callahan@mail.house.gov<mailto:abbie.callahan@mail.house.gov>.

Sincerely,

Joe Neguse

Member of Congress

#

[cid:image003.png@01D61EE7.083814A0]<http://gpg.com/>

KATE FOGARTY

Associate

t. 202.741.5596

e. (b)(6) >

w. gpg.com<http://gpg.com?utm_source=email-signature>

AMERICAN OVERSIGHT

[cid:image002.png@01D61EE0.35FE3C90]

[cid:image002.png@01D61EE0.35FE3C90]

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: input needed - Board Memo
Date: Sunday, May 3, 2020 8:10:03 PM
Attachments: 20200501.1024_Fulfilling our Mission_Outline.docx

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(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, May 2, 2020 11:36 AM
To: Smith, Jay L - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) ; Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) ; Bross, Adrienne (b)(6) Santana Grace, Dakota (b)(6) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: input needed - Board Memo

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Smith, Jay L - Washington, DC
Sent: Friday, May 1, 2020 10:47 AM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Costello, Timothy R - South Florida District, FL
(b)(6), (b)(3), 410(c)(2) ; Owens, Sharon - Merrifield, VA
(b)(6), (b)(3), 410(c)(2) Bross, Adrienne
(b)(6) >>; Santana Grace, Dakota
(b)(6) >
Subject: input needed - Board Memo
Importance: High

Joe, Tom, Luke,

(b)(5), (b)(3), 410(c)(2)

Jay Smith
Director, Enterprise Accounts

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: input needed - Board Memo
Date: Friday, May 1, 2020 11:18:08 AM
Attachments: 20200501.1024_Fulfilling our Mission_Outline.docx
Importance: High

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Smith, Jay L - Washington, DC
Sent: Friday, May 1, 2020 10:47 AM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) >; Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) Bross, Adrienne <bross.adrienne@bcg.com>; Santana Grace, Dakota <SantanaGrace.Dakota@bcg.com>
Subject: input needed - Board Memo
Importance: High

Joe, Tom, Luke,

(b)(5)

Jay Smith
Director, Enterprise Accounts

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Legal Issues Concerning Terms and Conditions with Treasury/FFB
Date: Thursday, March 26, 2020 6:53:19 PM
Attachments: 2019 5 22 Authority to Concede Operational Control to FFB.PDF
2019 05 31 Marshall to Steven Laughton re Legal Concerns With Regard to ....pdf
2019 08 06 Marshall to Laughton re Continuing Legal Concerns on Federal ....pdf

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, March 25, 2020 9:04 PM
To: 'M. -Mike- Duncan Robert' (b)(6) 'David Williams (b)(6))' (b)(6) >; 'John Barger (b)(6) ' (b)(6) Bloom, Ron' (b)(6) 'Roman Martinez IV (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Legal Issues Concerning Terms and Conditions with Treasury/FFB

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Cc: Brennan, Megan J - Washington, DC
Subject: FW: Legislative Package
Date: Friday, April 10, 2020 9:51:11 AM
Attachments: USPS Phase 4 leg proposals (6) FFB repayment_V3.docx

---

Mike, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Pangilinan, Regina K - Washington, DC
Subject: FW: Legislative Package
Date: Friday, April 10, 2020 9:56:21 AM
Attachments: USPS Phase 4 leg proposals (6) FFB repayment_V2.docx

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Calamoneri, Kevin A - Washington, DC; Weidner, Keith E - Washington, DC; Bonanno, Natalie A - Washington, DC
Subject:	FW: Letter of Support from New York Delegation
Date:	Tuesday, April 28, 2020 4:24:33 PM
Attachments:	NY Delegation Letter on Postal Service FINAL.pdf

---

Fyi.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Tuesday, April 28, 2020 3:38 PM
To: Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: FW: Letter of Support from New York Delegation

Thank you.

Megan

From: Stroman, Ronald A - Washington, DC
Sent: Tuesday, April 28, 2020 2:54 PM
To: Brennan, Megan J - Washington, DC (b)(3), (b)(6), 410(c)(2) ;
Elston, Michael J - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: Letter of Support from New York Delegation

Megan,

Attached is a letter signed by 23 of the 26 House Members of New York's Congressional delegation to Senate Majority Leader McConnell, Minority Leader Schumer, House Speaker Pelolsi and Minority Leader McCarthy, (b)(5) (b)(5) .

(b)(5)

Thanks
Ron

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Pangilinan, Regina K - Washington, DC
Subject: FW: Letter to Deputy Director Bonner
Date: Monday, March 23, 2020 2:37:12 PM
Attachments: 2020-03-21 Postal Service Essential Function - Supremacy Clause.docx

---

Fyi. (b)(5)
Thanks.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stavely, Rhonda J - Washington, DC
Sent: Monday, March 23, 2020 2:26 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Letter to Deputy Director Bonner

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Calamoneri, Kevin A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: FW: Letter to the USPS Board of Governors
Date: Tuesday, May 5, 2020 3:47:40 PM
Attachments: Letter2BOG.unions.050520.pdf

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Tuesday, May 5, 2020 3:26 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Letter to the USPS Board of Governors

(b)(5)

Megan

From: Elston, Michael J - Washington, DC
Sent: Tuesday, May 5, 2020 3:06 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Tulino, Douglas A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Letter to the USPS Board of Governors

Megan and Ron,

(b)(5)

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

From: Jim Sauber (b)(6)
Sent: Tuesday, May 5, 2020 2:47 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Tulino, Douglas A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] Letter to the USPS Board of Governors

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Dear Mr. Elston,

Attached (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(3), 410(c)(2)
Many thanks.

Best, Jim

James W. Sauber
Chief of Staff
National Association of Letter Carriers
100 Indiana Ave., NW
Washington, DC 20001

Office: 202.662.2871
Cell: 202.679.6679
(b)(6)

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC; Calamoneri, Kevin A - Washington, DC
Subject:	FW: Letters
Date:	Sunday, March 29, 2020 3:35:46 PM
Attachments:	DRAFT - PMG Letter to States Localities.docx DRAFT - PMG Letter to Congress re COVID-19 v10.docx

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(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Sunday, March 29, 2020 2:13 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Letters

Tom,

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC; Weidner, Keith E - Washington, DC
Cc: Brennan, Megan J - Washington, DC
Subject: FW: Main Takeaways from S&IC Meeting
Date: Monday, April 6, 2020 7:42:51 PM

Fyi, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

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As before, please let me know if you have and questions, comments, or concerns.

All the best,
John

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: FW: Members Letter to Treasury Secretary
Date: Monday, April 6, 2020 6:38:00 PM
Attachments: Letter to Secretary Mnuchin.pdf

Mike, fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stroman, Ronald A - Washington, DC
Sent: Monday, April 6, 2020 3:59 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Members Letter to Treasury Secretary

Megan,

(b)(5) .

Thanks
Ron

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Pangilinan, Regina K - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: FW: Memo to Brennan re Additional Borrowing Authority Under the CARES Act
Date: Monday, April 13, 2020 8:11:26 PM
Attachments: 2020-04 Marshall to BOG CARES Act borrowing_V3.docx

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Pangilinan, Regina K - Washington, DC
Sent: Friday, April 10, 2020 3:58 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Memo to Brennan re Additional Borrowing Authority Under the CARES Act

(b)(5)

Thank you.
Regina Pangilinan
Office of the General Counsel
and Executive Vice President
202-268-2951

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 10, 2020 2:57 PM
To: Pangilinan, Regina K - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: Memo

Regina, (b)(5)

Keith

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: FW: Mnuchin Phone Call
Date: Saturday, April 4, 2020 12:59:06 PM
Attachments: BOG TPs Treasury_v2.docx

Mike, (b)(5)

Duplicate

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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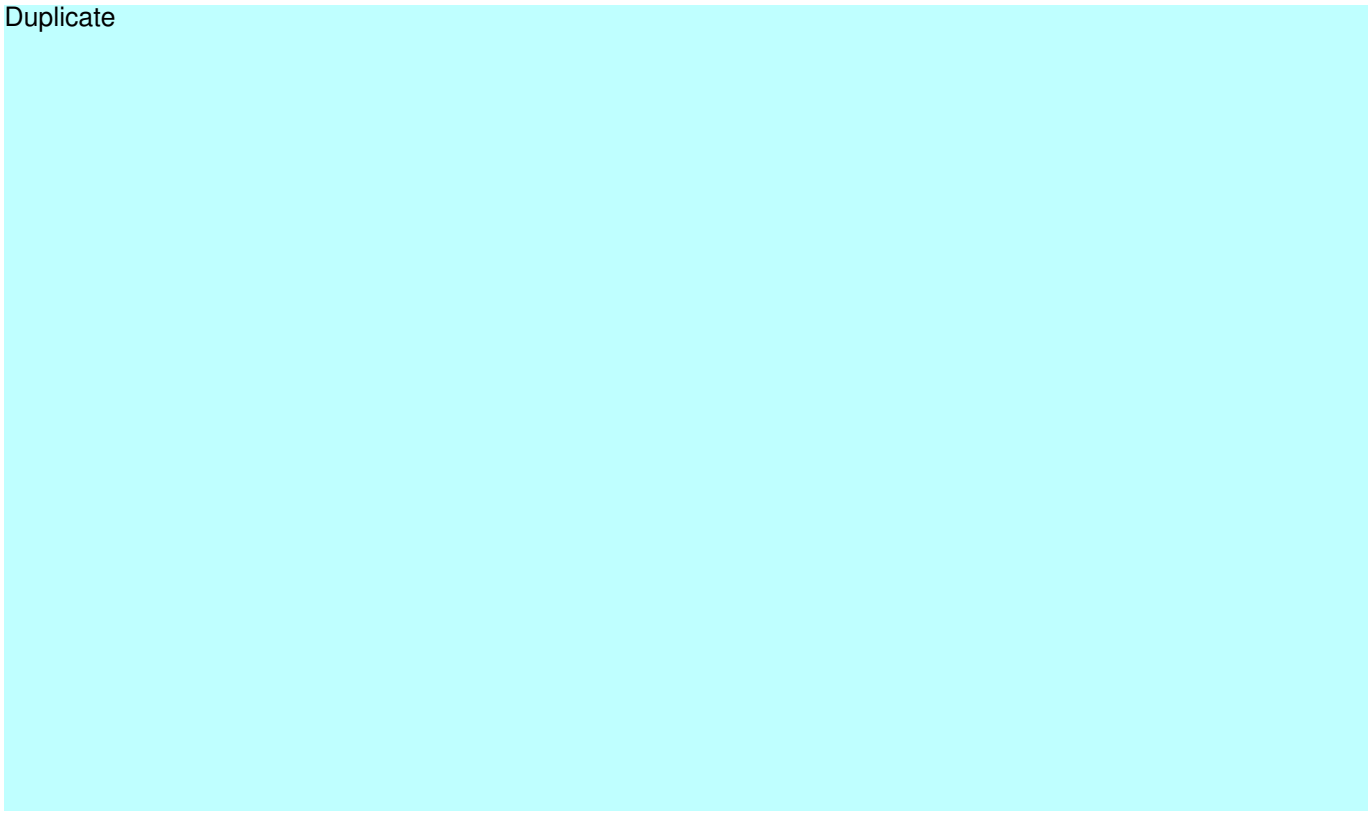

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Non-responsive record

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Outline for (b)(6), (b)(3), document to provide to Governors Thursday
Date: Friday, May 1, 2020 10:53:03 AM
Attachments: (b)(6), (b)(3), f
Information.pdf

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Grossmann, Luke T - Washington, DC
Sent: Friday, May 1, 2020 7:44 AM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) ; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Outline for (b)(6), (b)(3), document to provide to Governors Thursday

(b)(5), (b)(3), 410(c)(2)

From: Corbett, Joseph - Washington, DC
Sent: Thursday, April 30, 2020 9:09 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) gov>>; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Outline for (b)(6), (b)(3), document to provide to Governors Thursday

Jakki,

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(5),
(b)(3),
410(c)
(2)

Joe

From: Krage Strako, Jakki - Washington, DC
Sent: Thursday, April 30, 2020 7:09 PM
To: Grossmann, Luke T - Washington, DC
(b)(6), (b)(3), 410(c)(2) Corbett, Joseph - Washington, DC
(b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: Outline for Parcel Select Strategy document to provide to Governors Thursday

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Outline for (b)(5), Strategy document to provide to Governors Thursday
Date: Friday, May 1, 2020 10:52:14 AM

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Thursday, April 30, 2020 9:09 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) ; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2)
Subject: RE: Outline for (b)(5), (b) Strategy document to provide to Governors Thursday

Jakki,

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(5), (b)(3), 410(c)(2)

, Joe

From: Krage Strako, Jakki - Washington, DC
Sent: Thursday, April 30, 2020 7:09 PM
To: Grossmann, Luke T - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Corbett, Joseph - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: Outline for Parcel Select Strategy document to provide to Governors Thursday

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Brownlie, Caroline R - Washington, DC; Belt, David C - Washington, DC; Howley, Jacob D - Washington, DC
Subject: FW: Paul Steidler article: COVID-19 Assistance to the Postal Service
Date: Tuesday, March 24, 2020 9:12:08 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Tuesday, March 24, 2020 9:08 PM
To: _Executive Leadership Team (b)(6), (b)(3), 410(c)(2)
Subject: Paul Steidler article: COVID-19 Assistance to the Postal Service

(b)
(5)
https://www.lexingtoninstitute.org/covid-19-assistance-to-the-postal-service-three-things-to-know/

March 24, 2020 **Paul Steidler**

COVID-19 Assistance To The Postal Service: Three Things To Know

At this writing, Congress seems poised to provide billions in financial assistance to the U.S. Postal Service (USPS) to ensure that it will be able to continue to operate amid the COVID-19 pandemic.

The action needs to be taken and is not unexpected. Unlike many entities, however, the USPS's financial problems started well before COVID-19.

USPS has been on the U.S. Government Accountability Office's (GAO's) High-Risk List of government agencies since 2009. The Postal Service had previously warned in a January 2020 report that it could run out of cash as soon as 2021. It has a negative net worth exceeding $65 billion and unfunded liabilities of more than $140 billion.

Congress, which has not taken any action to reform the Postal Service, would be best served to have the following core approaches for the current crisis and beyond.

Provide loans and not grants. The U.S. Treasury already provides $11 billion to USPS in a near-zero interest loan. USPS is limited to borrowing $3 billion annually from Treasury. The borrowing cap should be eliminated, and Treasury should have the discretion about when and how much is provided in additional loans to USPS.

Existing debt should not be forgiven. There is a push to eliminate the $11 billion that USPS owes Treasury, i.e., taxpayers. For at least the foreseeable future, this debt should be kept on the Postal Service's balance sheet, particularly as liquidity will not be a problem if Treasury has greater authority to make additional loans. Eliminating the debt would saddle taxpayers with this obligation. It would also set a troubling precedent regarding the more than $140 billion in unfunded liabilities USPS now has.

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Structural reforms must be implemented by July 1, 2021. For more than a decade, Congress has failed to act on GAO's warnings about USPS being on the High-Risk List. Keeping the debt on the USPS books makes clear the real scope of USPS challenges and the need for reform. Absent major reform soon, USPS losses will continue to accelerate. While forgiving some debt might be reasonable in a "grand bargain" of Postal Reform, forgiving the debt now just further kicks the can down the road.

About the Author: Paul Steidler is a Senior Fellow with the Lexington Institute, a public policy think tank based in Arlington, Virginia.

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: PMG Call with Chairman Johnson Yesterday
Date: Wednesday, April 29, 2020 6:54:42 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 15, 2020 11:56 AM
To: 'Robert "Mike" Duncan' (b)(6) >; 'David C. Williams' (b)(6) ; 'John M. Barger' (b)(6) ; 'Ron Bloom' (b)(6) 'Roman Martinez IV' (b)(6) >
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: PMG Call with Chairman Johnson Yesterday

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Governors,

(b)(5)

AMERICAN OVERSIGHT

· Emphasized that we need both our immediate request related to the direct impacts of the COVID-19 pandemic, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: PMG Call with Chairman Johnson Yesterday
Date: Wednesday, April 29, 2020 6:54:16 PM

(b)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 15, 2020 3:40 PM
To: 'Roman Martinez IV' (b)(6)
Subject: RE: PMG Call with Chairman Johnson Yesterday

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Roman Martinez IV (b)(6)
Sent: Wednesday, April 15, 2020 12:11 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: [EXTERNAL] RE: PMG Call with Chairman Johnson Yesterday

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thanks, Tom.
(b)(5)
Best,
Roman

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 15, 2020 11:56 AM
To: Robert "Mike" Duncan (b)(6) >; David C. Williams
(b)(6) >; John M. Barger
(b)(6) >; Ron Bloom
(b)(6) >; Roman Martinez IV
(b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston,
Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: PMG Call with Chairman Johnson Yesterday

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Governors,

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(b)(5)

[redacted]

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: FW: PMG Open Session Script
Date: Tuesday, May 5, 2020 2:42:30 PM
Attachments: DRAFT - PMG May 2020 Open Session Script v3.docx

---

(b)(5), (b)(3), 410(c)(2)

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 4, 2020 4:20 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: PMG Open Session Script

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 4, 2020 3:58 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: PMG Open Session Script

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 4, 2020 3:57 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
'Lindeberg, Fred (WAS-WSW)' (b)(6)
Subject: FW: PMG Open Session Script

All, (b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Lindeberg, Fred (WAS-WSW) (b)(6)
Sent: Saturday, May 2, 2020 2:28 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: [EXTERNAL] PMG Open Session Script

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Tom, Janice - (b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(5), (b)(3), 410(c)(2)

_ _ _

Fred Lindeberg
Senior Vice President - Management Supervisor
Powell Tate | Weber Shandwick
733 10th Street, NW, Suite 600
Washington, DC 20001
United States of America
T: 202-585-2758 | M: (b)(6) | F: 202-383-0079
E: ((b)(6)
www.powelltate.com<http://www.powelltate.com/>

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Walker, Janice D - Washington, DC; Lindeberg, Fred (WAS-WSW)
Subject: FW: PMG Open Session Script
Date: Monday, May 4, 2020 3:56:36 PM
Attachments: DRAFT - PMG May 2020 Open Session Script v3.docx

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All, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Lindeberg, Fred (WAS-WSW) [(b)(6)
Sent: Saturday, May 2, 2020 2:28 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3) 410(c)(2) ; Walker, Janice D - Washington, DC (b)(6), (b)(3) 410(c)(2)
Subject: [EXTERNAL] PMG Open Session Script

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Tom, Janice - (b)(5)

Fred Lindeberg
Senior Vice President - Management Supervisor
Powell Tate | Weber Shandwick
733 10th Street, NW, Suite 600
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United States of America
T: 202-585-2758 | M: (b)(6) | F: 202-383-0079
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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Presidential Transition Memo
Date: Wednesday, April 29, 2020 9:47:20 AM
Attachments: M-20-24.pdf

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Wednesday, April 29, 2020 8:46 AM
To: Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: Presidential Transition Memo

Tom,

Please see the attached memo. We are (b)(5)

Thoughts? (b)(5)

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Pricing Costing Project
Date: Friday, May 1, 2020 5:25:17 PM
Attachments: oledata.mso
image001.png
image003.emz
image005.png
Pricing Costing Analysis - Timeline 20200501v1.docx

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Friday, May 1, 2020 4:43 PM
To: Roman Martinez IV ((b)(6) Bloom, Ron (b)(6) ;
Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Smith, Kevin R - Washington, DC
(b)(6), (b)(3), 410(c)(2) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Marshall, Thomas J
- Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Pricing Costing Project

(b)(5), (b)(3), 410(c)(2)

Best regards,
Michael

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

From: Corbett, Joseph - Washington, DC
Sent: Friday, May 1, 2020 4:02 PM
To: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >;
Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Pricing Costing Project

Mike, (b)(5), (b)(3), 410(c)(2) Thx.

Governor Martinez,

(b)(5), (b)(3), 410(c)(2)

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(b)(5), (b)(3), 410(c)(2)

Thanks, Joe

(b)(5),
(b)(3),
410(c)(2)

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Pricing/Cost Assignment Follow-up
Date: Tuesday, April 14, 2020 7:32:31 PM
Attachments: USPS Pricing_Cost Analysis April 2020.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Pricing/Cost Assignment Follow-up
Date: Tuesday, April 14, 2020 7:47:38 PM

See Mike's question below and my answer.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 14, 2020 7:46 PM
To: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: RE: Pricing/Cost Assignment Follow-up

(b)(5), (b)(3), 410(c)(2)

Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Tuesday, April 14, 2020 7:34 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Pricing/Cost Assignment Follow-up

Tom,

(b)(5), (b)(3), 410(c)(2)
(b)(5), (b)(3), 410(c)(2) "

Mike

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 14, 2020 7:13 PM
To: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Pricing/Cost Assignment Follow-up

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Mike, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Roman Martinez IV (b)(6)
Sent: Tuesday, April 14, 2020 5:07 PM
To: (b)(6) >; David Williams
(b)(6) >>; Bloom, Ron
(b)(6) >>; Stroman, Ronald A - Washington, DC
(b)(6) gov>>; Brennan, Megan J - Washington, DC
(b)(6), (b)(3), 410(c)(2) v>>; John Barger
((b)(6)
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) gov>>; Smith, Kevin R - Washington, DC <(b)(6), (b)(3), 410(c)(2) >>
Subject: [EXTERNAL] Pricing/Cost Assignment Follow-up

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All,
(b)(5), (b)(3), 410(c)(2)

Contact me if you have any questions.
Best,
Roman

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Pricing/Cost Assignment Follow-up
Date: Tuesday, April 14, 2020 7:08:23 PM
Attachments: USPS Pricing_Cost Analysis April 2020.docx

---

fyi

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC; Calamoneri, Kevin A - Washington, DC; Bonanno, Natalie A - Washington, DC
Subject:	FW: Projections_04.30.2020_May_2020 - 340PM.pptx
Date:	Friday, May 1, 2020 5:45:26 PM
Attachments:	Projections_04.30.2020_May_2020 - 340PM.pptx

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Grossmann, Luke T - Washington, DC
Sent: Friday, May 1, 2020 2:25 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Projections_04.30.2020_May_2020 - 340PM.pptx

Megan / Ron / Tom:

Attached is the (b)(5), (b)(3), 410(c)(2)

Thanks,

- Luke

AMERICAN OVERSIGHT

From: Greene, Cara M - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Samaroo, Ryan V - Washington, DC
Subject: FW: Q2 Disclosure Committee Meeting
Attachments: 2020 04 27 DC Meeting Agenda - FY2020 Q2 (final).pdf
DC Email Inbox Log - FY2020 Q2.docx
2020 04-23 Form 10-Q Draft V.PDF

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From: Marshall, Thomas J - Washington, DC
To: Stroman, Ronald A - Washington, DC; Williams Jr, David E (COO) - Washington, DC
Subject: FW: Quick Question (Ops Meeting)
Date: Thursday, April 30, 2020 1:28:34 PM

(b)(5), (b)(3), 410(c)(2)

-----Original Message-----
From: Rosato, John F - Washington, DC
Sent: Thursday, April 30, 2020 1:23 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Quick Question (Ops Meeting)

(b)(5), (b)(3), 410(c)(2)

Sent from my iPhone

> On Apr 30, 2020, at 1:18 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:
>
> (b)(5), (b)(3), 410(c)(2)
>
> -----Original Message-----
> From: Rosato, John F - Washington, DC
> Sent: Thursday, April 30, 2020 1:12 PM
> To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
> Subject: Quick Question (Ops Meeting)
>
> (b)(5), (b)(3), 410(c)(2)
>
> Sent from my iPhone

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Request for Data from House and Senate Committee Democrats
Date: Monday, April 6, 2020 8:09:44 PM
Attachments: 2020-04-03.CBM GEC SFL Lawrence Carper Peters to Brennan USPS re Coronavirus Crisis.pdf

---

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stroman, Ronald A - Washington, DC
Sent: Monday, April 6, 2020 11:55 AM
To: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6) Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: Request for Data from House and Senate Committee Democrats

Megan,

Attached is the letter (b)(5)

Thanks
Ron

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Requested Discussions
Date: Wednesday, May 6, 2020 12:56:44 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Monday, May 4, 2020 5:01 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Requested Discussions

(b)(5)

Megan

From: Louis DeJoy [(b)(6)
Sent: Monday, May 4, 2020 4:59 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] Requested Discussions

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General Brennan-
(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Thanks,
Louis

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Response to Senator Booker
Date: Wednesday, April 1, 2020 7:40:43 PM
Attachments: NJ Delegation Response RE COVID (002).docx

Megan, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Bartholf, Frank M - St Louis, MO
Sent: Wednesday, April 1, 2020 6:53 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Response to Senator Booker

(b)(5)

Frank

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 1, 2020 4:59 PM
To: Bartholf, Frank M - St Louis, MO (b)(6), (b)(3), 410(c)(2) >
Cc: Calamoneri, Kevin A - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: FW: Response to Senator Booker

Frank, dc(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 1, 2020 5:50 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: Response to Senator Booker

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Wednesday, April 1, 2020 3:21 PM
To: Stroman, Ronald A - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Cc: Cronkhite, Isaac S - Washington, DC(b)(6), (b)(3), 410(c)(2)
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Response to Senator Booker

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Ron,

(b)(5)

Thank you.

Megan

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Weidner, Keith E - Washington, DC
Subject: FW: Statutory Relief Letters
Date: Monday, April 20, 2020 10:31:53 AM
Attachments: DRAFT - Govs Letter to Congressional Leadership v1.docx
DRAFT - PMG Letter to Congressional Leadership v1 (002) (005).docx

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(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Duplicate

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject:	FW: Suggested Edits
Date:	Thursday, May 7, 2020 5:00:06 PM
Attachments:	DRAFT - PMG May 2020 Open Session Script v6.docx DRAFT - PMG May 2020 Open Session Script v6.docx

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stroman, Ronald A - Washington, DC
Sent: Thursday, May 7, 2020 4:10 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Suggested Edits

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Task Force memo
Date: Monday, May 11, 2020 12:46:50 PM
Attachments: 2018 12 18 Task Force Recommendations Tables.pdf
2018 12 18 Marshall to Governors re Legal Analysis of White House Task Force Report.pdf

---

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, December 18, 2018 1:27 PM
To: Elston, Michael J - Washington, DC (b)(3), (b)(6)/410c2
Cc: Brennan, Megan J - Washington, DC (b)(3), (b)(6)/410c2 ; Stroman, Ronald A - Washington, DC (b)(3), (b)(6)/410c2
Subject: FW: Task Force memo

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Pangilinan, Regina K - Washington, DC
Subject: FW: Today"s call with our oversight committee.
Date: Friday, April 10, 2020 9:55:04 AM

For the next briefing sheet.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 9, 2020 3:59 PM
To: 'Bloom, Ron' (b)(6) 'John Barger (b)(6)
(b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6) >; Elston, Michael J - Washington, DC
(b)(6)
Subject: Today's call with our oversight committee.

(b)(5)

.

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 9, 2020 3:44 PM
To: 'Bloom, Ron' <(b)(6) >>; 'John Barger (b)(6))' (b)(6) com>>
Cc: Brennan, Megan J - Washington, DC (b)(6) ; Elston, Michael J - Washington, DC <(b)(6) >>
Subject: RE: NY Times story

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 9, 2020 3:00 PM
To: 'Bloom, Ron' (b)(6) >; 'John Barger (b)(6))' (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6) ; Elston, Michael J - Washington, DC (b)(6)
Subject: NY Times story

(b)(5) a story in the New York Times (b)(5) available at https://www.nytimes.com/2020/04/09/us/politics/coronavirus-is-threatening-one-of-governments-most-ubiquitous-services-the-mail.html, and is also set forth below.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Coronavirus Is Threatening One of Government's Most Ubiquitous Services: The Mail.
The Postal Service needs billions to continue funding its operations and make other payments, the agency told lawmakers.
By Nicholas Fandos<https://www.nytimes.com/by/nicholas-fandos> and Jim Tankersley<https://www.nytimes.com/by/jim-tankersley>
* April 9, 2020, 2:16 p.m. ET
*
WASHINGTON - The coronavirus pandemic is ravaging the United States Postal Service, with mail volume down by nearly a third already compared to same time last year and dropping quickly, as businesses drastically cut back on solicitations, advertisements and all kinds of letters that make up the bulk of mail service's bottom line.
The falloff comes even as package delivery has surged - but not by nearly enough to offset the losses from mail volume.
The result, the Postal Service told Congress on Thursday, is a multibillion-dollar financial shortfall that could cause one of the government's oldest and most reliable entities to run out of cash by the end of September and throw regular delivery into doubt at a time when Americans may still be trapped at home.
Megan J. Brennan, the postmaster general, told lawmakers on the House Oversight and Reform Committee on Thursday that the agency believed it would need $25 billion in federal grants to cover lost revenue from the pandemic, plus an additional $25 billion to update aging infrastructure. Another $14 billion is needed to pay off long-term debt related to the Postal Service's retirement benefits program along with $25 billion in unrestricted

AMERICAN OVERSIGHT

borrowing authority to weather the rapidly unfolding crisis, she said, according to officials familiar with the information she shared privately, who described it on condition of anonymity.
Even with an increase in online shopping and package delivery to Americans cooped up at home, the agency could see a 50-percent reduction in total mail volume by the end of June, compared to the same period last year, Ms. Brennan told the lawmakers. Postal officials fear a sizable portion of that lost mail may never return.
In total, the Postal Service anticipates losing $13 billion in revenue this fiscal year because of the pandemic and another $54 billion in losses over 10 years.
"They are chilling numbers," said Representative Gerald E. Connolly, Democrat of Virginia, who leads the House subcommittee responsible for the Postal Service. "The reaction of a lot of my colleagues - their jaws were dropping. It is one thing to say the Postal Service is suffering. It is another to hear these specifics."
As Congress spends trillions of dollars to try to save private businesses with loans and grants, the Postal Service has emerged as an unusual sticking point, bogged down by a long-running debate over its future. The agency does not normally use taxpayer money, but has struggled in recent years under mounting debt.
House Democrats are ready to give the Postal Service most of what it is asking for. But President Trump has so far rejected direct relief, repeatedly saying the Postal Service could solve its own woes simply by raising prices on packages delivered for big online retailers like Amazon.
Steven Mnuchin, the Treasury secretary, squashed a bipartisan attempt to send the agency emergency funds last month, insisting instead that his department be given new authority to lend up to $10 billion to the Postal Service on terms it helps set, other officials familiar with the negotiations said.
Ms. Brennan told lawmakers on Thursday that the agency was already in talks with the Treasury about the potential loan, but its revenue predictions suggest that money would not be enough if the crisis continues.
For now, the mail service, which operates under government-mandated service requirements, has continued uninterrupted. Even as scores of its more than 600,000 person work force have fallen ill and some have died, mail sorters and carriers have continued to walk their routes in every corner of the country, <https://www.nytimes.com/2020/03/23/us/coronavirus-post-office-workers.html> in many cases the only physical lifeline Americans now have to the outside world. They deliver medicines, election ballots, coronavirus test kits and packages ordered online.
But the administration's position has fanned fears among some lawmakers, postal union representatives and others who rely on the service that Trump administration officials are willing to let the postal network essentially go bankrupt to force its leaders to accept an overhaul to the postal business model that many conservatives have long sought - one that could limit delivery service and aid commercial competitors like FedEx and UPS.
In a statement to The New York Times, Ms. Brennan said the Postal Service was "at a critical juncture," quickly losing revenue because demand for its most profitable postal products was "plummeting as a result of the pandemic."
"At a time when America needs the Postal Service more than ever, the reason we are so needed is having a devastating effect on our business," she said. "The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover."
She called on Congress to "shore up the finances of the Postal Service, and enable us to continue to fulfill our indispensable role during the pandemic, and to play an effective role in the nation's economic recovery."
Negotiators on Capitol Hill had reached a tentative deal last month to provide the Postal Service around $13 billion dollars in direct relief as part of the $2 trillion CARES Act. The figure would have been far below a proposal by House Democrats, but it had the buy-in of a key Republican negotiator: Senator Ron Johnson of Wisconsin, the chairman of the Senate Homeland Security and Governmental Affairs Committee, according to the officials familiar with the talks, where were not authorized to publicly discuss them.
But Mr. Mnuchin said the administration would not have it. The Treasury secretary told lawmakers that a direct infusion of cash was a non-starter, and advocated instead for creating the $10 billion in new lending authority.
Department officials did not respond to a request to comment Thursday on postal issues.
Mr. Connolly said Thursday that he would recommend House leadership promptly back the new, higher figures presented by the Postal Service.
"We weren't shooting for the moon. We weren't solving all the problems. We were just trying to get them through," Mr. Connolly said. "The question is, will the Republicans join us?
Some Republican lawmakers remain open to direct cash payments, as well, under certain circumstances.
Historically, the Postal Service has counted on strong support from Republicans representing rural districts, where their service is a lifeline to homes and small businesses. But it is unclear if they would allocate the funds without imposing reform requirements on the agency or if they are willing to overpower Mr. Mnuchin and the White House.
An independent executive agency, the Postal Service has not taken federal funding in decades, running instead off revenue raised from stamps and other postal products. But since the 2008 financial crisis, it has struggled to stay in

AMERICAN OVERSIGHT

the black, weighed down largely by a congressional mandate to pre-fund its retirement benefits programs.
The agency has stopped making those payments in recent years, running up billions of dollars in debt, while its mail delivery business has otherwise remained profitable. Lawmakers in both parties have proposed overhauls to the service along the way, but none have stuck.
The postal unions and Democrats fear that the Trump administration is now trying to take advantage of the coronavirus crisis to push through a long-sought overhaul<https://www.nytimes.com/2018/12/04/us/politics/trump-amazon-post-office.html> of the Postal Service that would benefit private package carriers and eliminate certain costly rural delivery routes.
Mr. Trump has frequently criticized the service for not charging higher prices to deliver packages for large online retailers like Amazon - a company he has sometimes singled out<https://www.nytimes.com/2018/04/12/us/politics/trump-postal-service-amazon.html?action=click&module=RelatedCoverage&pgtype=Article®ion=Footer> in his Twitter tirades on postal issues. Aides have said the president's criticisms often followed critical stories about his administration published by the Washington Post, which is owned by Amazon founder Jeff Bezos.
He repeated the criticism this week, as he appeared to reject calls for a cash bailout. Asked about Mr. Connolly's proposal, he said the congressman should focus instead on raising package delivery prices.
"Tell your Democrat friend that he ought to focus on that, because if he focused on that, he could truly save the Post Office," the president said.
Mr. Trump ordered a review of the Postal Service and its pricing policies in 2018. His administration published the review<https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf> in December of that year. Its recommendations included steps that could reduce the frequency of mail delivery and increases in the prices of sending some packages. Online retailers criticized the recommendations, which they said could particularly hurt rural customers.
The report did not spur any action in Congress last year. But a longtime congressional advocate of changes to the service, Mark Meadows of North Carolina, recently took over as Mr. Trump's chief of staff. Critics of the report fear the White House could be trying to use the pandemic as another opening.
"At the end of the day, they have an agenda," said Mark Dimondstein, the president of the American Postal Workers Union, which represents 200,000 postal workers. "Raise prices, reduce worker benefits, and reduce services, make it appear more profitable and set it up for sale."
"The Covid crisis should not be used to achieve political aims," he added.
A lobbying group on postal issues that includes Amazon and other online retailers, the Package Coalition, raised concerns this week that the strings Treasury officials might attach to postal loans could raise prices during a pandemic that has made Americans more dependent on package delivery.
"The Treasury has the Postal Service over a $10-billion barrel, and the Postal Service is on the brink of bankruptcy," said the coalition's chairman, the former Army secretary John M. McHugh. "What do you do? We're worried they'll accept the terms."

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From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Cc: Brennan, Megan J - Washington, DC
Subject: FW: TP House Oversight Committee Briefing_v5.docx
Date: Thursday, April 9, 2020 9:57:01 AM
Attachments: TP House Oversight Committee Briefing_v5.docx

Mike, (b)(5) (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Thursday, April 9, 2020 9:49 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: TP House Oversight Committee Briefing_v5.docx

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: TP House Oversight Committee Briefing_v5.docx
Date: Thursday, April 9, 2020 9:42:25 AM
Attachments: TP House Oversight Committee Briefing_v5.docx

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fyi

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Thursday, April 9, 2020 8:39 AM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Elston, Michael J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: TP House Oversight Committee Briefing_v5.docx

Done; see attached.

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Pangilinan, Regina K - Washington, DC
Cc: Calamoneri, Kevin A - Washington, DC
Subject: FW: Treasury Borrowing Pursuant to the CARES Act
Date: Thursday, April 16, 2020 7:00:31 PM
Attachments: 2020 04 14 Marshall to Governors re Additional Borrowing Authority Under....pdf
Importance: High

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 14, 2020 6:02 PM
To: Robert "Mike" Duncan (b)(6) >; David C. Williams (b)(6) John M. Barger (b)(6) (b)(6)
Cc: Brennan, Megan J - Washington, (b)(6) gov>; Stroman, Ronald A - Washington, DC (b)(6) ; Corbett, Joseph - Washington, DC (b)(6) ; Elston, Michael J - Washington, DC (b)(6)
Subject: Treasury Borrowing Pursuant to the CARES Act

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Friday, April 10, 2020 2:29 PM
To: Robert "Mike" Duncan (b)(6)
Subject: Treasury Call

AMERICAN OVERSIGHT

Good afternoon Governors,

(b)(5)

Thank you.

Megan

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Pangilinan, Regina K - Washington, DC
Subject: FW: Treasury Borrowing Pursuant to the CARES Act
Date: Tuesday, April 14, 2020 7:28:50 PM
Attachments: 2020 04 14 Marshall to Governors re Additional Borrowing Authority Under....pdf

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(b)(5) .

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 14, 2020 6:02 PM
To: Robert "Mike" Duncan (b)(6) >; David C. Williams (b)(6) >; John M. Barger (b)(6) >; Ron Bloom (b)(6) ; Roman Martinez IV (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC <Michael.J.Elston@usps.gov>
Subject: Treasury Borrowing Pursuant to the CARES Act

ATTORNEY-CLIENT COMMUNICATION
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Governors,

(b)(5)

Let me know if you have any questions or concerns, and I will talk to you soon.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Friday, April 10, 2020 2:29 PM
To: Robert "Mike" Duncan <(b)(6) ; John M. Barger (b)(6) Ron Bloom (b)(6) >; Roman Martinez IV (b)(6))(6) (b)(6)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Treasury Call

Good afternoon Governors,

AMERICAN OVERSIGHT

(b)(5)

[redacted]

[redacted]

[redacted]

Thank you.

Megan

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Treasury Call this Afternoon
Date: Friday, April 10, 2020 2:39:57 PM

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fyi

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 10, 2020 9:04 AM
To: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: Re: Treasury Call this Afternoon

(b)(5)

Sent from my iPhone

On Apr 10, 2020, at 8:24 AM, Brennan, Megan J - Washington, DC
(b)(6), (b)(3), 410(c)(2) > wrote:
(b)(5)
Thank you.

Megan

On Apr 10, 2020, at 8:22 AM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:
(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Sent from my iPhone

On Apr 10, 2020, at 7:59 AM, Brennan, Megan J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:
(b)(5)

Thank you.

Megan

On Apr 9, 2020, at 5:37 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) > wrote:

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Corbett, Joseph - Washington, DC
Subject: FW: Treasury FOIA Request Consultation
Date: Wednesday, April 29, 2020 7:00:30 PM
Attachments: 2017-11-016 Consultation Document.pdf

(b)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stevenson, Ruth B - Washington, DC
Sent: Wednesday, April 29, 2020 6:57 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Hofer, Joshua - Washington, DC (b)(6), (b)(3), 410(c)(2)>; Bonanno, Natalie A - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Treasury FOIA Request Consultation

Tom,

(b)(5)

Thanks,

AMERICAN OVERSIGHT

Ruth B. Stevenson
Attorney, Federal Compliance
USPS Law Department
475 L'Enfant Plaza, SW
Room 6205
Washington, DC 20260
Office: (202) 268-6627
Mobile: (b)(6), (b)(3),
(b)(6), (b)(3), 410(c)(2)

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC
Subject: FW: TREASURY--USPS--CARES ACT BORROWING---4-9-20
Date: Tuesday, April 14, 2020 9:10:13 AM
Attachments: TREASURY--USPS--CARES ACT BORROWING---4-9-20.docx

---

(b)(5)

Walter - Washington, DC
Sent: Thursday, April 9, 2020 5:25 PM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Schafer, Elizabeth M - Washington, DC (b)(6), (b)(3), 410(c)(2) Berthold, Mark S - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: TREASURY--USPS--CARES ACT BORROWING---4-9-20

(b)(5)
--Walter

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC; Brownlie, Caroline R - Washington, DC; Belt, David C - Washington, DC; Howley, Jacob D - Washington, DC
Subject:	FW: TREASURY--USPS--CARES ACT BORROWING---4-9-20
Date:	Thursday, April 9, 2020 7:03:22 PM
Attachments:	TREASURY--USPS--CARES ACT BORROWING---4-9-20.docx

Fyi.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Alesevich, Walter - Washington, DC
Sent: Thursday, April 9, 2020 5:25 PM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Schafer, Elizabeth M - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Berthold, Mark S - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: TREASURY--USPS--CARES ACT BORROWING---4-9-20

Notes attached.
--Walter

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Updated - (b) Brief
Date: Monday, April 20, 2020 12:47:11 PM
Attachments: 2(b)(3), 410(c)(2)

Fyi.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Monday, April 20, 2020 11:00 AM
To: Marshall, Thomas J - Washington, DC(b)(6), (b)(3), 410(c)(2) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2)
Subject: Updated -(b)(3), Brief

For today's call

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Pangilinan, Regina K - Washington, DC
Subject: FW: USPS IP Issue
Date: Monday, April 13, 2020 8:07:16 PM
Attachments: image001.png
2020.04.13 USPS Cease and Desist Letter w disclaimer language LLV Logo.docx

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(b)(5) .

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 7:58 PM
To: (b)(6) ; 'John Barger' (b)(6)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS IP Issue

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 7:29 PM
To: (b)(6) 'John Barger'
(b)(6)
Subject: USPS IP Issue

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

To follow up on our conversation last week, (b)(5)

AMERICAN OVERSIGHT

(b)(5)

and I will talk to you tomorrow.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 11, 2020 3:46 PM
To: Passantino, Stefan (59582) (b)(6)
Subject: RE: USPS IP Issue

Stefan, (b)(5)

-Tom

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject: FW: USPS IP Issue
Date: Tuesday, April 14, 2020 8:07:57 AM
Attachments: image001.png
2020.04.13 USPS Cease and Desist Letter w disclaimer language LLV Logo.docx

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: USPS Response to EasyPost Request Letter
Date: Wednesday, May 6, 2020 10:30:08 AM
Attachments: image002.jpg
2020.5.4 Letter to Streebin--signed.pdf

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Wednesday, May 6, 2020 9:35 AM
To: Nancy Ngo (b)(6)
Cc: Schafer, Elizabeth M - Washington, DC (b)(6), (b)(3), 410(c)(2) McCrery, Marc D - Washington, DC (b)(6) ; Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) Justin Connor (b)(6) ; John Campo (b)(6) Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Mason, Chanel L - Washington, DC (b)(6), (b)(3), 410(c)(2) Martin, Billie - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Duncan, Angela K - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Pangilinan, Regina K - Washington, DC (b)(6), (b)(3), 410(c)(2) Phelps, Steven R - Washington, DC (b)(6), (b)(3), 410(c)(2) Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: USPS Response to EasyPost Request Letter

Good morning, Nancy. (b)(5)

Thank you,
Joe

From: Nancy Ngo (b)(6)
Sent: Tuesday, April 21, 2020 10:43 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Schafer, Elizabeth M - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; McCrery, Marc D - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Owens, Sharon - Merrifield, VA
(b)(6), (b)(3), 410(c)(2) >; Justin Connor
(b)(6) John Campo
(b)(6)
Subject: [EXTERNAL] Additional Follow Up - EasyPost Request Letter to USPS

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Good evening Jakki and Joe,

(b)(5)

AMERICAN OVERSIGHT

Let us know if you have any questions or concerns.

Best,

Nancy Ngo
Executive Assistant
[Image removed by sender.]<http://easypost.com>
345 California St. Floor 10, San Francisco, CA 94104

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Pangilinan, Regina K - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020
Date: Friday, April 17, 2020 2:22:46 PM
Attachments: 2020-04 GAO business model report response V3.docx

---

Regina, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 12:18 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020

I(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 12:07 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020
Importance: High

Keith, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 16, 2020 12:16 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020

(b)(5)

Keith

From: Mazzei, Anthony E - Washington, DC
Sent: Thursday, April 16, 2020 11:46 AM
To: Nickerson, Stephen J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
>; Howley, Jacob D - Washington, DC

AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)

Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/17/2020

(b)(5)
tony

From: Nickerson, Stephen J - Washington, DC
Sent: Thursday, April 16, 2020 10:01 AM
To: Grossmann, Luke T - Washington, DC
(b)(6), (b)(3), 410(c)(2)

Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/17/2020

(b)(5)

From: Grossmann, Luke T - Washington, DC
Sent: Tuesday, April 14, 2020 1:29 PM
To: Nickerson, Stephen J - Washington, DC
(b)(6), (b)(3), 410(c)(2) >
Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/17/2020

Steve - (b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 14, 2020 1:27 PM
To: Grossmann, Luke T - Washington, DC
<Luke.T.Grossmann@usps.gov<mailto:Luke.T.Grossmann@usps.gov>>; Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2)

Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/17/2020

Tom/Luke,

(b)(5) .

AMERICAN OVERSIGHT

(b)(5)

.

Keith

From: Howley, Jacob D - Washington, DC
Sent: Tuesday, April 14, 2020 12:40 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Belt, David C - Washington, DC <(b)(6), (b)(3), 410(c)(2) Brownlie, Caroline R - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020

(b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 14, 2020 11:29 AM
To: Howley, Jacob D - Washington, DC <(b)(6), (b)(3), 410(c)(2) v>>; Belt, David C - Washington, (b)(6), (b)(3), 410(c)(2) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020

(b)(5)

Keith

From: Howley, Jacob D - Washington, DC
Sent: Friday, April 10, 2020 3:18 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Belt, David C - Washington, DC <(b)(6), (b)(3), 410(c)(2) Brownlie, Caroline R - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020

(b)
(5)
(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 7, 2020 3:16 PM
To: Howley, Jacob D - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>; Brownlie, Caroline R - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020

(b)(5)

Keith

From: Howley, Jacob D - Washington, DC
Sent: Tuesday, April 7, 2020 2:40 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Belt, David C - Washington, DC <D(b)(6), (b)(3), 410(c)(2) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020

Thanks, Keith. (b)(5) (b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 7, 2020 9:31 AM
To: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020

FYI

Keith

AMERICAN OVERSIGHT

From: Simmons, Ellisa L - Washington, DC
Sent: Tuesday, April 7, 2020 8:00 AM
To: Pangilinan, Regina K - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Brooks, Kristin N - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: (b)(6), (b)(3), 410(c)(2)
5)
Due by 4/17/2020

Good Morning,

(b)(5)

Thank you
Ellisa

From: Pangilinan, Regina K - Washington, DC
Sent: Monday, April 06, 2020 10:58 AM
To: Simmons, Ellisa L - Washington, DC <(b)(6), (b)(3), 410(c)(2) >>
Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/10/2020

Hi Ellisa,

(b)(5)

Thank you.

Regina Pangilinan
Office of the General Counsel
and Executive Vice President
202-268-2951

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 6, 2020 10:56 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Pangilinan, Regina K - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/10/2020

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Monday, April 6, 2020 10:43 AM
To: Pangilinan, Regina K - Washington, DC
(b)(6), (b)(3), 410(c)(2) gov>>; Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/10/2020

Tom,

AMERICAN OVERSIGHT

(b)(5)

Keith

From: Pangilinan, Regina K - Washington, DC
Sent: Monday, April 6, 2020 10:41 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>;
Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/10/2020

(b)(5)

Thank you.
Regina Pangilinan
Office of the General Counsel
and Executive Vice President
202-268-2951

From: Simmons, Ellisa L - Washington, DC
Sent: Monday, April 6, 2020 10:32 AM
To: Brooks, Kristin N - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Pangilinan,
Regina K - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>
Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/10/2020

Hello Kristin and Regina.

(b)(5)

Thank you kindly
Ellisa
CARM

From: Simmons, Ellisa L - Washington, DC
Sent: Friday, April 03, 2020 9:27 AM
To: Grossmann, Luke T - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC
<(b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC
(b)(6), (b)(3), 410(c)(2) v>>
Cc: Brooks, Kristin N - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Pangilinan,
Regina K - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>
Subject: FW: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)
Due by 4/10/2020

Good morning,

(b)(5)

Thank you kindly
Ellisa

AMERICAN OVERSIGHT

USPSHQ CARM

From: Simmons, Ellisa L - Washington, DC
Sent: Friday, March 13, 2020 9:48 AM
To: Grossmann, Luke T - Washington, DC
<(b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) ;
Brooks, Kristin N - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Pangilinan, Regina
K - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/10/2020

Good Morning Mr. Grossmann and Mr. Marshall,

Attached please find GAO draft report titled: U.S. Postal Service: Congressional Action to Enable a Sustainable Business Model is Essential (GAO-20-385). Also attached is a Technical Comments template to use as a guide if providing technical comments.

Please provide a written response to the report and technical comments, if any, to
(b)(6), (b)(3), 410(c)(2) by the April 10th due date.

(b)(5

Thank you kindly,
Ellisa
USPS HQ Corporate Audit Response Management (CARM)

From: Haring, Sally K - Washington, DC
Sent: Thursday, March 12, 2020 5:46 PM
To: _Executive Leadership Team
(b)(6), (b)(3), 410(c)(2)
Subject: GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385)

Full report title: U.S. Postal Service: Congressional Action to Enable a Sustainable Business Model is Essential (GAO-20-385)

(b)(5

AMERICAN OVERSIGHT

(b)(5

Thank you,
Sally
X3753

Sally Haring
Manager, Corporate Audit & Response Management
U.S. POSTAL SERVICE
475 L'Enfant Plz SW | Washington DC 20260-5201
202.268.3753 | (b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC
Subject: FW: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
Date: Thursday, May 7, 2020 8:12:36 AM
Attachments: 2020 04 17 Marshall to GAO re USPS Business Model Transformation.pdf
GAO Sustainable Business Model Comments_Final.docx

(b)(5)

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 3:36 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
(b)(5)

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Pangilinan, Regina K - Washington, DC On Behalf Of Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 3:06 PM
To: CARM Manager (b)(6), (b)(3), 410(c)(2)
Cc: Haring, Sally K - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Simmons, Ellisa L - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Pangilinan, Regina K - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>
Subject: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
(b)(5)

(b)(5)

Regina K. Pangilinan
Office of the General Counsel
and Executive Vice President
United States Postal Service
475 L'Enfant Plaza, SW, Rm 6100
Washington, DC 20260-1100
202-268-2951

AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Duncan, Angela K - Washington, DC; Grossmann, Luke T - Washington, DC; Latham, Sandra R - Washington, DC
Subject: FW: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
Date: Thursday, May 7, 2020 8:17:16 AM
Attachments: 2020 04 17 Marshall to GAO re USPS Business Model Transformation.pdf
GAO Sustainable Business Model Comments_Final.docx
(b)(5)

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, May 7, 2020 8:12 AM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
(b)(5)

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 3:36 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
Importance: High

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Pangilinan, Regina K - Washington, DC On Behalf Of Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 3:06 PM
To: CARM Manager (b)(6), (b)(3), 410(c)(2)
Cc: Haring, Sally K - Washington, DC (b)(6), (b)(3), 410(c)(2) Simmons, Ellisa L - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>; Pangilinan, Regina K - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
(b)(5)

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Regina K. Pangilinan
Office of the General Counsel
and Executive Vice President
United States Postal Service
475 L'Enfant Plaza, SW, Rm 6100
Washington, DC 20260-1100
202-268-2951
(b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC
Subject:	FW: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
Date:	Friday, April 17, 2020 3:36:08 PM
Attachments:	2020 04 17 Marshall to GAO re USPS Business Model Transformation.pdf GAO Sustainable Business Model Comments_Final.docx
Importance:	High

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Pangilinan, Regina K - Washington, DC On Behalf Of Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 3:06 PM
To: CARM Manager (b)(3), 410(c)(2), (b)(6)
Cc: Haring, Sally K - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Simmons, Ellisa L - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) Pangilinan, Regina K - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: USPS: Congressional Action to Enable a Sustainable Business Model is Essential (Draft Report No. GAO-20-385)
Importance: High

Good Afternoon,

Please see the attached sent on behalf of General Counsel Thomas J. Marshall regarding the USPS response to GAO Draft Report: USPS Business Model Transformation (GAO-20-385).

Thank you.

Regina K. Pangilinan
Office of the General Counsel
and Executive Vice President
United States Postal Service
475 L'Enfant Plaza, SW, Rm 6100
Washington, DC 20260-1100
202-268-2951
(b)(3), 410(c)(2), (b)(6)

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: John Barger (b)(6)
Subject: FW: USPS/Michael Best-NEW VERSION
Date: Thursday, March 26, 2020 8:41:21 PM
Attachments: USPS DPA Memorandum (final) -- 27794003 v1.docx

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Stroman, Ronald A - Washington, DC
Subject: FW: USPS--Attorney/Client, Deliberative and Predecisional Materials
Date: Friday, April 3, 2020 3:18:45 PM
Attachments: USPS DPA Memorandum (final) -- 27794003 v1.docx

(b)(5) .

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 3, 2020 3:18 PM
To: 'John Barger (b)(6) 'Bloom, Ron' (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: USPS--Attorney/Client, Deliberative and Predecisional Materials

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Stroman, Ronald A - Washington, DC
Subject: FW: USPS--Attorney/Client, Deliberative and Predecisional Materials
Date: Friday, April 3, 2020 4:03:22 PM

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 3, 2020 4:02 PM
To: 'John Barger (b)(6) >; 'Bloom, Ron'
(b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: M. -Mike- Duncan Robert
Cc: Elston, Michael J - Washington, DC
Subject: FW: USPS--Attorney/Client, Deliberative and Predecisional Materials
Date: Friday, April 3, 2020 6:23:37 PM
Attachments: USPS Memorandum RE COVID-19 Pandemic (04.03.20).pdf

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ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Chairman Duncan,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 3, 2020 3:29 PM
To: 'John Barger (b)(6) 'Bloom, Ron' (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

-Tom

AMERICAN OVERSIGHT

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 3, 2020 3:18 PM
To: 'John Barger (b)(6)
'Bloom, Ron'
(b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: USPS--Attorney/Client, Deliberative and Predecisional Materials

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 2, 2020 9:21 PM
To: 'Passantino, Stefan (59582)' <(b)(6) >>;
Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Olson, Joseph L (13465) <(b)(6) >>

AMERICAN OVERSIGHT

Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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Duplicate

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From: Marshall, Thomas J - Washington, DC
To: Howley, Jacob D - Washington, DC
Subject: FW: Vision 2020: The Law Department in 10 years
Date: Sunday, May 3, 2020 5:40:52 PM
Attachments: 2020 (6).doc

(b)

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, May 3, 2020 5:40 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Vision 2020: The Law Department in 10 years

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: FW: Wash Post story on USPS stimulus money
Date: Thursday, April 23, 2020 6:24:21 PM

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fyi

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Thursday, April 23, 2020 5:07 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Wash Post story on USPS stimulus money

(b)(5)

https://www.washingtonpost.com/business/2020/04/23/10-billion-treasury-loan-usps/

Trump administration considers leveraging emergency coronavirus loan to force Postal Service changes
President Trump has railed for years against what he sees as mismanagement of the agency, which he argues has been exploited by sites such as Amazon
By Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/> and Lisa Rein<https://www.washingtonpost.com/people/lisa-rein/>

April 23, 2020 at 4:36 p.m. EDT

The Treasury Department is considering taking unprecedented control over key operations of the U.S. Postal Service by imposing tough terms on an emergency coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_2&itid=lk_inline_manual_2> loan from Congress, which would fulfill President Trump's longtime goal of changing how the service does business, according to two people familiar with the matter.

Officials working under Treasury Secretary Steven Mnuchin, who must approve the $10 billion loan, have told senior officials at the USPS in recent weeks that he could use the loan as leverage to give the administration influence over how much the agency charges for delivering packages and how it manages its finances, according to the two people, who spoke on the condition of anonymity because the talks are preliminary.

Trump has railed for years against what he sees as mismanagement at the Postal Service, which he argues has been exploited by e-commerce sites such as Amazon, and has sought to change how much the agency charges for delivery packages. (Amazon's founder and chief executive Jeff Bezos owns The Washington Post.)

Under the $2 trillion coronavirus stimulus relief passed last month<https://www.washingtonpost.com/business/2020/03/25/trump-senate-coronavirus-economic-stimulus-2-trillion/?tid=lk_inline_manual_7&itid=lk_inline_manual_7>, the Treasury was authorized to loan $10 billion to the USPS, which says it may not be able to make payroll and continue mail service uninterrupted past September. Mnuchin rejected a bipartisan Senate proposal to give the Postal Service a bailout amid the negotiations over that

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legislation, a senior Trump administration official and a congressional official previously told The Post<https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/?tid=lk_inline_manual_7&itid=lk_inline_manual_7>.

The borrowing terms have only been discussed among both agencies' leadership and have not been made public because the Postal Service hasn't officially requested the loan, the two people familiar with the matter said. Mnuchin could still decide not to pursue tough terms as the September deadline nears. The Postal Service would not have to use the entire $10 billion loan at one time, but could borrow up to that amount at any given time.

In discussions with senior USPS personnel, Treasury officials have said they are interested in raising rates on the Postal Service's lucrative package business, its sole area of profitability in recent years. Treasury could also review all large postal contracts with package companies to push for greater margins on deliveries.

Treasury officials have said they may press the agency to demand tougher concessions from its powerful postal unions - among the public-sector unions that still retain significant leverage in negotiations with the government.

The officials have also said Mnuchin wants the authority to review hiring decisions at the agency's senior levels, including the selection of the next postmaster general, a decision that until now has been left to the Postal Service's five-member board of governors.

USPS spokesman David Partenheimer confirmed in an email that the agency and Treasury have begun "preliminary discussions" over the loan, but that the Treasury had not yet asked "to impose any of those conditions on that borrowing authority." He declined to say whether these or any other terms were under discussion.

A Treasury spokesman said the department began preliminary discussions on the terms of the loan, but said it was too early to comment on those conversations.
Amazon did not respond to requests for comment.

The Postal Service has repeatedly drawn on an open $15 billion line of credit Congress authorized nearly 30 years ago, as the agency's finances have been squeezed by the demise of the traditional mail business and rising pension costs. That loan comes without any terms and low interest rates. USPS has paid down the debt in recent years, but has never fully paid off the loan. On April 1, the Postal Service borrowed another $3 billion to help weather the pandemic, bringing the agency up to $14.4 billion from that line of credit.

Usually, the agency's business decisions are made by its Board of Governors, who are appointed by the president, and an independent entity called the Postal Regulatory Commission, which ensures that the Postal Service charges rates for its services that cover its costs.

If Mnuchin were to gain greater control through the new loan, a slew of Postal Service management decisions, including the terms of major contracts and collective bargaining strategy, could require Treasury's approval. Hiring and firing of senior executives could be required to be run by Treasury, the two people familiar with the matter said.

Trump has taken aim at the Postal Service since early in his tenure, initially urging the agency<https://www.washingtonpost.com/business/economy/trump-personally-pushed-postmaster-general-to-double-rates-on-amazon-other-firms/2018/05/18/2b6438d2-5931-11e8-858f-12becb4d6067_story.html?tid=lk_inline_manual_26&itid=lk_inline_manual_26> to double the rates it charges Amazon and other firms for delivery.

The agency has been decimated by the decline in first-class mail over recent decades, but one bright spot has been package delivery. The Postal Service competes vigorously with UPS and FedEx and even Amazon's own delivery services, and it specializes in the "last mile" delivery to a customer's home.

Trump frequently repeats the claim that higher package rates on Internet shipping companies - Amazon, in particular - could ease the Postal Service's financial troubles. The Postal Service has repeatedly defended its arrangement with the e-commerce giant, saying it gets fair rates for the services it provides in a highly competitive environment.

Higher Postal Service rates could hurt the USPS by artificially raising its price above those of UPS and FedEx,

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analysts say. It would also hit Amazon, because the company contracts for "last mile" deliveries more frequently than its competitors.

UPS spokeswoman Kara Gerhardt Ross in an emailed statement called the Postal Service "an important partner for us in delivering to communities," especially during the pandemic.
"At the same time, the USPS would benefit from modernizing both their cost attribution methodologies to reflect the past decade's growth in the competitive package market," she said.

FedEx did not respond to a request for comment.

The familiar mail carriers in the USPS's iconic blue and white trucks have continued delivering mail and packages to a country under quarantine. The Postal Service remains a vital conduit of information for the dwindling proportion of the population that isn't online.

A Postal Service spokesman said 1,219 workers of the Postal Service's 630,000-person workforce have tested positive for the coronavirus. Forty-four workers have died, according to the American Postal Workers Union, one of several labor groups that represents USPS employees.

The Postal Service is projecting a $13 billion shortfall this year because of the pandemic, with mail volume down about 30 percent since the virus forced businesses to scale back advertisements, catalogues and other mail. A jump in package deliveries to homebound customers has not fully compensated for those losses.

Postmaster General Megan Brennan asked lawmakers this month for an $89 billion bailout that would include funding to make up for losses because of the pandemic, new money for modernization and $39 billion in restructured debt.

The Postal Service's plight has recently been attracting the attention of lawmakers in both parties. Sen. Bill Cassidy (R-La.) told donors on a call last week that he would wanted postal unions to make concessions on salaries and benefits to help the Postal Service's finances. Senate Minority Leader Charles E. Schumer (D-N.Y.) said Tuesday that relief for the Postal Service should be part of a "Phase IV" stimulus package.

At an Oval Office meeting more than a year ago, Trump decried to aides what he viewed as the dysfunction of the Postal Service and reiterated long-standing grievances about the costly effect on American taxpayers, according to one former senior administration official present at the meeting.

Trump has repeatedly demanded changes to the agency's financial structure. Mnuchin has taken on the cause, and has since been repeatedly briefed on potential solutions, the former official said.

"People around [Mnuchin] thought it was crazy because people have been trying to figure this out for years, and it's very politically challenging," the former official said.

But the treasury secretary has so far found a career staff at the Postal Service that has resisted his efforts at change. Mnuchin created a task force that released a 74-page study in 2018 that called for some of the same reforms Treasury may ask for now, namely cutting labor costs, restructuring third-party service agreements and increasing package rates.

"Require price increases, reduce service costs, or exit the business for any mail products that are not deemed an essential service and do not cover their direct costs," the report recommended.

But the recommendations went nowhere, in part because the agency lacked a quorum on the Board of Governors. They also faced political opposition in Congress and among union ranks to curtailing postal routes and other services.

Last fall, Mnuchin sent his deputies to present a new board largely made of up Trump appointees with a slate of changes that attached terms to the remainder of the Postal Service's customary $15 billion line of credit, breaking with a nearly five-decade precedent of generous terms of postal borrowing.

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But career postal staff balked at the terms and USPS leadership swiftly rejected them.

"Treasury is going to want to see some of these recommendations implemented," said Paul Steidler, a postal expert at the Lexington Institute, a conservative think tank focused on security-related issues.

Democrats say Mnuchin will be making a mistake if he tries to impose stringent terms on the new loan.

"If Mnuchin wants to play this kind of game with the Postal Service, I think it is time for the Postal Service to tell him they're not going to agree to unacceptable conditions, and that means Mnuchin will have on his hands the disruption of services this fall," said Rep. Gerald E. Connolly (D-Va.), who chairs the House subcommittee in charge of postal oversight. "I think it's time to stare him down and this White House down, and for Congress to decide are we going to stand with the Postal Service as we know it.

"This is an essential service and it needs to be treated as such. My hope would be that the Postal will stare him down. If they don't, it's tantamount to handing over day-to-day management to the Treasury Department."

Connolly and Rep. Carolyn B. Maloney (D-N.Y.) joined Sens. Gary Peters (D-Mich.) and Thomas R. Carper (D-Del.) in an April 3 letter to Mnuchin asserting Congress's oversight authority for the Postal Service.

"We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the Cares Act," the letter states. "We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service's statutory authorities."

Staff writers Josh Dawsey and Jeff Stein contributed to this report.

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: FW: White House Press Briefing summary April 7
Date: Tuesday, April 7, 2020 7:19:09 PM

(b

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Tuesday, April 7, 2020 7:16 PM
To: _Executive Leadership Team (b)(6), (b)(3), 410(c)(2) >; Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) COVID 19 Command Officers (b)(6), (b)(3), 410(c)(2)
Cc: _Exec. Leadership CoS <(b)(6), (b)(3), 410(c)(2) ; _CorpComm - Direct Reports Team (b)(6), (b)(3), 410(c)(2) ; Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: White House Press Briefing summary April 7

(b)(5)

WHITE HOUSE PRESS BRIEFING
April 7, 2020

In attendance:
Pres. Donald J. Trump
Dr. Deborah Birx, White House Coronavirus Response Coordinator
Dr. Anthony Fauci, NIH Director
Seema Vera, Chief Centers for Medicare & Medicaid Services

Underway at 5:45 p.m. I signed off at 7 p.m. Found at this link: https://www.c-span.org/video/?471020-1/white-house-coronavirus-task-force-briefing

President Trump:
Thank the American people for doing their part to stop the spread
Project Air Bridge had five planes with protective equipment land recently with 27 scheduled over the future in the next several weeks
Army corp of engineers building facilities to house thousands of patients
Remind governors sharing real time data is important
Working hard on a vaccine. Great early results
10 drugs in active trials with 15 more to follow
1.87 million tests have been performed to date
Ensure the country can meet the needs of mental health requirements for those under stress at this time
Getting economic relief to citizens. As of today small business has processed $70B in loans
Will ask congress to provide an additional $250B to the paycheck protection
Asking for people to use #americaworkstogether when talking about how we're helping one another
Thanking construction workers and health care workers for their hard work

Vice President Pence:
Number of cases beginning to stabilize

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Evidence Americans are social distancing
Take the guidance passed down by your states seriously
Spoke to more than 500 business owners. Enthusiastic about the paycheck protection program
$60 B of forgivable loans have been distributed
Thanked workers in food supply for their hard work (farmers, truckers, grocers, etc.)
Continuing to send ventilators across the country
Correction from yesterday: FEMA update from the State of California made 500 ventilators available

Dr Fauci:
Diseases disproportionately affect POC populations, specifically African American population
Try to give them the best possible care when they arrive at the hospital for care

Dr Birx:
Talking about the latest numbers of victims and how many pieces of equipment is being moved to prevent expansion and spread of the virus

Q&A from media:

Q. asked to Trump - $250B added to the paycheck protection today, for a total of $650B is that enough?
A: Hundreds of thousands of applications are being submitted and we're going to help the little companies

Q: asked to Trump - Economic task force. When will that happen?
A: we may be getting to the top of the curve, and we want to be on the downside and prepare to move forward

Q: 36:39 asked to trump - My second question from a colleague, Congressman Jerry Connelly. A Democrat from Northern Virginia told the local DC CBS station you personally requested the CARES act stimulus bill of $25 billion for the Postal Service. He claims unless the USPS gets that money, they will be out of business by June. He accuses you of hastening the demise of the Postal Service.
A: The Postal Service has lost billions fo dollars a year for many years. I'm not the demise of the Postal Service? I will tell you who it the demise of the Postal Service, these internet companies that give their stuff to the Postal Service, packages. I don't run the Postal Service.

You have a group of people, so-called independent people who run it. But these packages are, they lose money every time they deliver a package for amazon or these other internet companies. These other companies that deliver. They drop everything at the Post Office and say you deliver it. If they would raise the prices by, actually a lot, then you would find out that the Post Office could make money or break even. But they don't do that. I'm trying to figure out why. These are independent boards appointed by other administrations, sort of long-term, there for a long time. I've been talking to them. You can look it up. Take a look.

They should have to raise prices to these companies that walk in and drop thousands of packages on the floor of the Post Office and say deliver it. They make money, but the Post Office gets killed, ok? They ought to do that and we are looking into it and have been pushing them now for over a year, and you know that because you have seen the stories-stories I am pushing on them. It is not fair. He's (?) great, wonderful modern companies walk into these Post Offices with all these routes that could never be built, going to areas you could never do, and they say deliver this.

They lose a lot of money per package and have to raise their prices, but this Postal Commission doesn't do it. We had a chance to appoint a couple people onto the commission, as I understand, and that's good. But they have to raise the prices. Otherwise they will just lose a lot of money, and tell your democrat friend he ought to focus on that. If he focused on that, he could truly save the Post Office. The Post Office has been losing billions of dollars a year for many years. Have him take a look at that, that's the way to solve the problem.

Q: 41:03 - There's voting going on today in Wisconsin, and reports of thousands of people waiting in hours-long line, having to weigh their own personal health and their civic responsibility. Do you think the Supreme Court was right in saying voting should go forward and the absentee extension-(cut off by trump)
A: LOOK, DISCIPLINE COURT, OF COURSE THEY WERE RIGHT -- THE SUPREME COURT, OF COURSE

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THEY WERE RIGHT. WHAT THE DEMOCRATS WANTED. I SUPPORTED A GUY NAMED JUSTICE KELLY, A HIGHLY -- JUSTICE KELLY, A HIGHLY RESPECTED JUSTICE. HE'S A FANTASTIC JUDGE, JUSTICE, AND I ENDORSED HIM. AS SOON AS I ENDORSED HIM, THEY WANTED TO MOVE THE ELECTION. THEY DIDN'T WANT TO MOVE THE ELECTION. AS SOON AS I ENDORSED HIM, THE WISCONSIN DEMOCRATS SAID, LET'S MOVE THE ELECTION TO TWO MONTHS LATER. THEY DIDN'T MIND HAVING THE ELECTION UNTIL I ENDORSED HIM, WHICH IS INTERESTING. NOW THEY TALK ABOUT SAFETY. WELL, IT WAS 15 MINUTES AFTER I PUT OUT AN ENDORSEMENT THAT THEY SAID WE HAD TO MOVE THE ELECTION.

THEY DIDN'T WANT TO MOVE THE ELECTION BEFORE THAT. THE OTHER THING THEY WANT TO DO, WHICH IS CRAZY, AT THE END OF THE ELECTION THEY WANTED TO HAVE ONE WEEK FOR PROXIES TO COME IN, OR MAIL BALLOTS. MAIL BALLOTS, THEY CHEAT. MAIL BALLOTS ARE VERY DANGEROUS FOR THIS COUNTRY BECAUSE OF CHEATERS. THEY GO COLLECT THEM. THEY ARE FRAUDULENT IN MANY CASES. THEY HAVE TO VOTE. THEY SHOULD HAVE VOTER ID, BY THE WAY.

BUT THE DEMOCRATS, AND THIS WAS TURNED OVER IN THIS UP IN COURT, I GIVE GREAT CREDIT TO THE COURT, THEY DIDN'T WANT TO HAVE ELECTION DAY. THEY WANTED ELECTION DAY, AND A WEEK AFTER ELECTION DALE THESE BALLOTS COME IN, THESE MAILED BALLOTS. THE MAIL BALLOTS ARE CORRUPT, IN MY OPINION. THEY COLLECT THEM, GET PEOPLE TO GO SIGN THEM. FORGERIES, IN MANY CASES. IT'S A HORRIBLE THING. SO WHAT HAPPENED, THE DEMOCRATS IN WISCONSIN HAD NO PROBLEM WITH THE ELECTION BEING TODAY, UNTIL I ENDORSED THE REPUBLICAN CANDIDATE, JUSTICE DANIEL KELLY.

AS SOON AS I ENDORSED HIM, THEY WENT CRAZY, THEY WENT CRAZY, AND YOU KNOW THAT'S TRUE. GO BACK TWO WEEKS, TWO DAYS. THEY DIDN'T WANT TO MOVE THE ELECTION. THEY WERE HAVING THE ELECTION BECAUSE THEY THOUGHT THEY WOULD WIN THE ELECTION,, AND THEN I ENDORSED HIM AND NOW I UNDERSTAND THERE ARE LINES GOING BACK A LONG WAY. I HOPE THEY WILL VOTE FOR JUSTICE KELLY, OK?

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: WSJ story on GAO report
Date: Thursday, May 7, 2020 3:37:05 PM
Attachments: 2020 04 17 Marshall to GAO re USPS Business Model Transformation.pdf

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Thursday, May 7, 2020 12:08 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: WSJ story on GAO report

(b)(5)

From: Partenheimer, David A - Washington, DC
Sent: Thursday, May 7, 2020 11:51 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Reid-DeMeo, Darleen A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Sucich, Nicholas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Levin, Mary B - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Hallums, Kimberly D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: WSJ story on GAO report

(b)(5)

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(b)(5)

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: FW: Yahoo Finance Article re: USPS Stimulus Funding/Finances/Employee Safety
Date: Wednesday, April 1, 2020 3:16:33 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 1, 2020 2:29 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: (b)(6) Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Jim Morrell (b)(6)
Subject: Yahoo Finance Article re: USPS Stimulus Funding/Finances/Employee Safety

(b)(5)

https://finance.yahoo.com/news/how-coronavirus-could-be-the-final-straw-for-the-us-postal-service-165904883.html

How coronavirus could be the 'final straw' for the U.S Postal Service
Ben Werschkul<https://www.yahoo.com/author/ben-werschkul>
Yahoo Finance<http://finance.yahoo.com/>April 1, 2020

The U.S. Postal Service has been in trouble for some time. Now, the coronavirus crisis has come along and made everything much worse.

Mail volume (and the accompanying revenue) could be down 50% this year, according to some estimates. The already teetering Postal Service could run out of money soon. That fear, combined with widespread concerns about letter carriers exposed to the virus, has put some lawmakers into a fatalistic mindset.

Rep. Gerry Connolly (D-Va.) put it bluntly: "We need to start thinking in those apocalyptic terms," he said in an interview with Yahoo Finance Tuesday, "because we are about to face the apocalypse."

The current crisis is "in many ways the final straw," said Connolly, who is chairman of the House subcommittee that oversees the Postal Service. He believes that without some sort of intervention it will run out of cash in June.

'There's a growing anxiety'
Questions of safety are now dogging the service. "There's a growing anxiety that they're at risk and that there's not sufficient resources to protect them even in the most minimal of ways like hand sanitizers or gloves or the like," Connolly said.

Two weeks ago, ProPublica published a report saying that some postal employees were continuing to work after displaying COVID-19 symptoms, and seemingly healthy employees had insufficient protection against the virus.

Postmaster General Megan J. Brennan responded to some of the concerns on Wednesday during a Board of

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Governors session. "We are promoting healthy behaviors and protocols and encouraging any employee who feels sick to stay home," she said. "In order to further encourage this behavior, we have updated our leave policies to allow liberal use of leave."

Brennan also acknowledged some supply problems in the recent past saying, "we are continuing to work to overcome gaps in the supply chain to insure that our employees have access to hand sanitizer masks and gloves."

But questions are likely to keep coming. Sen. Cory Booker and other New Jersey Democrats wrote a letter to Postmaster General Brennan last week expressing a series of concerns and questions. On Tuesday, Sen. Bernie Sanders sent another letter raising similar questions.

A spokesperson for Booker told Yahoo Finance that his office has not received an answer but remains hopeful that we can work with the service "to implement stronger workplace protections for the safety and well-being of USPS employees as well as the millions of Americans who depend on their services."

"The health and well-being of our employees is always our first thought in facing the COVID challenge," the Postmaster General said on Wednesday. She also underlined that the CDC, WHO, and Surgeon General all "have all said that there is very low risk that this virus is spread through mail which should be a comfort to us all and to the public."

Connolly agreed the risk of transmission via mail is low, but "if we made sure that all of our postal workers had access to hand sanitizers and gloves, we could come close to eliminating the risk." A lack of guidance or protection for letter carriers "is very imprudent and puts people at some risk. Not a high risk, but a risk."

The USPS has made one change: it no longer requires customer signatures. Letter carriers will instead - from a distance - request the customer's information and enter it themselves.

'They're going to run out of cash in June'

The USPS operates as a self-supporting, independent federal agency - sort of halfway between an independent business and a government agency. It likes to tout that the service "receives no tax dollars," instead paying for itself from the sale of postage, products and services.

During the phase 3 negotiations, Connolly and other House Democrats proposed changing that by eliminating outstanding debt and allotting $25 billion to further shore up USPS finances. They even wrote a letter to Sen. Mitch McConnell "to seek your urgent help."

They also want to repeal a mandate imposed in the Postal Act of 2006, which they say denies the USPS a chance to be profitable, arguing that the rule requires the Postal Service to pre-fund retirement health benefits for its employees. It's a financial burden that puts "the Postal Service in a straight jacket," according to Connolly, and has been the focus of repeal attempts for years.

The push didn't work. The final package, signed into law by President Trump last Friday, included $10 billion in additional borrowing authority with strings attached.

The National Association of Letter Carriers, a union representing postal employees, responded: "That is woefully inadequate."

Connolly says that some of the conditions on the $10 billion (including more of a Treasury role in management) was "an unacceptable condition for everybody," and he still sees the USPS going out of business within months if nothing is done.

Then USPS and 'Phase 4' negotiations

The Postal Service has been gradually shrinking for years as outfits like UPS and Fedex Express (not to mention email) encroach further on its business. Total mail volume has shrunk from 170.9 billion pieces of mail in 2010 to 146.4 billion in 2018.

Yet advocates note the USPS still serves important functions, from delivering prescription drugs to Social Security

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checks. It also remains the only option in some rural areas where; as the National Association of Letter Carriers points out, "private companies rely on the USPS for last-mile delivery."

The USPS is also how millions of Americans who don't have direct deposit information on file with the IRS will receive their $1,200 stimulus checks.

And then there's perhaps the most politically fraught factor: "We're also counting on the Postal Service to save our election process," Connolly said amid questions about whether November's elections will need to be done through the mail given concerns about voting in person. "What if there's no Postal Service?" he said. "Well, that could affect the outcome of an election."

Trump has not discussed the Postal Service at length since the coronavirus crisis began. On March 23 he thanked "the hardworking men and women of Federal Express, UPS, the United States Postal Service, and the truckers who are maintaining our supply chains and supply lines."

But Connolly claims that, behind the scenes, Trump himself was instrumental in killing aid to the USPS. He said Trump personally axed direct aid to the service. House Speaker Nancy Pelosi "said this came directly from Trump and she has reiterated that more than once," Connolly said.

The White House did not offer comment on Connolly's claim.

On Tuesday, during an appearance on MSNBC, Pelosi reiterated that Postal Service funding is crucial in a phase 4 deal largely to keep voting by mail as a viable option.

"I'm going to continue like a dog and a bone on this issue," said Connolly, "because we won't appreciate the criticality of it until the worst happens, and I'm trying to prevent the worst from happening."

Ben Werschkul is a producer for Yahoo Finance in Washington, DC.

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Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Stavely, Rhonda J - Washington, DC
Subject: Fwd: [EXTERNAL] RE: Tied Up in Briefings
Date: Tuesday, March 31, 2020 10:00:54 AM

(b)

Sent from my iPhone

Begin forwarded message:

From: "Marshall, Thomas J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Date: March 31, 2020 at 9:48:00 AM EDT
To: "Brennan, Megan J - Washington, DC" (b)(6), (b)(3), 410(c)(2) "Stroman, Ronald A - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] RE: Tied Up in Briefings

(b)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Tuesday, March 31, 2020 9:34 AM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] RE: Tied Up in Briefings

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Tuesday, March 31, 2020 9:02 AM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fwd: [EXTERNAL] RE: Tied Up in Briefings

Mike,

(b)(5)

(b)(5)
Thanks,

Megan

AMERICAN OVERSIGHT

Begin forwarded message:
From: Rick Hohlt <(b)(6) >>
Date: March 31, 2020 at 8:54:30 AM EDT
To: "'Brennan, Megan J - Washington, DC'" (b)(6), (b)(3), 410(c)(2) >>
Cc: (b)(6) >
Subject: [EXTERNAL] RE: Tied Up in Briefings
(b)(5)

(b)(6)

-----Original Message-----
From: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Tuesday, March 31, 2020 8:53 AM
To: Richard F. Hohlt (Rick) (b)(6)
Subject: Tied Up in Briefings

(b)(5)

Thanks,

Megan

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J. - Washington, DC; Brennan, Ronald A. - Washington, DC
Subject: Fwd: [EXTERNAL] Trump office declares Amazon "notorious"
Date: Thursday, April 30, 2020 7:20:17 AM

(

Begin forwarded message:

From: Federal Times <news@federaltimes.com>
Date: April 30, 2020 at 6:40:36 AM EDT
To: "Marshall, Thomas J - Washington, DC" (b)(6)
Subject: [EXTERNAL] Trump office declares Amazon 'notorious'

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Having trouble viewing this email? | View it in your browser.<https://link.federaltimes.com/view/5758869/c498e57457971b3ecc0cvf3dj/dbdf89fa>

Apr 30, 2020

[Federal Times] <https://link.federaltimes.com/click/20172075.22195/aHR0cDovL3d3dy5mZWRlcmFsdGltZXMuY29t/w/5758869/c498e57457971b3ecc8f6c6bac97>
Apr 30, 2020
FOLLOW US [LinkedIn] <https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuaGlua2VkaW4uY29tL2NvbXBhbnkvdGhlLWZlZGVyYWxtdGltZXMvd/5758869/c498e57457971b3ecc8f5aa6022d/> [Facebook] <https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmFjZWJvb2suY29tL0ZlZGVyYWxUaWlkcw/5758869/c498e57457971b3ecc8f5aa6022d/> [Twitter] <https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly90d2l0dGVyLmNvbS9mZWRlcmFsdGltZXM/5758869/c498e57457971b3ecc8f6c6bf83f>

Daily Brief

[Trump trade office adds Amazon to 'notorious markets' list]<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9nb3Zjb24vcmVndWxhdGlvbnMvMjAyMC8wNC8yOS90cnVtcC10cmFkZS1vZmZpY2UtYWRkcy1hbWF6b24tdG8tbm90b3Jpb3VzLW1hcmtldHMtbGlzdC8:5758869/c498e57457971b3ecc8f6c6618>

Trump trade office adds Amazon to 'notorious markets' list <https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9nb3Zjb24vcmVndWxhdGlvbnMvMjAyMC8wNC8yOS90cnVtcC10cmFkZS1vZmZpY2UtYWRkcy1hbWF6b24tdG8tbm90b3Jpb3VzLW1hcmtldHMtbGlzdC8:5758869/c498e57457971b3ecc8f6c6618>
President Donald Trump has clashed repeatedly with Amazon.
Read Story<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9nb3Zjb24vcmVndWxhdGlvbnMvMjAyMC8wNC8yOS90cnVtcC10cmFkZS1vZmZpY2UtYWRkcy1hbWF6b24tdG8tbm90b3Jpb3VzLW1hcmtldHMtbGlzdC8:5758869/c498e57457971b3ecc8f6c6618> [Read Story]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9nb3Zjb24vcmVndWxhdGlvbnMvMjAyMC8wNC8yOS90cnVtcC10cmFkZS1vZmZpY2UtYWRkcy1hbWF6b24tdG8tbm90b3Jpb3VzLW1hcmtldHMtbGlzdC:5758869/c498e57457971b3ecc8f6c6618>

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[https://link.federaltimes.com/fl/5758869/c498e57457971b3ecc0cvf3dj/5dfa84812e9bba004259e6f9/5ea5d0bd6522367345bb5ca6.gif?<https://link.federaltimes.com/fl/5758869/c498e57457971b3ecc0cvf3dj/5dfa84812e9bba004259e6f9/5ea5d0bd6522367345bb5ca6.gif?>2ca]
[Interior Department inks $95M dollar deal to modernize IT system from 1990s]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9nb21lLzIwMjAvMDQvMjkvaWS0ZXJpb3hZGVwYXJ0bWVudC10by1tb2Rlcm5penUtXOtc3IzdGlvLWZyb20tMTk5MHMv:5758869/c498e57457971b3ecc8f39eb7c8> Interior Department inks $95M dollar deal to modernize IT system from 1990s<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9nb21lLzIwMjAvMDQvMjkvaW50ZXJpb3hZGVwYXJ0bWVudC10by1tb2Rlcm5penUtXOtc3IzdGlvLWZyb20tMTk5MHMv:5758869/c498e57457971b3ecc398eb7c8>
The five-year contract will modernize Interior's Technical Information Management System, or TIMS, which automates business and regulatory functions.
[http://media.sailthru.com/Sb9/1k0/6/3/5751b3077c1e6.jpg]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9nb21lLzIwMjAvMDQvMjkvaW50ZXJpb3hZGVwYXJ0bWVudC10by1tb2Rlcm5penUtXOtc3IzdGlvLWZyb20tMTk5MHMv:5758869/c498e57457971b3ecD39eb7c8>

[US attorneys announce Gateway Strike Force to target gangs, cartels]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9mZWRlcmFsLW92ZXJzaWdodC9kb2otZmJpLzIwMjAvMDQvMjkvdXMtYXR0b3JuZXIzLWFubm91bmNlLWdhdGV3YXktc3RyaWtlLWZvcmNlLXRvLXRhcmdldC1nYW5nczljYXJ0ZWxzLw:5758869/c498e57457971b3ecEb8194a14> US attorneys announce Gateway Strike Force to target gangs,
cartels<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9mZWRlcmFsLW92ZXJzaWdodC9kb2otZmJpLzIwMjAvMDQvMjkvdXMtYXR0b3JuZXIzLWFubm91bmNlLWdhdGV3YXktc3RyaWtlLWZvcmNlLXRvLXRhcmdldC1nYW5nczljYXJ0ZWxzLw:5758869/c498e57457971b3ecCb8194a14>
Federal, state and local law enforcement are teaming up to create a new drug and organized crime task force in St. Louis, Missouri.
[http://media.sailthru.com/Sb9/1k0/6/3/5751b3077c1e6.jpg]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmVkZXJhbHRpbWVzLmNvbS9mZWRlcmFsL292ZXJzaWdodC9kb2otZmJpLzIwMjAvMDQvMjkvdXMtYXR0b3JuZXIzLWFubm91bmNlLWdhdGV3YXktc3RyaWtlLWZvcmNlLXRvLXRhcmdldC1nYW5nczljYXJ0ZWxzLw:5758869/c498e57457971b3ecDb8194a14>

[DHS' cyber agency will now serve as a cybersecurity 'marketplace']
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmlndGhkb21haW4uY29tL2Npdmlsa WFsL29tYi8yMDIwLzA0Lzl4L2RocyIjeWJlcnNlY3VyaXR5LW1hcmtldHBlYWNlLw:5758869/c498e57457971b3ecB2c8f27f7/> DHS' cyber agency will now serve as a cybersecurity 'marketplace'
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmlndGhkb21haW4uY29tL2Npdmlsa WFsL29tYi8yMDIwLzA0Lzl4L2RocyIjeWJlcnNlY3VyaXR5LW1hcmtldHBlYWNlLw:5758869/c498e57457971b3ecC2c8f27f7/>
The Office of Management and Budget made its first Quality Service Management Office designation.
[http://media.sailthru.com/Sb9/1k0/6/3/5751b3077c1e6.jpg]<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZmlndGhkb21haW4uY29tL2Npdmlsa WFsL29tYi8yMDIwLzA0Lzl4L2RocyIjeWJlcnNlY3VyaXR5LW1hcmtldHBlYWNlLw:5758869/c498e57457971b3ecD2c8f27f7/>

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[Key lawmaker says DoD shouldn't get funding boost in next coronavirus stimulus package]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZGVmZW5zZW5ld3MuY29tL25ld3MvcGVudGFnb24tY29uZ3Jlc3MvMjAyMC8wNC8yOS9rZXktbGF3bWFrZXItc2F5cy1kb2Qtc2hvdWxkbnQtZ2V0LWZ1bmRpbmctYm9vc3QtaW4tbmV4dC1jb3JvbmF2aXJ1cy1zdGltdWx1cy1wYWNrYWdlLw:5758869/c498e57457971b3ecB67215e21>
Key lawmaker says DoD shouldn't get funding boost in next coronavirus stimulus
package<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZGVmZW5zZW5ld3MuY29tL25ld3MvcGVudGFnb24tY29uZ3Jlc3MvMjAyMC8wNC8yOS9rZXktbGF3bWFrZXItc2F5cy1kb2Qtc2hvdWxkbnQtZ2V0LWZ1bmRpbmctYm9vc3QtaW4tbmV4dC1jb3JvbmF2aXJ1cy1zdGltdWx1cy1wYWNrYWdlLw:5758869/c498e57457971b3ecC67215e21>
HASC Chairman Adam Smith says public health needs outweigh military's desire to boost equipment and contracts.
[http://media.sailthru.com/Sb9/1k0/6/3/5751b3077c1e6.jpg]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuZGVmZW5zZW5ld3MuY29tL25ld3MvcGVudGFnb24tY29uZ3Jlc3MvMjAyMC8wNC8yOS9rZXktbGF3bWFrZXItc2F5cy1kb2Qtc2hvdWxkbnQtZ2V0LWZ1bmRpbmctYm9vc3QtaW4tbmV4dC1jb3JvbmF2aXJ1cy1zdGltdWx1cy1wYWNrYWdlLw:5758869/c498e57457971b3ecD67215e21>

[VA adds nearly 1,000 new coronavirus cases in two days, 100 deaths in a week]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuaHVsaXRhcnlfaW1lcy5h20vbmV3cy8yMDIwLzA0Lzl5L3ZhLWFkZHMtbmVhcmx5LTEwMDAtbmV3LWNvcm9uYXZpcnVzLWNhc2VzLWluLXR3by1kYXlzLTEwMC1kZWF0aHMtaW4tYS13ZWVrLw:5758869/c498e57457971b3ecBd4bcf905> VA adds nearly 1,000 new coronavirus cases in two days, 100 deaths in a week<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuaHVsaXRhcnlfaW1lcy5h20vbmV3cy8yMDIwLzA0Lzl5L3ZhLWFkZHMtbmVhcmx5LTEwMDAtbmV3LWNvcm9uYXZpcnVzLWNhc2VzLWluLXR3by1kYXlzLTEwMC1kZWF0aHMtaW4tYS13ZWVrLw:5758869/c498e57457971b3eeCd4bcf905>
The virus continues to be deadlier for VA patients than for the rest of the American population, with more than 6 percent of positive cases becoming fatal.
[http://media.sailthru.com/Sb9/1k0/6/3/5751b3077c1e6.jpg]
<https://link.federaltimes.com/click/20172075.22195/aHR0cHM6Ly93d3cuaHVsaXRhcnlfaW1lcy5h20vbmV3cy8yMDIwLzA0Lzl5L3ZhLWFkZHMtbmVhcmx5LTEwMDAtbmV3LWNvcm9uYXZpcnVzLWNhc2VzLWluLXR3by1kYXlzLTEwMC1kZWF0aHMtaW4tYS13ZWVrLw:5758869/c498e57457971b3ecDd4bcf905>

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[http://media.sailthru.com/Sb9/1k0/6/1/574efd2edb229.jpg]
[Federal Times]<https://link.federaltimes.com/click/20172075.22195/aHR0cDovL3d3dy5mZWRlcmFsdGltZXMuY29tL3c/5758869/c498e57457971b3ecCf6fba92>
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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Fwd: [EXTERNAL] USPS--Attorney/Client, Deliberative and Predecisional Materials
Date: Thursday, April 2, 2020 4:18:16 PM
Attachments: image001.png
ATT00001.htm
image001.png
ATT00002.htm
USPS Memorandum 2 (04.02.20 v.3).docx
ATT00003.htm

(b)(5)

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Begin forwarded message:

From: "Passantino, Stefan (59582)" (b)(6)
Date: April 2, 2020 at 2:59:28 PM EDT
To: "Marshall, Thomas J - Washington, DC" (b)(6), (b)(3), 410(c)(2), "Weidner, Keith E - Washington, DC" <(b)(6), (b)(3), 410(c)(2)
Cc: "Olson, Joseph L (13465)" (b)(6)
Subject: [EXTERNAL] USPS--Attorney/Client, Deliberative and Predecisional Materials

Tom, Keith, (b)(5)

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
E (b)(6)
T 202.747.9582 | M (b)(6) | F 202.347.1819

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Fwd: 20200505.2123_PMG_(b) _Brief (003)
Date: Wednesday, May 6, 2020 7:51:54 AM
Attachments: 20200505.2123_PMG_(b) _Brief (003).docx
ATT00001.htm

(b)(5)

Sent from my iPhone

Begin forwarded message:

From: "Krage Strako, Jakki - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Date: May 6, 2020 at 7:30:52 AM EDT
To: "Stavely, Rhonda J - Washington, DC" (b)(6), (b)(3), 410(c)(2) >, "Brennan, Megan J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Cc: "Marshall, Thomas J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: 20200505.2123_PMG_(b)(5) _Brief (003)

Megan
(b)(5), (b)(3), 410(c)(2)

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Fwd: (b)(3), 410(c)(2)
Date: Wednesday, April 15, 2020 7:12:18 AM

(b)(5), (b)(3), 410(c)(2)

Sent from my iPhone

Begin forwarded message:

From: "Krage Strako, Jakki - Washington, DC" (b)(5), (b)(3), 410(c)(2) >
Date: April 15, 2020 at 6:43:57 AM EDT
To: "Corbett, Joseph - Washington, DC" (b)(5), (b)(3), 410(c)(2) "Grossmann, Luke T - Washington, DC" (b)(5), (b)(3), 410(c)(2) "Marshall, Thomas J - Washington, DC" (b)(5), (b)(3), 410(c)(2)
Cc: "Owens, Sharon - Merrifield, VA" (b)(5), (b)(3), 410(c)(2) "Costello, Timothy R - South Florida District, FL" (b)(5), (b)(3), 410(c)(2) >
Subject: (b)(3), 410(c)(2) key points

(b)(5), (b)(3), 410(c)(2)

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Fwd: (b)(3), 410(c)(2)
Date: Wednesday, April 15, 2020 7:13:33 AM
Attachments: 20200414_PM Justification for BOG_v12.docx
ATT00001.htm

Sent from my iPhone

Begin forwarded message:

From: "Krage Strako, Jakki - Washington, DC" <jakki.m.strako@usps.gov>
Date: April 15, 2020 at 7:02:42 AM EDT
To: "Corbett, Joseph - Washington, DC" <(b)(6), (b)(3), 410(c)(2) , "Grossmann, Luke T - Washington, DC" (b)(6), (b)(3), 410(c)(2) , "Marshall, Thomas J - Washington, DC" <thomas.j.marshall@usps.gov>, "Costello, Timothy R - South Florida District, FL" (b)(6), (b)(3), 410(c)(2) , "Owens, Sharon - Merrifield, VA" (b)(6), (b)(3), 410(c)(2) "Krage Strako, Jakki - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: (b)(3), 410(c)(2)

Trying again.

Sent from my iPhone

Begin forwarded message:

From: "Santana Grace, Dakota" <(b)(6), (b)(3), 410(c)(2) m>
Date: April 14, 2020 at 11:13:15 PM EDT
To: (b)(6), (b)(3), 410(c)(2)

Subject: [EXTERNAL] RE: (b)(3), 410(c)(2)

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@All– this is most up-to-date document.

(b)(5), (b)(3), 410(c)(2)

—

Dakota Santana Grace
M +(b)(6), (b)(3),

AMERICAN OVERSIGHT

[X]

From: Smith, Jay L - Washington, DC [(b)(6), (b)(3), 410(c)(2)
Sent: Tuesday, April 14, 2020 10:46 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6), (b)(3), 410(c)(2)

Subject: RE: (b)(3), 410(c)(2)
Importance: High

Jakki-

Here is the (b)(5), (b)(3), 410(c)(2)

Thanks,

Jay

From: Krage Strako, Jakki - Washington, DC
Sent: Tuesday, April 14, 2020 9:18 PM
To: Smith, Jay L - Washington, DC <Jay.L.Smith@usps.gov<mailto:Jay.L.Smith@usps.gov>>; Sowdon III, Richard B - Washington, DC <Richard.B.Sowdon@usps.gov<mailto:Richard.B.Sowdon@usps.gov>>
Cc: (b)(6), (b)(3), 410(c)(2)

Subject: RE: (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

From: Krage Strako, Jakki - Washington, DC
Sent: Tuesday, April 14, 2020 9:14 PM
To: Smith, Jay L - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Sowdon III, Richard B - Washington, DC <(b)(6), (b)(3), 410(c)(2) gov>>
Cc: Ross, Donald W - Paterson, NJ (b)(6), (b)(3), 410(c)(2) Nicoski, Dennis - Washington, DC - Contractor <(b)(6), (b)(3), 410(c)(2) >; Kempson, Dan <(b)(6), (b)(3), 410(c)(2) >>; Bouchard, Matthew (b)(6), (b)(3), 410(c)(2) Santana Grace, Dakota (b)(6), (b)(3), 410(c)(2) Orth, James A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) (b)(6), (b)(3), 410(c)(2) >; Bross, Adrienne (b)(6), (b)(3), 410(c)(2) (b)(6), (b)(3), 410(c)(2) >; Chang, Leider - Washington, DC

AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)

Subject: RE: (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

From: Smith, Jay L - Washington, DC
Sent: Tuesday, April 14, 2020 8:02 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)

Subject: RE: (b)(3), 410(c)(2)
Importance: High

Jakki-

Here is a (b)(5), (b)(3), 410(c)(2)

Thanks,

Jay

From: Krage Strako, Jakki - Washington, DC
Sent: Tuesday, April 14, 2020 7:37 PM
To: Sowdon III, Richard B - Washington, DC
<(b)(6), (b)(3), 410(c)(2) >

AMERICAN OVERSIGHT

Cc: (b)(6), (b)(3), 410(c)(2)
>
Subject: Re: (b)(3), 410(c)(2)

Jay
Send me the updates with Richard's feedback and I will review.

Sent from my iPhone

On Apr 14, 2020, at 7:34 PM, Sowdon III, Richard B - Washington, DC
(b)(6), (b)(3), 410(c)(2) >> wrote:

Jay,

Could I get final copy please?

Thanks

Richard B. Sowdon, PE
Manager, Business Evaluation

O: (202) 268-8032
C: (b)(6), (b)(3),

From: Sowdon III, Richard B - Washington, DC
Sent: Tuesday, April 14, 2020 7:12 PM
To: Smith, Jay L - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Cc: Krage Strako, Jakki - Washington, DC <(b)(6), (b)(3), 410(c)(2) Ross, Donald W - Paterson, NJ (b)(6), (b)(3), 410(c)(2) >; Nicoski, Dennis - Washington, DC - Contractor (b)(6), (b)(3), 410(c)(2) Kempson, Dan <K(b)(6) >; Bouchard, Matthew <(b)(6) >; Santana Grace, Dakota <(b)(6) ; James A - Washington DC Orth (b)(6), (b)(3), 410(c)(2))
(b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

Thanks,

Richard B. Sowdon, PE
Manager, Business Evaluation

O: (202) 268-8032
C: (b)(6)

From: Smith, Jay L - Washington, DC
Sent: Tuesday, April 14, 2020 6:12 PM

AMERICAN OVERSIGHT

To: Sowdon III, Richard B - Washington, DC
(b)(6), (b)(3), 410(c)(2) >>
Cc: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Ross, Donald W - Paterson, NJ <(b)(6), (b)(3), 410(c)(2) >; Nicoski, Dennis - Washington, DC - Contractor (b)(6), (b)(3), 410(c)(2) >>; Kempson, Dan <(b)(6) com>>; Bouchard, Matthew <(b)(6) Santana Grace, Dakota (b)(6) >>
Subject: FW: (b)(3), 410(c)(2)
Importance: High

Richard- (b)(5), (b)(3), 410(c)(2)

Thanks,

Jay

From: Bouchard, Matthew (b)(6)
Sent: Tuesday, April 14, 2020 6:05 PM
To: (b)(6), (b)(3), 410(c)(2)

Subject: [EXTERNAL] RE: (b)(3), 410(c)(2)

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
(b)(5), (b)(3), attached.

—

Matthew Bouchard
M +(b)(6), (b)(3),
<image001.png>

From: Smith, Jay L - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Sent: Tuesday, April 14, 2020 5:03 PM
To: Kempson, Dan (b)(6), (b)(3), 410(c)(2)

Subject: (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(5), (b)(3), 410(c)(2)

Jay L Smith
Director, Enterprise Accounts
United States Postal Service
(o)202.268.8318
(m) ((b)(6), (b)

The Boston Consulting Group, Inc.

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Thank you.

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: Fwd: Board Research Question
Date: Friday, May 1, 2020 7:42:22 PM

(b)(5)

Sent from my iPhone

Begin forwarded message:

From: "Brownlie, Caroline R - Washington, DC" <(b)(6), (b)(3), 410(c)(2) >
Date: May 1, 2020 at 6:15:12 PM EDT
To: "Marshall, Thomas J - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Cc: "Weidner, Keith E - Washington, DC" (b)(6), (b)(3), 410(c)(2) , "Belt, David C - Washington, DC" (b)(6), (b)(3), gov>
Subject: Board Research Question

Tom,

(b)(5)

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(b)(5)

Thanks,
Carrie

Caroline Rieger Brownlie
Managing Counsel, Legal Strategy
US Postal Service Law Department
475 L'Enfant Plaza, SW
Room 6209
Washington, DC 20260-1135
Phone: (202) 268-3010
Cell: (b)(6)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Fwd: COVID-19 Bill Summary & Proposed Technical Assistance
Date: Monday, March 23, 2020 9:29:47 PM

FYI, (b)(5)

Sent from my iPhone

Begin forwarded message:

From: "Marshall, Thomas J - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Date: March 23, 2020 at 9:28:42 PM EDT
To: "Stroman, Ronald A - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Cc: "Corbett, Joseph - Washington, DC" (b)(6), (b)(3), 410(c)(2) , "Brennan, Megan J - Washington, DC" (b)(6), (b)(3), 410(c)(2) "Grossmann, Luke T - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: Re: COVID-19 Bill Summary & Proposed Technical Assistance

(b)(5)

Sent from my iPhone

On Mar 23, 2020, at 9:14 PM, Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

Tom,
(b)(5)

Ron

Sent from my iPhone

On Mar 23, 2020, at 8:54 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Monday, March 23, 2020 8:46 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: COVID-19 Bill Summary & Proposed Technical Assistance

Ron, (b)(5)

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Thanks, Joe

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Duplicate

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Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Fwd: Questions regarding a request from the State of Tennessee
Date: Friday, May 1, 2020 7:32:21 AM

FYI.

Sent from my iPhone

Begin forwarded message:

From: "Mendonca, Pat - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Date: May 1, 2020 at 6:43:15 AM EDT
To: "Krage Strako, Jakki - Washington, DC" (b)(6), (b)(3), 410(c)(2) , "Corbett, Joseph - Washington, DC" (b)(6), (b)(3), 410(c)(2) >, "Owens, Sharon - Merrifield, VA" (b)(6), (b)(3), 410(c)(2) , "Williams Jr, David E (COO) - Washington, DC" (b)(6), (b)(3), 410(c)(2) >, "Seaver, Kristin A - Washington, DC" (b)(6), (b)(3), 410(c)(2) , "Marshall, Thomas J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Cc: "Mossman, Shaun E - Plano, TX" (b)(6), (b)(3), 410(c)(2) >, "Cintron, Robert - Washington, DC" (b)(6), (b)(3), 410(c)(2) "Plessas, Jude M - Washington, DC" (b)(6), (b)(3), 410(c)(2) >, "Swigart, Michael A - Washington, DC" (b)(6), (b)(3), 410(c)(2) "Bartholf, Frank M - St Louis, MO" (b)(6), (b)(3), 410(c)(2) , "Solomon, Nathan T - St Louis, MO" (b)(6), (b)(3), 410(c)(2) >
Subject: Questions regarding a request from the State of Tennessee

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Fwd: Wash Post: story on Trump USPS comments today
Date: Friday, April 24, 2020 1:41:31 PM

FYI.

Sent from my iPhone

Begin forwarded message:

From: "Walker, Janice D - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Date: April 24, 2020 at 1:39:09 PM EDT
To: "Brennan, Megan J - Washington, DC" (b)(6), (b)(3), 410(c)(2) "Stroman, Ronald A - Washington, DC" (b)(6), (b)(3), 410(c)(2) "Marshall, Thomas J - Washington, DC" (b)(6), (b)(3), 410(c)(2) "Elston, Michael J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Cc: "Latham, Sandra R - Washington, DC" (b)(6), (b)(3), 410(c)(2) "Stavely, Rhonda J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: FW: Wash Post: story on Trump USPS comments today

FYI - In his Friday bill signing of a new $500 billion relief package, Trump called the Postal Service "a joke" <https://twitter.com/jeffmason1/status/1253723682595315712> and confirmed the Post's reporting, suggesting that the Postal Service quadruple the rates they charge for shipping packages<https://twitter.com/PhilipRucker/status/1253727138810863616> if they want federal government assistance, the Post's Phil Rucker reported – click on links above as well for twitter mentions.

Thanks.
https://www.washingtonpost.com/us-policy/2020/04/24/trump-postal-service-loan-treasury/

Trump says he will block coronavirus aid for U.S. Postal Service if it doesn't hike prices immediately
The president said the postal agency should quadruple its package delivery prices and said he will stop congressionally approved funding
By
Lisa Rein<https://www.washingtonpost.com/people/lisa-rein/> and Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/>

April 24, 2020 at 1:19 p.m. EDT

President Trump on Friday said he would not be approving an emergency loan for the U.S. Postal Service if it did not immediately raise its prices for package delivery, confirming a recent Washington Post article that said he planned to exert more control over the agency.

"The Post Office is a joke," Trump told reporters. "The Post Office should raise the price [of package delivery] four times."

Trump recently signed a law that allowed the cash-strapped U.S. Postal Service to borrow $10 billion from the Treasury Department. The Post has reported<https://www.washingtonpost.com/business/2020/04/23/10-billion-treasury-loan-usps/?tid=lk_inline_manual_4&itid=lk_inline_manual_4> that the White House wants to force changes at USPS as part of the terms of the loan. Trump confirmed on Friday that one of those new conditions is a requirement that the Postal Service raise prices.
"If they don't raise the price, I'm not signing anything."

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He said that he won't allow Treasury Secretary Steven Mnuchin to approve the loan if prices aren't raised.

Trump has railed for years against what he seems as mismanagement at the Postal Service, which has been battered by a decline in first-class mail in the Internet age – but which has found profitability with package delivery. The agency's revenues have plunged about 30 percent during the pandemic, though, as business mail has declined.

Trump and his allies have frequently claimed that higher package rates on Internet shipping companies — Amazon, in particular — could ease the Postal Service's financial troubles. But higher package rates could hurt the agency by artificially raising its prices above those of United Parcel Service and FedEx, analysts say. Higher prices also could impact Amazon, which acts as both retailer and shipper, by forcing it pass off higher costs on its customers to compete.

The Postal Service repeatedly has defended its arrangement with the e-commerce giant, saying it gets fair rates for the services it provides in a highly competitive environment.

This is a developing story and will be updated.

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Duplicate

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Duplicate

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From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC
Subject:	Legislative Strategy Talking Points 3-30-2020.docx
Date:	Tuesday, March 31, 2020 9:44:13 AM
Attachments:	Legislative Strategy Talking Points 3-30-2020.docx
Importance:	High

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC
Cc:	Stroman, Ronald A - Washington, DC; Walker, Janice D - Washington, DC; Weidner, Keith E - Washington, DC
Subject:	Letter to the Hill
Date:	Monday, March 23, 2020 7:59:04 PM
Attachments:	DRAFT - PMG Letter to Congress re COVID-19 v9clean.docx

---

Megan, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

Duplicate

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From: Marshall, Thomas J - Washington, DC

To: Abayomi, Omotara X - Washington, DC; Ackerman, William G - Washington, DC; Acors-Pierce, Deborah K - Washington, DC; Adams, Rory E - Washington, DC; Alesevich, Walter - Washington, DC; Alverno, Anthony F - Washington, DC; Auglis, Lyndsay M - Washington, DC; Azzopardi, Dominic - Washington, DC; Bell, Keedah - Washington, DC; Belt, David C - Washington, DC; Boardman, Stephan J - Washington, DC; Boblick, Jeffrey J - Washington, DC; Boissaye, Arkiatou - Washington, DC; Bonanno, Natalie A - Washington, DC; Bourque, Wendy J - Washington, DC; Bramesco, Julienne W - Washington, DC; Brantley, Carrie A - Denver, CO; Brewster-Johnson, Jessica Y - Washington, DC; Britt, Jasmine - Washington, DC; Brown, Ian D - Washington, DC; Brown, Rebecca E - Washington, DC - Contractor; Brownlie, Caroline R - Washington, DC; Calamoneri, Kevin A - Washington, DC; Castorina, Janine - Washington, DC; Chambers, Keisha K - Washington, DC; Champi, Elaine K - Washington, DC; Chavannes-Battle, Nancy P - Washington, DC; Cheema, Nabeel R - Washington, DC; Chounet, Kaitlyn R - Washington, DC; Collins, Davon M - Washington, DC; Connelly, Jacqueline A - Washington, DC; Connolly, Matthew J - Washington, DC; Coolidge, Lucy R - Arlington, VA; Cooper, Richard T - Washington, DC; Crump, Linda K - St Louis, MO; Davison, Jacob O - Washington, DC; Dietz, Robert J - Washington, DC; Dobson, Tracy A - Washington, DC; Donahue, Ray E - Washington, DC; Duttry, Rebecca H - Washington, DC; Dym, Lori J - Washington, DC; ECSGC; Ellis, David B - Washington, DC; Epstein, Shoshana O - Washington, DC; Flynn, Terence F - Washington, DC; Francis, Eboni B - Washington, DC; Fray, Joseph B - Washington, DC; Gillespie, Christopher P - Washington, DC; Giusto, Jesse - Washington, DC; Goulian, Eric D - Washington, DC; Gurrola, Kathleen R - Washington, DC; Hale, Tyler - Washington, DC; Hamilton, Amanda J - Washington, DC; Harris, Wendy A - Washington, DC; Healy, Abigail K - Washington, DC; Hofer, Joshua - Washington, DC; Howley, Jacob D - Washington, DC; Hunnicutt, Rachel K - Washington, DC; Hunter, Natalie D - Washington, DC; Jackson, Michelle A - Washington, DC; Jung, Uk J - Washington, DC - Contractor; Kiely, Michael F - Sw, DC; King, Bryan R - Washington, DC; Koetting, Eric P - Washington, DC; Kramer, Mary Jane - Washington, DC; Lee, Clevette M - Washington, DC; Lewis, Michael A - Washington, DC; Lind, Christopher W - Washington, DC; Lynch, Erin E - Washington, DC; Mace, Ann M - Washington, DC; Marcello, Kara C - Washington, DC; Marino, Lauren M - Washington, DC; Marshall, Thomas J - Washington, DC; McClease, Tiffany N - Washington, DC; McNulty, Peter J - Washington, DC; Meadows, B Jeff - Washington, DC; Meyerson, Christopher C - Washington, DC; Miley, Catherine E - Washington, DC; Miras, Lucia R - Washington, DC; Moguel Resendiz, Mariana - Washington, DC - Contractor; Mortimer, Melissa M - Washington, DC; Mungo, Dannielle S - Washington, DC; Noel, Christy - Washington, DC; Nwude, Glenda J - Washington, DC; O"Neil, Tamara M - Washington, DC; Paine-Powell, Linda S - Washington, DC; Pangilinan, Regina K - Washington, DC; Parker, Latoya N - Washington, DC; Pelton, Valerie J - Washington, DC; Powers, Sean M - Washington, DC; Rackow, Jeffrey A - Washington, DC; Raykher, Mikhail - Washington, DC; Raynor, LaSandy K - Landover, MD; Reed, Elizabeth A - Washington, DC; Rehrig, Morgan E - Washington, DC; Reimer, Brian M - Washington, DC; Rho, Richard Y - Washington, DC; Riley, Sandra A - Washington, DC; Robinson, Sean C - Washington, DC; Samman, Sydney K - Headquarters, DC - Contractor; Sanchez-Hernandez, Cynthia - Washington, DC; Sindermann, Robert P - Washington, DC; Stevenson, Ruth B - Washington, DC; Stokes, Stacey T - Washington, DC; Surratt, Monica R - Gaithersburg, MD; Taddonio, Kelly A - Washington, DC; Thomason, John P - Washington, DC; Thompson, Tai - Washington, DC; Trumpbour, William J - Washington, DC; Tucker, James L - Washington, DC; Valentin, Maria C - Washington, DC; Vance, Karren D - Washington, DC; Votsch, Maria W - Washington, DC; Washington, Anastasia M - Washington, DC; Weaver, Lauren E - Washington, DC; Weaver, Michael D - Washington, DC; Weidner, Keith E - Washington, DC; Wheeler, Courtney B - Washington, DC; White, Daneisha E - Washington, DC; Whitehead, Nia - Washington, DC; Windmueller, Michelle A - Washington, DC; Woody, Cheryl L - Washington, DC; Wysokinski, Brittany M - Washington, DC; Zomer, Micah T - Washington, DC; Adibisedeh, Sara - San Francisco, CA; Aguilar, Mariana L - Long Beach, CA; Allen, Cynthia R - Memphis, TN; Alvarez, Alison D - Chicago, IL; Apter, Simon M - Seattle, WA; Aukema, Susan E - Denver, CO; Bartholf, Frank M - St Louis, MO; Baskette, Margaret L - Tampa, FL; Beatty, Conny Davinroy - St Louis, MO; Bianchi, Timothy - Denver, CO; Bingenheimer, Katherine A - St Louis, MO; Bjurstrom, Stanford M - St Louis, MO; Black, Austin D - Dallas, TX; Blair, Doris W - Charlotte, NC; Blum, Thomas J - Dallas, TX; Bolden-Diggs, Mary M - Memphis, TN; Bonds, Leigh K - Salt Lake City, UT; Booth, Charles E - Dallas, TX; Bormann, Shelley V - Long Beach, CA; Bosland, Carl C - Washington, DC; Bradley, Yvette K - Dallas, TX; Bray, Wilma M - Denver, CO; Breslin, Jennifer - Philadelphia, PA; Briody, Maureen O - St Louis, MO; Brothers, Hannah C - Chicago, IL; Brown, Shana Y - Long Beach, CA; Burrell, Edith R - Philadelphia, PA; Burton, Eve G - Denver, CO; Bushong, Matthew B - Denver, CO; Campbell-Harris, Erika F - Atlanta, GA; Campion, James E - Philadelphia, PA; Carey, Naomi C - Seattle, WA; Carleton, Daniel C - Philadelphia, PA; Carlile, Christine - Dallas, TX; Carlson, Deborah W - Chicago, IL; Cates, Kimberly K - St. Louis, MO; Cavanaugh, Cheryl A - Seattle, WA; Cervantes, Hermelinda - Long Beach, CA; Cioffi, Barbara H - St. Louis, MO; Colling, James C - Denver, CO; Coney, Steven E - Dallas, TX; Costello, Amy J - Denver, CO; Cotton, Earl L - Atlanta, GA; Crawford, Kathleen D - Chicago, IL; Delvecchio, Patricia - Philadelphia, PA; DeNinno, Sherilyn A - San Diego, CA; Dole, Miriam D - Philadelphia, PA; Dorsey, Mary S - Dallas, TX; Draves, Daren K - San Diego, CA; DuBard, Jaye P - Memphis, TN; Dudley, Renee G - Windsor, CT; Eisenstein, Adam G - Chicago, IL; Elifson, Kelly E - Washington, DC; Embry, Candace D - Landover, MD; Essig, Theresa E - Chicago, IL; Everett, Yvonne - San Francisco, CA; Eves, Roderick D - St. Louis, MO; Ferrera, Isabelle F - Chicago, IL; Fezette, Carrie A - St. Louis, MO; Flick, Andrew M - San Francisco, CA; Friedman, David S - New York, NY; Friedman, James A - Windsor, CT; Fryda, Eric B - Dallas, TX; Gaines, Kim D - Philadelphia, PA; Gann, Traci G - Dallas, TX; Gause, Kevin G - St Louis, MO; Gegen, Theresa M - Dallas, TX; Glass, Jeffrey A - St. Louis, MO; Grant, Helen R - St Louis, MO; Griffith-Lesesne, Ladonna L - Washington, DC; Guerra, Nikolai G - Chicago, IL; Whitley, Jane G - Clearwater, FL; Hansen, Vivienne - San Diego, CA; Harbaugh, Kyle B - St Louis, MO; Hardy, Jason L - Tampa, FL; Harper, Margaret E - Windsor, CT; Harrington, Birgit K - St. Louis, MO; Harris, Angela M - Long Beach, CA; Heininger, Rozann M - St Louis, MO; Hellerud, Julie A - Denver, CO; Henry, Adrian B - Long Beach, CA; Herbst, Kimberly A - St Louis, MO; Hicks, Klara S - Seattle, WA; Hover, Cheryl A - New York, NY; Hudson, La Tonya - Chicago, IL; Hui-Tsang, Marsha M - New York, NY; Humphreys, Deanna M - Dallas, TX; Ingram, Phil - San Diego, CA; Irons, Krista M - New York, NY; Jackson, Amber N - Landover, MD; Jackson, Jason - Long Beach, CA; Jackson, Lisa J; James, Stuart - New York, NY; Janeiro, Jennifer L - Dallas, TX; Jenkins, Nadalynn F - Dallas, TX; John, Elizabeth M - Dallas, TX; Johnstun, Tia A - Salt Lake City, UT; Jones II, Ronald E - Dallas, TX; Jones, Rosa E - Chicago, IL; Kearns, Jennifer A - Washington, DC; Kelly, Kandace - Omaha, NE; Kennish, Tonya L - Denver, CO; Kim, Christin - Philadelphia, PA;

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Kingsbury, Dallas G - Washington, DC; Kupper, David R - St Louis, MO; Stephenson, Rebecca L - Chicago, IL; Brown, Terese M - Roselle, IL; Ladymon, Margaret S - Dallas, TX; Lalor, Carol J - Salt Lake City, UT; Larson, David P - Salt Lake City, UT; Lasalle, Susan L - Dallas, TX; Lashley, Storm P - Landover, MD; Lee, Tanai M - New York, NY; Lee, Tom - Long Beach, CA; Lee-Peel, Brenda - Chicago, IL; Leffler, Carol J - Denver, CO; Levine, Deborah M - Denver, CO; Levine, Kenneth A - New York, NY; Lewis Jr, JC - Dallas, TX; Lietaer, Jessica L - Denver, CO; Lindemann, Jane E - St Louis, MO; Lindsay, Brittany R - Saint Louis, MO; Lisy, Deborah L - Chicago, IL; Little, Julie B - Charlotte, NC; Livingston, Nathan R - St Louis, MO; Locke, Tanisha J - Long Beach, CA; Love, Lorisa M - Chicago, IL; Love-Hobbs, Rachael M - Salt Lake City, UT; Luo, Huimin - San Francisco, CA; Lusty, Kirk C - Salt Lake City, UT; Macneill, Gina M - Philadelphia, PA; Mandernach, Ann E - St Louis, MO; Manta, Mark J - Philadelphia, PA; Mapp, David E - Philadelphia, PA; Marcial, Lisa A - Philadelphia, PA; Markle, Lori L - Philadelphia, PA; Marrero, Javier A - Winter Haven, FL; Marshall, Donna G - Philadelphia, PA; Martinez, Orlando H - Denver, CO; Martinez-Santiago, Xaymara L - St Louis, MO; Mathis, Jeffrey B - Dallas, TX; Mccabe, Suzanne B - Philadelphia, PA; Mcdermott, Heather L - Chicago, IL; Medina, Megan E - Philadelphia, PA; Meek, Catherine V - Long Beach, CA; Meingossner, Robert P - Philadelphia, PA; Merlino, Anthony V - New York, NY; Merritt, Ingrid Y - Windsor, CT; Mihal, Bobbi K - Dallas, TX; Muckle, Patricia A - Denver, CO; Murray, Gwendolyn E - St Louis, MO; New, Sion - Atlanta, GA; Nguyen, Vietlong T - Long Beach, CA; Odom, Brian J - Denver, CO; Osimokun, Brandy A - Washington, DC; Pace, Jennifer C - Denver, CO; Pham, Thao T - Philadelphia, PA; Philbrick, Tammie J - Atlanta, GA; Pizarro, Yolanda M - Philadelphia, PA; Porter, Felica B - Atlanta, GA; Potanos, Thea E - Denver, CO; Price, Roberta - St Louis, MO; Provoda, Wendy I - Windsor, CT; Ra, Jocelyn J - Long Beach, CA; Rae, Donneve S - Denver, CO - Contractor; Rahe, Brenda L - St Louis, MO; Ramsay, Jane - Dallas, TX; Randenberg, Corey J - San Diego, CA; Rauch, Suzanne E - Denver, CO; Reed, James M - Tampa, FL; Ribreau, Greg A - Charlotte, NC; Rice, Anthony T - Windsor, CT; Richards, Brittany P - St. Louis, MO; Rivera, Alexander R - Denver, CO; Robison, Isabel M - Dallas, TX; Rodriguez, Luis O - Philadelphia, PA; Rogers, A Elaine - Windsor, CT; Romig, Melissa A - Dallas, TX; Rosen, Edith S - Tampa, FL; Rosen, Maryl R - Chicago, IL; Rowe, Leslie L - New York, NY; Roxas, Arthur G - St Louis, MO; Rutter, Monique L - San Francisco, CA; Saliba, Richard G - Dallas, TX; Salvon, Michael R - Windsor, CT; Samonte, Alvin S - San Francisco, CA; Schmidt, Samuel J - Salt Lake City, UT; Schwartzman, Steven B - Seattle, WA; Shaver, Meghan E - St. Louis, MO; Sheldon, Jeffrey L - Tampa, FL; Silverman, David D - Philadelphia, PA; Simon-Pearson, Rebecca L - Long Beach, CA; Skahan, Michael R - Dallas, TX; Skoglund, Jacqui - St Louis, MO; Sloan, Heather R - Chicago, IL; Smart, Ezell - Saint Louis, MO; Smith, Brenda M - Philadelphia, PA; Snyder, Shauna M - St Louis, MO; Soderstrum, Brenton D - Landover, MD; Solomon, Nathan T - St Louis, MO; Soto Arocho, Javier - St Louis, MO; Spector, Donald M - New York, NY; Stellabotte, James R - Philadelphia, PA; Strouse Gasser, Idala H - Chicago, IL; Sykes, Gwen M - Memphis, TN; Tadlock, Dynelle M - San Diego, CA; Taylor, Diane L - Windsor, CT; Taylor, Heather L - Washington, DC; Telfer, Jeanine M - Long Beach, CA; Thompson, Joy D - Denver, CO; Thompson, Sineta D - Washington, DC; Tita, Michael R - Salt Lake City, UT; Torrez, Graciela M - Dallas, TX; Traverse, Kathy L - Memphis, TN; Tucker, Valerie L - San Diego, CA; Tyburski, Jean E - Windsor, CT; Varela, Mark A - St. Louis, MO; Varszegi, Melinda A - Salt Lake City, UT; Vicini, Donald J - Dallas, TX; Villegas, Jessica - San Francisco, CA; Walker, Steven - Dallas, TX; Walsh, Colette A - New York, NY; Walsh, Kristen L - Atlanta, GA; Warner, Linda L - Tampa, FL; Webster, Kevin W - Windsor, CT; White, Teresa F - St Louis, MO; Wiedemann-Hudson, Wendy - St Louis, MO; Wilson, Mark F - San Francisco, CA; Winsco, Victoria - Atlanta, GA; Winslow, Deborah C - San Francisco, CA; Witherspoon, Tanya L - Philadelphia, PA; Wolf, Paul C - Dallas, TX; Wu, Dennis W - San Francisco, CA; Yang, Xinyu - Dallas, TX; Zadina, Christopher W - Chicago, IL; Zielinski, Scott L - Seattle, WA

Subject: Mission Statement and Related Items
Date: Friday, May 8, 2020 6:03:47 PM
Attachments: 2020-04-01 Mission Statement.pdf
DRAFT - PMG May 2020 Open Session Script v6.docx
BOG press release PMG appointment Final.docx

Gang,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

[redacted]

[redacted]

[redacted]

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC

To: Abayomi, Omotara X - Washington, DC; Ackerman, William G - Washington, DC; Acors-Pierce, Deborah K - Washington, DC; Adams, Rory E - Washington, DC; Alesevich, Walter - Washington, DC; Alverno, Anthony F - Washington, DC; Auglis, Lyndsay M - Washington, DC; Azzopardi, Dominic - Washington, DC; Bell, Keedah - Washington, DC; Belt, David C - Washington, DC; Boardman, Stephan J - Washington, DC; Boblick, Jeffrey J - Washington, DC; Boissaye, Arkiatou - Washington, DC; Bonanno, Natalie A - Washington, DC; Bourque, Wendy J - Washington, DC; Bramesco, Julienne W - Washington, DC; Brantley, Carrie A - Denver, CO; Brewster-Johnson, Jessica Y - Washington, DC; Britt, Jasmine - Washington, DC; Brown, Ian D - Washington, DC; Brown, Rebecca E - Washington, DC - Contractor; Brownlie, Caroline R - Washington, DC; Calamoneri, Kevin A - Washington, DC; Castorina, Janine - Washington, DC; Chambers, Keisha K - Washington, DC; Champi, Elaine K - Washington, DC; Chavannes-Battle, Nancy P - Washington, DC; Cheema, Nabeel R - Washington, DC; Chounet, Kaitlyn R - Washington, DC; Collins, Davon M - Washington, DC; Connelly, Jacqueline A - Washington, DC; Connolly, Matthew J - Washington, DC; Coolidge, Lucy R - Arlington, VA; Cooper, Richard T - Washington, DC; Crump, Linda K - St Louis, MO; Davison, Jacob O - Washington, DC; Dietz, Robert J - Washington, DC; Dobson, Tracy A - Washington, DC; Donahue, Ray E - Washington, DC; Duttry, Rebecca H - Washington, DC; Dym, Lori J - Washington, DC; ECSGC; Ellis, David B - Washington, DC; Epstein, Shoshana O - Washington, DC; Flynn, Terence F - Washington, DC; Francis, Eboni B - Washington, DC; Fray, Joseph B - Washington, DC; Gillespie, Christopher P - Washington, DC; Giusto, Jesse - Washington, DC; Goulian, Eric D - Washington, DC; Gurrola, Kathleen R - Washington, DC; Hale, Tyler - Washington, DC; Hamilton, Amanda J - Washington, DC; Harris, Wendy A - Washington, DC; Healy, Abigail K - Washington, DC; Hofer, Joshua - Washington, DC; Howley, Jacob D - Washington, DC; Hunnicutt, Rachel K - Washington, DC; Hunter, Natalie D - Washington, DC; Jackson, Michelle A - Washington, DC; Jung, Uk J - Washington, DC - Contractor; Kiely, Michael F - Sw, DC; King, Bryan R - Washington, DC; Koetting, Eric P - Washington, DC; Kramer, Mary Jane - Washington, DC; Lee, Clevette M - Washington, DC; Lewis, Michael A - Washington, DC; Lind, Christopher W - Washington, DC; Lynch, Erin E - Washington, DC; Mace, Ann M - Washington, DC; Marcello, Kara C - Washington, DC; Marino, Lauren M - Washington, DC; Marshall, Thomas J - Washington, DC; McClease, Tiffany N - Washington, DC; McNulty, Peter J - Washington, DC; Meadows, B Jeff - Washington, DC; Meyerson, Christopher C - Washington, DC; Miley, Catherine E - Washington, DC; Miras, Lucia R - Washington, DC; Moguel Resendiz, Mariana - Washington, DC - Contractor; Mortimer, Melissa M - Washington, DC; Mungo, Dannielle S - Washington, DC; Noel, Christy - Washington, DC; Nwude, Glenda J - Washington, DC; O"Neil, Tamara M - Washington, DC; Paine-Powell, Linda S - Washington, DC; Pangilinan, Regina K - Washington, DC; Parker, Latoya N - Washington, DC; Pelton, Valerie J - Washington, DC; Powers, Sean M - Washington, DC; Rackow, Jeffrey A - Washington, DC; Raykher, Mikhail - Washington, DC; Raynor, LaSandy K - Landover, MD; Reed, Elizabeth A - Washington, DC; Rehrig, Morgan E - Washington, DC; Reimer, Brian M - Washington, DC; Rho, Richard Y - Washington, DC; Riley, Sandra A - Washington, DC; Robinson, Sean C - Washington, DC; Samman, Sydney K - Headquarters, DC - Contractor; Sanchez-Hernandez, Cynthia - Washington, DC; Sindermann, Robert P - Washington, DC; Stevenson, Ruth B - Washington, DC; Stokes, Stacey T - Washington, DC; Surratt, Monica R - Gaithersburg, MD; Taddonio, Kelly A - Washington, DC; Thomason, John P - Washington, DC; Thompson, Tai - Washington, DC; Trumpbour, William J - Washington, DC; Tucker, James L - Washington, DC; Valentin, Maria C - Washington, DC; Vance, Karren D - Washington, DC; Votsch, Maria W - Washington, DC; Washington, Anastasia M - Washington, DC; Weaver, Lauren E - Washington, DC; Weaver, Michael D - Washington, DC; Weidner, Keith E - Washington, DC; Wheeler, Courtney B - Washington, DC; White, Daneisha E - Washington, DC; Whitehead, Nia - Washington, DC; Windmueller, Michelle A - Washington, DC; Woody, Cheryl L - Washington, DC; Wysokinski, Brittany M - Washington, DC; Zomer, Micah T - Washington, DC; Adibisedeh, Sara - San Francisco, CA; Aguilar, Mariana L - Long Beach, CA; Allen, Cynthia R - Memphis, TN; Alvarez, Alison D - Chicago, IL; Apter, Simon M - Seattle, WA; Aukema, Susan E - Denver, CO; Bartholf, Frank M - St Louis, MO; Baskette, Margaret L - Tampa, FL; Beatty, Conny Davinroy - St Louis, MO; Bianchi, Timothy - Denver, CO; Bingenheimer, Katherine A - St Louis, MO; Bjurstrom, Stanford M - St Louis, MO; Black, Austin D - Dallas, TX; Blair, Doris W - Charlotte, NC; Blum, Thomas J - Dallas, TX; Bolden-Diggs, Mary M - Memphis, TN; Bonds, Leigh K - Salt Lake City, UT; Booth, Charles E - Dallas, TX; Bormann, Shelley V - Long Beach, CA; Bosland, Carl C - Washington, DC; Bradley, Yvette K - Dallas, TX; Bray, Wilma M - Denver, CO; Breslin, Jennifer - Philadelphia, PA; Briody, Maureen O - St Louis, MO; Brothers, Hannah C - Chicago, IL; Brown, Shana Y - Long Beach, CA; Burrell, Edith R - Philadelphia, PA; Burton, Eve G - Denver, CO; Bushong, Matthew B - Denver, CO; Campbell-Harris, Erika F - Atlanta, GA; Campion, James E - Philadelphia, PA; Carey, Naomi C - Seattle, WA; Carleton, Daniel C - Philadelphia, PA; Carlile, Christine - Dallas, TX; Carlson, Deborah W - Chicago, IL; Cates, Kimberly K - St. Louis, MO; Cavanaugh, Cheryl A - Seattle, WA; Cervantes, Hermelinda - Long Beach, CA; Cioffi, Barbara H - St. Louis, MO; Colling, James C - Denver, CO; Coney, Steven E - Dallas, TX; Costello, Amy J - Denver, CO; Cotton, Earl L - Atlanta, GA; Crawford, Kathleen D - Chicago, IL; Delvecchio, Patricia - Philadelphia, PA; DeNinno, Sherilyn A - San Diego, CA; Dole, Miriam D - Philadelphia, PA; Dorsey, Mary S - Dallas, TX; Draves, Daren K - San Diego, CA; DuBard, Jaye P - Memphis, TN; Dudley, Renee G - Windsor, CT; Eisenstein, Adam G - Chicago, IL; Elifson, Kelly E - Washington, DC; Embry, Candace D - Landover, MD; Essig, Theresa E - Chicago, IL; Everett, Yvonne - San Francisco, CA; Eves, Roderick D - St. Louis, MO; Ferrera, Isabelle F - Chicago, IL; Fezette, Carrie A - St. Louis, MO; Flick, Andrew M - San Francisco, CA; Friedman, David S - New York, NY; Friedman, James A - Windsor, CT; Fryda, Eric B - Dallas, TX; Gaines, Kim D - Philadelphia, PA; Gann, Traci G - Dallas, TX; Gause, Kevin G - St Louis, MO; Gegen, Theresa M - Dallas, TX; Glass, Jeffrey A - St. Louis, MO; Grant, Helen R - St Louis, MO; Griffith-Lesesne, Ladonna L - Washington, DC; Guerra, Nikolai G - Chicago, IL; Whitley, Jane G - Clearwater, FL; Hansen, Vivienne - San Diego, CA; Harbaugh, Kyle B - St Louis, MO; Hardy, Jason L - Tampa, FL; Harper, Margaret E - Windsor, CT; Harrington, Birgit K - St. Louis, MO; Harris, Angela M - Long Beach, CA; Heininger, Rozann M - St Louis, MO; Hellerud, Julie A - Denver, CO; Henry, Adrian B - Long Beach, CA; Herbst, Kimberly A - St Louis, MO; Hicks, Klara S - Seattle, WA; Hover, Cheryl A - New York, NY; Hudson, La Tonya - Chicago, IL; Hui-Tsang, Marsha M - New York, NY; Humphreys, Deanna M - Dallas, TX; Ingram, Phil - San Diego, CA; Irons, Krista M - New York, NY; Jackson, Amber N - Landover, MD; Jackson, Jason - Long Beach, CA; Jackson, Lisa J; James, Stuart - New York, NY; Janeiro, Jennifer L - Dallas, TX; Jenkins, Nadalynn F - Dallas, TX; John, Elizabeth M - Dallas, TX; Johnstun, Tia A - Salt Lake City, UT; Jones II, Ronald E - Dallas, TX; Jones, Rosa E - Chicago, IL; Kearns, Jennifer A - Washington, DC; Kelly, Kandace - Omaha, NE; Kennish, Tonya L - Denver, CO; Kim, Christin - Philadelphia, PA;

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Kingsbury, Dallas G - Washington, DC; Kupper, David R - St Louis, MO; Stephenson, Rebecca L - Chicago, IL; Brown, Terese M - Roselle, IL; Ladymon, Margaret S - Dallas, TX; Lalor, Carol J - Salt Lake City, UT; Larson, David P - Salt Lake City, UT; Lasalle, Susan L - Dallas, TX; Lashley, Storm P - Landover, MD; Lee, Tanai M - New York, NY; Lee, Tom - Long Beach, CA; Lee-Peel, Brenda - Chicago, IL; Leffler, Carol J - Denver, CO; Levine, Deborah M - Denver, CO; Levine, Kenneth A - New York, NY; Lewis Jr, JC - Dallas, TX; Lietaer, Jessica L - Denver, CO; Lindemann, Jane E - St Louis, MO; Lindsay, Brittany R - Saint Louis, MO; Lisy, Deborah L - Chicago, IL; Little, Julie B - Charlotte, NC; Livingston, Nathan R - St Louis, MO; Locke, Tanisha J - Long Beach, CA; Love, Lorisa M - Chicago, IL; Love-Hobbs, Rachael M - Salt Lake City, UT; Luo, Huimin - San Francisco, CA; Lusty, Kirk C - Salt Lake City, UT; Macneill, Gina M - Philadelphia, PA; Mandernach, Ann E - St Louis, MO; Manta, Mark J - Philadelphia, PA; Mapp, David E - Philadelphia, PA; Marcial, Lisa A - Philadelphia, PA; Markle, Lori L - Philadelphia, PA; Marrero, Javier A - Winter Haven, FL; Marshall, Donna G - Philadelphia, PA; Martinez, Orlando H - Denver, CO; Martinez-Santiago, Xaymara L - St Louis, MO; Mathis, Jeffrey B - Dallas, TX; Mccabe, Suzanne B - Philadelphia, PA; Mcdermott, Heather L - Chicago, IL; Medina, Megan E - Philadelphia, PA; Meek, Catherine V - Long Beach, CA; Meingossner, Robert P - Philadelphia, PA; Merlino, Anthony V - New York, NY; Merritt, Ingrid Y - Windsor, CT; Mihal, Bobbi K - Dallas, TX; Muckle, Patricia A - Denver, CO; Murray, Gwendolyn E - St Louis, MO; New, Sion - Atlanta, GA; Nguyen, Vietlong T - Long Beach, CA; Odom, Brian J - Denver, CO; Osimokun, Brandy A - Washington, DC; Pace, Jennifer C - Denver, CO; Pham, Thao T - Philadelphia, PA; Philbrick, Tammie J - Atlanta, GA; Pizarro, Yolanda M - Philadelphia, PA; Porter, Felica B - Atlanta, GA; Potanos, Thea E - Denver, CO; Price, Roberta - St Louis, MO; Provoda, Wendy I - Windsor, CT; Ra, Jocelyn J - Long Beach, CA; Rae, Donneve S - Denver, CO - Contractor; Rahe, Brenda L - St Louis, MO; Ramsay, Jane - Dallas, TX; Randenberg, Corey J - San Diego, CA; Rauch, Suzanne E - Denver, CO; Reed, James M - Tampa, FL; Ribreau, Greg A - Charlotte, NC; Rice, Anthony T - Windsor, CT; Richards, Brittany P - St. Louis, MO; Rivera, Alexander R - Denver, CO; Robison, Isabel M - Dallas, TX; Rodriguez, Luis O - Philadelphia, PA; Rogers, A Elaine - Windsor, CT; Romig, Melissa A - Dallas, TX; Rosen, Edith S - Tampa, FL; Rosen, Maryl R - Chicago, IL; Rowe, Leslie L - New York, NY; Roxas, Arthur G - St Louis, MO; Rutter, Monique L - San Francisco, CA; Saliba, Richard G - Dallas, TX; Salvon, Michael R - Windsor, CT; Samonte, Alvin S - San Francisco, CA; Schmidt, Samuel J - Salt Lake City, UT; Schwartzman, Steven B - Seattle, WA; Shaver, Meghan E - St. Louis, MO; Sheldon, Jeffrey L - Tampa, FL; Silverman, David D - Philadelphia, PA; Simon-Pearson, Rebecca L - Long Beach, CA; Skahan, Michael R - Dallas, TX; Skoglund, Jacqui - St Louis, MO; Sloan, Heather R - Chicago, IL; Smart, Ezell - Saint Louis, MO; Smith, Brenda M - Philadelphia, PA; Snyder, Shauna M - St Louis, MO; Soderstrum, Brenton D - Landover, MD; Solomon, Nathan T - St Louis, MO; Soto Arocho, Javier - St Louis, MO; Spector, Donald M - New York, NY; Stellabotte, James R - Philadelphia, PA; Strouse Gasser, Idala H - Chicago, IL; Sykes, Gwen M - Memphis, TN; Tadlock, Dynelle M - San Diego, CA; Taylor, Diane L - Windsor, CT; Taylor, Heather L - Washington, DC; Telfer, Jeanine M - Long Beach, CA; Thompson, Joy D - Denver, CO; Thompson, Sineta D - Washington, DC; Tita, Michael R - Salt Lake City, UT; Torrez, Graciela M - Dallas, TX; Traverse, Kathy L - Memphis, TN; Tucker, Valerie L - San Diego, CA; Tyburski, Jean E - Windsor, CT; Varela, Mark A - St. Louis, MO; Varszegi, Melinda A - Salt Lake City, UT; Vicini, Donald J - Dallas, TX; Villegas, Jessica - San Francisco, CA; Walker, Steven - Dallas, TX; Walsh, Colette A - New York, NY; Walsh, Kristen L - Atlanta, GA; Warner, Linda L - Tampa, FL; Webster, Kevin W - Windsor, CT; White, Teresa F - St Louis, MO; Wiedemann-Hudson, Wendy - St Louis, MO; Wilson, Mark F - San Francisco, CA; Winsco, Victoria - Atlanta, GA; Winslow, Deborah C - San Francisco, CA; Witherspoon, Tanya L - Philadelphia, PA; Wolf, Paul C - Dallas, TX; Wu, Dennis W - San Francisco, CA; Yang, Xinyu - Dallas, TX; Zadina, Christopher W - Chicago, IL; Zielinski, Scott L - Seattle, WA

Subject: Mission Statement and Related Items

Date: Friday, May 8, 2020 6:03:39 PM

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-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC

To: Abayomi, Omotara X - Washington, DC; Ackerman, William G - Washington, DC; Acors-Pierce, Deborah K - Washington, DC; Adams, Rory E - Washington, DC; Alesevich, Walter - Washington, DC; Alverno, Anthony F - Washington, DC; Auglis, Lyndsay M - Washington, DC; Azzopardi, Dominic - Washington, DC; Bell, Keedah - Washington, DC; Belt, David C - Washington, DC; Boardman, Stephan J - Washington, DC; Boblick, Jeffrey J - Washington, DC; Boissaye, Arkiatou - Washington, DC; Bonanno, Natalie A - Washington, DC; Bourque, Wendy J - Washington, DC; Bramesco, Julienne W - Washington, DC; Brantley, Carrie A - Denver, CO; Brewster-Johnson, Jessica Y - Washington, DC; Britt, Jasmine - Washington, DC; Brown, Ian D - Washington, DC; Brown, Rebecca E - Washington, DC - Contractor; Brownlie, Caroline R - Washington, DC; Calamoneri, Kevin A - Washington, DC; Castorina, Janine - Washington, DC; Chambers, Keisha K - Washington, DC; Champi, Elaine K - Washington, DC; Chavannes-Battle, Nancy P - Washington, DC; 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Hunnicutt, Rachel K - Washington, DC; Hunter, Natalie D - Washington, DC; Jackson, Michelle A - Washington, DC; Jung, Uk J - Washington, DC - Contractor; Kiely, Michael F - Sw, DC; King, Bryan R - Washington, DC; Koetting, Eric P - Washington, DC; Kramer, Mary Jane - Washington, DC; Lee, Clevette M - Washington, DC; Lewis, Michael A - Washington, DC; Lind, Christopher W - Washington, DC; Lynch, Erin E - Washington, DC; Mace, Ann M - Washington, DC; Marcello, Kara C - Washington, DC; Marino, Lauren M - Washington, DC; Marshall, Thomas J - Washington, DC; McClease, Tiffany N - Washington, DC; McNulty, Peter J - Washington, DC; Meadows, B Jeff - Washington, DC; Meyerson, Christopher C - Washington, DC; Miley, Catherine E - Washington, DC; Miras, Lucia R - Washington, DC; Moguel Resendiz, Mariana - Washington, DC - Contractor; Mortimer, Melissa M - Washington, DC; Mungo, Dannielle S - Washington, DC; Noel, Christy - Washington, DC; Nwude, Glenda J - Washington, DC; O"Neil, Tamara M - Washington, DC; Paine-Powell, Linda S - Washington, DC; Pangilinan, Regina K - Washington, DC; Parker, Latoya N - Washington, DC; Pelton, Valerie J - Washington, DC; Powers, Sean M - Washington, DC; Rackow, Jeffrey A - Washington, DC; Raykher, Mikhail - Washington, DC; Raynor, LaSandy K - Landover, MD; Reed, Elizabeth A - Washington, DC; Rehrig, Morgan E - Washington, DC; Reimer, Brian M - Washington, DC; Rho, Richard Y - Washington, DC; Riley, Sandra A - Washington, DC; Robinson, Sean C - Washington, DC; Samman, Sydney K - Headquarters, DC - Contractor; Sanchez-Hernandez, Cynthia - Washington, DC; Sindermann, Robert P - Washington, DC; Stevenson, Ruth B - Washington, DC; Stokes, Stacey T - Washington, DC; Surratt, Monica R - Gaithersburg, MD; Taddonio, Kelly A - Washington, DC; Thomason, John P - Washington, DC; Thompson, Tai - Washington, DC; Trumpbour, William J - Washington, DC; Tucker, James L - Washington, DC; Valentin, Maria C - Washington, DC; Vance, Karren D - Washington, DC; Votsch, Maria W - Washington, DC; Washington, Anastasia M - Washington, DC; Weaver, Lauren E - Washington, DC; Weaver, Michael D - Washington, DC; Weidner, Keith E - Washington, DC; Wheeler, Courtney B - Washington, DC; White, Daneisha E - Washington, DC; Whitehead, Nia - Washington, DC; Windmueller, Michelle A - Washington, DC; Woody, Cheryl L - Washington, DC; Wysokinski, Brittany M - Washington, DC; Zomer, Micah T - Washington, DC; Adibisedeh, Sara - San Francisco, CA; Aguilar, Mariana L - Long Beach, CA; Allen, Cynthia R - Memphis, TN; Alvarez, Alison D - Chicago, IL; Apter, Simon M - Seattle, WA; Aukema, Susan E - Denver, CO; Bartholf, Frank M - St Louis, MO; Baskette, Margaret L - Tampa, FL; Beatty, Conny Davinroy - St Louis, MO; Bianchi, Timothy - Denver, CO; Bingenheimer, Katherine A - St Louis, MO; Bjurstrom, Stanford M - St Louis, MO; Black, Austin D - Dallas, TX; Blair, Doris W - Charlotte, NC; Blum, Thomas J - Dallas, TX; Bolden-Diggs, Mary M - Memphis, TN; Bonds, Leigh K - Salt Lake City, UT; Booth, Charles E - Dallas, TX; Bormann, Shelley V - Long Beach, CA; Bosland, Carl C - Washington, DC; Bradley, Yvette K - Dallas, TX; Bray, Wilma M - Denver, CO; Breslin, Jennifer - Philadelphia, PA; Briody, Maureen O - St Louis, MO; Brothers, Hannah C - Chicago, IL; Brown, Shana Y - Long Beach, CA; Burrell, Edith R - Philadelphia, PA; Burton, Eve G - Denver, CO; Bushong, Matthew B - Denver, CO; Campbell-Harris, Erika F - Atlanta, GA; Campion, James E - Philadelphia, PA; Carey, Naomi C - Seattle, WA; Carleton, Daniel C - Philadelphia, PA; Carlile, Christine - Dallas, TX; Carlson, Deborah W - Chicago, IL; Cates, Kimberly K - St. Louis, MO; Cavanaugh, Cheryl A - Seattle, WA; Cervantes, Hermelinda - Long Beach, CA; Cioffi, Barbara H - St. Louis, MO; Colling, James C - Denver, CO; Coney, Steven E - Dallas, TX; Costello, Amy J - Denver, CO; Cotton, Earl L - Atlanta, GA; Crawford, Kathleen D - Chicago, IL; Delvecchio, Patricia - Philadelphia, PA; DeNinno, Sherilyn A - San Diego, CA; Dole, Miriam D - Philadelphia, PA; Dorsey, Mary S - Dallas, TX; Draves, Daren K - San Diego, CA; DuBard, Jaye P - Memphis, TN; Dudley, Renee G - Windsor, CT; Eisenstein, Adam G - Chicago, IL; Elifson, Kelly E - Washington, DC; Embry, Candace D - Landover, MD; Essig, Theresa E - Chicago, IL; Everett, Yvonne - San Francisco, CA; Eves, Roderick D - St. Louis, MO; Ferrera, Isabelle F - Chicago, IL; Fezette, Carrie A - St. Louis, MO; Flick, Andrew M - San Francisco, CA; Friedman, David S - New York, NY; Friedman, James A - Windsor, CT; Fryda, Eric B - Dallas, TX; Gaines, Kim D - Philadelphia, PA; Gann, Traci G - Dallas, TX; Gause, Kevin G - St Louis, MO; Gegen, Theresa M - Dallas, TX; Glass, Jeffrey A - St. Louis, MO; Grant, Helen R - St Louis, MO; Griffith-Lesesne, Ladonna L - Washington, DC; Guerra, Nikolai G - Chicago, IL; Whitley, Jane G - Clearwater, FL; Hansen, Vivienne - San Diego, CA; Harbaugh, Kyle B - St Louis, MO; Hardy, Jason L - Tampa, FL; Harper, Margaret E - Windsor, CT; Harrington, Birgit K - St. Louis, MO; Harris, Angela M - Long Beach, CA; Heininger, Rozann M - St Louis, MO; Hellerud, Julie A - Denver, CO; Henry, Adrian B - Long Beach, CA; Herbst, Kimberly A - St Louis, MO; Hicks, Klara S - Seattle, WA; Hover, Cheryl A - New York, NY; Hudson, La Tonya - Chicago, IL; Hui-Tsang, Marsha M - New York, NY; Humphreys, Deanna M - Dallas, TX; Ingram, Phil - San Diego, CA; Irons, Krista M - New York, NY; Jackson, Amber N - Landover, MD; Jackson, Jason - Long Beach, CA; Jackson, Lisa J; James, Stuart - New York, NY; Janeiro, Jennifer L - Dallas, TX; Jenkins, Nadalynn F - Dallas, TX; John, Elizabeth M - Dallas, TX; Johnstun, Tia A - Salt Lake City, UT; Jones II, Ronald E - Dallas, TX; Jones, Rosa E - Chicago, IL; Kearns, Jennifer A - Washington, DC; Kelly, Kandace - Omaha, NE; Kennish, Tonya L - Denver, CO; Kim, Christin - Philadelphia, PA;

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Date: Friday, May 8, 2020 6:03:48 PM
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-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From:	Marshall, Thomas J - Washington, DC
To:	Elston, Michael J - Washington, DC
Cc:	Brennan, Megan J - Washington, DC; Weidner, Keith E - Washington, DC
Subject:	Our discussion this morning
Date:	Monday, April 20, 2020 1:03:57 PM
Attachments:	DRAFT - Govs Letter to Congressional Leadership v1.docx DRAFT - White Paper to Congressional Leadership v1 (002) (005) (002).docx

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ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: John Barger
Subject: Our Discussion Yesterday
Date: Monday, April 20, 2020 1:01:27 PM
Attachments: DRAFT - Govs Letter to Congressional Leadership v1.docx
DRAFT - White Paper to Congressional Leadership v1 (002) (005) (002).docx

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ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governor Barger,

(b)(5)

-Tom

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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Young-Stewart, Paulette T - Washington, DC
Subject: Q2 Disclosure Committee Meeting
Attachments: 2020 04 27 DC Meeting Agenda - FY2020 Q2 (final).pdf
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Sondheimer, William H - Washington, DC; Germain, Sherice H; Saunders, Diane L - Washington, DC
Subject: Q2 Disclosure Committee Meeting
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Brooks, Kristin N - Washington, DC
Subject: Q2 Disclosure Committee Meeting
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Watts, Kristina M - Capitol Heights, MD; Shepherd, London M - Washington, DC
Subject: Q2 Disclosure Committee Meeting
Attachments: 2020 04 27 DC Meeting Agenda - FY2020 Q2 (final).pdf
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To: Shen, Chung H - Merrifield, VA; Malloy, Rita D - Gaithersburg, MD
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Jones, Jocasta C - Washington, DC
Subject: Q2 Disclosure Committee Meeting
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From:	Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To:	Stratton, Jon T - Washington, DC; Obobi, Edward O - Washington, DC; Walker, Janice D - Washington, DC; Nickerson, Stephen J - Washington, DC; Schafer, Elizabeth M - Washington, DC; Grossmann, Luke T - Washington, DC; Tucker, James L - Washington, DC; Adams, Tracey L - Washington, DC; Greene, Cara M - Washington, DC; Cintron, Robert - Washington, DC; Partenheimer, David A - Washington, DC; Weidner, Keith E - Washington, DC; Munson, Nadine G - Washington, DC; Sallay, Rod (HQ) - Washington, DC; Hayden, Brady - Washington, DC; Ray, Christine - Washington, DC; Jordan, Jeffrey; Bonanno, Natalie A - Washington, DC; Eppard, Dennis M - Washington, DC; Hofer, Joshua - Washington, DC; Florey Jr, Greg - Washington, DC; Woodard, Glen - Washington, DC; Copeland, DeAngelo M - Washington, DC
Subject:	Q2 Disclosure Committee Meeting
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Thompson, Tai - Washington, DC
Subject: Q2 Disclosure Committee Meeting
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To: Hansborough, Denise A - Washington, DC; Jones, Jocasta C - Washington, DC
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From:	Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To:	Stratton, Jon T - Washington, DC; Obobi, Edward O - Washington, DC; Walker, Janice D - Washington, DC; Nickerson, Stephen J - Washington, DC; Schafer, Elizabeth M - Washington, DC; Grossmann, Luke T - Washington, DC; Tucker, James L - Washington, DC; Adams, Tracey L - Washington, DC; Greene, Cara M - Washington, DC; Cintron, Robert - Washington, DC; Partenheimer, David A - Washington, DC; Weidner, Keith E - Washington, DC; Munson, Nadine G - Washington, DC; Sallay, Rod (HQ) - Washington, DC; Hayden, Brady - Washington, DC; Ray, Christine - Washington, DC; Jordan, Jeffrey; Bonanno, Natalie A - Washington, DC; Eppard, Dennis M - Washington, DC; Hofer, Joshua - Washington, DC; Florey Jr, Greg - Washington, DC; Woodard, Glen - Washington, DC; Copeland, DeAngelo M - Washington, DC
Subject:	Q2 Disclosure Committee Meeting
Attachments:	2020 04 27 DC Meeting Agenda - FY2020 Q2 (final).pdf DC Email Inbox Log - FY2020 Q2.docx 2020 04-23 Form 10-Q Draft V.PDF

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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Sondheimer, William H - Washington, DC; Germain, Sherice H; Saunders, Diane L - Washington, DC
Subject: Q2 Disclosure Committee Meeting
Attachments: 2020 04 27 DC Meeting Agenda - FY2020 Q2 (final).pdf
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Thompson, Tai - Washington, DC
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Watts, Kristina M - Capitol Heights, MD; Shepherd, London M - Washington, DC
Subject: Q2 Disclosure Committee Meeting
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To: Shepherd, London M - Washington, DC
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Jones, Jocasta C - Washington, DC
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To: Hansborough, Denise A - Washington, DC; Jones, Jocasta C - Washington, DC
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Brooks, Kristin N - Washington, DC
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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Shen, Chung H - Merrifield, VA; Malloy, Rita D - Gaithersburg, MD
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From:	Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To:	Stratton, Jon T - Washington, DC; Obobi, Edward O - Washington, DC; Walker, Janice D - Washington, DC; Nickerson, Stephen J - Washington, DC; Schafer, Elizabeth M - Washington, DC; Grossmann, Luke T - Washington, DC; Tucker, James L - Washington, DC; Adams, Tracey L - Washington, DC; Greene, Cara M - Washington, DC; Cintron, Robert - Washington, DC; Partenheimer, David A - Washington, DC; Weidner, Keith E - Washington, DC; Munson, Nadine G - Washington, DC; Sallay, Rod (HQ) - Washington, DC; Hayden, Brady - Washington, DC; Ray, Christine - Washington, DC; Jordan, Jeffrey; Bonanno, Natalie A - Washington, DC; Eppard, Dennis M - Washington, DC; Hofer, Joshua - Washington, DC; Florey Jr, Greg - Washington, DC; Woodard, Glen - Washington, DC; Copeland, DeAngelo M - Washington, DC
Cc:	Samaroo, Ryan V - Washington, DC
Subject:	Q2 Disclosure Committee Meeting
Attachments:	2020 04 27 DC Meeting Agenda - FY2020 Q2 (final).pdf DC Email Inbox Log - FY2020 Q2.docx 2020 04-23 Form 10-Q Draft V.PDF Blackline draft 5.2 to 5.0.pdf

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From: Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To: Young-Stewart, Paulette T - Washington, DC
Subject: Q2 Disclosure Committee Meeting
Attachments: 2020 04 27 DC Meeting Agenda - FY2020 Q2 (final).pdf
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From: Marshall, Thomas J - Washington, DC

To: Abayomi, Omotara X - Washington, DC; Ackerman, William G - Washington, DC; Acors-Pierce, Deborah K - Washington, DC; Adams, Rory E - Washington, DC; Alesevich, Walter - Washington, DC; Alverno, Anthony F - Washington, DC; Auglis, Lyndsay M - Washington, DC; Azzopardi, Dominic - Washington, DC; Bell, Keedah - Washington, DC; Belt, David C - Washington, DC; Boardman, Stephan J - Washington, DC; Boblick, Jeffrey J - Washington, DC; Boissaye, Arkiatou - Washington, DC; Bonanno, Natalie A - Washington, DC; Bourque, Wendy J - Washington, DC; Bramesco, Julienne W - Washington, DC; Brantley, Carrie A - Denver, CO; Brewster-Johnson, Jessica Y - Washington, DC; Britt, Jasmine - Washington, DC; Brown, Ian D - Washington, DC; Brown, Rebecca E - Washington, DC - Contractor; Brownlie, Caroline R - Washington, DC; Calamoneri, Kevin A - Washington, DC; Castorina, Janine - Washington, DC; Chambers, Keisha K - Washington, DC; Champi, Elaine K - Washington, DC; Chavannes-Battle, Nancy P - Washington, DC; Cheema, Nabeel R - Washington, DC; Chounet, Kaitlyn R - Washington, DC; Collins, Davon M - Washington, DC; Connelly, Jacqueline A - Washington, DC; Connolly, Matthew J - Washington, DC; Coolidge, Lucy R - Arlington, VA; Cooper, Richard T - Washington, DC; Crump, Linda K - St Louis, MO; Davison, Jacob O - Washington, DC; Dietz, Robert J - Washington, DC; Dobson, Tracy A - Washington, DC; Donahue, Ray E - Washington, DC; Duttry, Rebecca H - Washington, DC; Dym, Lori J - Washington, DC; ECSGC; Ellis, David B - Washington, DC; Epstein, Shoshana O - Washington, DC; Flynn, Terence F - Washington, DC; Francis, Eboni B - Washington, DC; Fray, Joseph B - Washington, DC; Gillespie, Christopher P - Washington, DC; Giusto, Jesse - Washington, DC; Goulian, Eric D - Washington, DC; Gurrola, Kathleen R - Washington, DC; Hale, Tyler - Washington, DC; Hamilton, Amanda J - Washington, DC; Harris, Wendy A - Washington, DC; Healy, Abigail K - Washington, DC; Hofer, Joshua - Washington, DC; Howley, Jacob D - Washington, DC; Hunnicutt, Rachel K - Washington, DC; Hunter, Natalie D - Washington, DC; Jackson, Michelle A - Washington, DC; Jung, Uk J - Washington, DC - Contractor; Kiely, Michael F - Sw, DC; King, Bryan R - Washington, DC; Koetting, Eric P - Washington, DC; Kramer, Mary Jane - Washington, DC; Lee, Clevette M - Washington, DC; Lewis, Michael A - Washington, DC; Lind, Christopher W - Washington, DC; Lynch, Erin E - Washington, DC; Mace, Ann M - Washington, DC; Marcello, Kara C - Washington, DC; Marino, Lauren M - Washington, DC; McClease, Tiffany N - Washington, DC; McNulty, Peter J - Washington, DC; Meadows, B Jeff - Washington, DC; Meyerson, Christopher C - Washington, DC; Miley, Catherine E - Washington, DC; Miras, Lucia R - Washington, DC; Moguel Resendiz, Mariana - Washington, DC - Contractor; Mortimer, Melissa M - Washington, DC; Mungo, Dannielle S - Washington, DC; Noel, Christy - Washington, DC; Nwude, Glenda J - Washington, DC; O"Neil, Tamara M - Washington, DC; Paine-Powell, Linda S - Washington, DC; Pangilinan, Regina K - Washington, DC; Parker, Latoya N - Washington, DC; Pelton, Valerie J - Washington, DC; Powers, Sean M - Washington, DC; Rackow, Jeffrey A - Washington, DC; Raykher, Mikhail - Washington, DC; Raynor, LaSandy K - Landover, MD; Reed, Elizabeth A - Washington, DC; Rehrig, Morgan E - Washington, DC; Reimer, Brian M - Washington, DC; Rho, Richard Y - Washington, DC; Riley, Sandra A - Washington, DC; Robinson, Sean C - Washington, DC; Samman, Sydney K - Headquarters, DC - Contractor; Sanchez-Hernandez, Cynthia - Washington, DC; Sindermann, Robert P - Washington, DC; Stevenson, Ruth B - Washington, DC; Stokes, Stacey T - Washington, DC; Surratt, Monica R - Gaithersburg, MD; Taddonio, Kelly A - Washington, DC; Thomason, John P - Washington, DC; Thompson, Tai - Washington, DC; Trumpbour, William J - Washington, DC; Tucker, James L - Washington, DC; Valentin, Maria C - Washington, DC; Vance, Karren D - Washington, DC; Votsch, Maria W - Washington, DC; Washington, Anastasia M - Washington, DC; 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Hellerud, Julie A - Denver, CO; Henry, Adrian B - Long Beach, CA; Herbst, Kimberly A - St Louis, MO; Hicks, Klara S - Seattle, WA; Hover, Cheryl A - New York, NY; Hudson, La Tonya - Chicago, IL; Hui-Tsang, Marsha M - New York, NY; Humphreys, Deanna M - Dallas, TX; Ingram, Phil - San Diego, CA; Irons, Krista M - New York, NY; Jackson, Amber N - Landover, MD; Jackson, Jason - Long Beach, CA; Jackson, Lisa J; James, Stuart - New York, NY; Janeiro, Jennifer L - Dallas, TX; Jenkins, Nadalynn F - Dallas, TX; John, Elizabeth M - Dallas, TX; Johnstun, Tia A - Salt Lake City, UT; Jones II, Ronald E - Dallas, TX; Jones, Rosa E - Chicago, IL; Kearns, Jennifer A - Washington, DC; Kelly, Kandace - Omaha, NE; Kennish, Tonya L - Denver, CO; Kim, Christin - Philadelphia, PA; Kingsbury, Dallas G - Washington, DC; Kupper,

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David R - St Louis, MO; Stephenson, Rebecca L - Chicago, IL; Brown, Terese M - Roselle, IL; Ladymon, Margaret S - Dallas, TX; Lalor, Carol J - Salt Lake City, UT; Larson, David P - Salt Lake City, UT; Lasalle, Susan L - Dallas, TX; Lashley, Storm P - Landover, MD; Lee, Tanai M - New York, NY; Lee, Tom - Long Beach, CA; Lee-Peel, Brenda - Chicago, IL; Leffler, Carol J - Denver, CO; Levine, Deborah M - Denver, CO; Levine, Kenneth A - New York, NY; Lewis Jr, JC - Dallas, TX; Lietaer, Jessica L - Denver, CO; Lindemann, Jane E - St Louis, MO; Lindsay, Brittany R - Saint Louis, MO; Lisy, Deborah L - Chicago, IL; Little, Julie B - Charlotte, NC; Livingston, Nathan R - St Louis, MO; Locke, Tanisha J - Long Beach, CA; Love, Lorisa M - Chicago, IL; Love-Hobbs, Rachael M - Salt Lake City, UT; Luo, Huimin - San Francisco, CA; Lusty, Kirk C - Salt Lake City, UT; Macneill, Gina M - Philadelphia, PA; Mandernach, Ann E - St Louis, MO; Manta, Mark J - Philadelphia, PA; Mapp, David E - Philadelphia, PA; Marcial, Lisa A - Philadelphia, PA; Markle, Lori L - Philadelphia, PA; Marrero, Javier A - Winter Haven, FL; Marshall, Donna G - Philadelphia, PA; Martinez, Orlando H - Denver, CO; Martinez-Santiago, Xaymara L - St Louis, MO; Mathis, Jeffrey B - Dallas, TX; Mccabe, Suzanne B - Philadelphia, PA; Mcdermott, Heather L - Chicago, IL; Medina, Megan E - Philadelphia, PA; Meek, Catherine V - Long Beach, CA; Meingossner, Robert P - Philadelphia, PA; Merlino, Anthony V - New York, NY; Merritt, Ingrid Y - Windsor, CT; Mihal, Bobbi K - Dallas, TX; Muckle, Patricia A - Denver, CO; Murray, Gwendolyn E - St Louis, MO; New, Sion - Atlanta, GA; Nguyen, Vietlong T - Long Beach, CA; Odom, Brian J - Denver, CO; Osimokun, Brandy A - Washington, DC; Pace, Jennifer C - Denver, CO; Pham, Thao T - Philadelphia, PA; Philbrick, Tammie J - Atlanta, GA; Pizarro, Yolanda M - Philadelphia, PA; Porter, Felica B - Atlanta, GA; Potanos, Thea E - Denver, CO; Price, Roberta - St Louis, MO; Provoda, Wendy I - Windsor, CT; Ra, Jocelyn J - Long Beach, CA; Rae, Donneve S - Denver, CO - Contractor; Rahe, Brenda L - St Louis, MO; Ramsay, Jane - Dallas, TX; Randenberg, Corey J - San Diego, CA; Rauch, Suzanne E - Denver, CO; Reed, James M - Tampa, FL; Ribreau, Greg A - Charlotte, NC; Rice, Anthony T - Windsor, CT; Richards, Brittany P - St. Louis, MO; Rivera, Alexander R - Denver, CO; Robison, Isabel M - Dallas, TX; Rodriguez, Luis O - Philadelphia, PA; Rogers, A Elaine - Windsor, CT; Romig, Melissa A - Dallas, TX; Rosen, Edith S - Tampa, FL; Rosen, Maryl R - Chicago, IL; Rowe, Leslie L - New York, NY; Roxas, Arthur G - St Louis, MO; Rutter, Monique L - San Francisco, CA; Saliba, Richard G - Dallas, TX; Salvon, Michael R - Windsor, CT; Samonte, Alvin S - San Francisco, CA; Schmidt, Samuel J - Salt Lake City, UT; Schwartzman, Steven B - Seattle, WA; Shaver, Meghan E - St. Louis, MO; Sheldon, Jeffrey L - Tampa, FL; Silverman, David D - Philadelphia, PA; Simon-Pearson, Rebecca L - Long Beach, CA; Skahan, Michael R - Dallas, TX; Skoglund, Jacqui - St Louis, MO; Sloan, Heather R - Chicago, IL; Smart, Ezell - Saint Louis, MO; Smith, Brenda M - Philadelphia, PA; Snyder, Shauna M - St Louis, MO; Soderstrum, Brenton D - Landover, MD; Solomon, Nathan T - St Louis, MO; Soto Arocho, Javier - St Louis, MO; Spector, Donald M - New York, NY; Stellabotte, James R - Philadelphia, PA; Strouse Gasser, Idala H - Chicago, IL; Sykes, Gwen M - Memphis, TN; Tadlock, Dynelle M - San Diego, CA; Taylor, Diane L - Windsor, CT; Taylor, Heather L - Washington, DC; Telfer, Jeanine M - Long Beach, CA; Thompson, Joy D - Denver, CO; Thompson, Sineta D - Washington, DC; Tita, Michael R - Salt Lake City, UT; Torrez, Graciela M - Dallas, TX; Traverse, Kathy L - Memphis, TN; Tucker, Valerie L - San Diego, CA; Tyburski, Jean E - Windsor, CT; Varela, Mark A - St. Louis, MO; Varszegi, Melinda A - Salt Lake City, UT; Vicini, Donald J - Dallas, TX; Villegas, Jessica - San Francisco, CA; Walker, Steven - Dallas, TX; Walsh, Colette A - New York, NY; Walsh, Kristen L - Atlanta, GA; Warner, Linda L - Tampa, FL; Webster, Kevin W - Windsor, CT; White, Teresa F - St Louis, MO; Wiedemann-Hudson, Wendy - St Louis, MO; Wilson, Mark F - San Francisco, CA; Winsco, Victoria - Atlanta, GA; Winslow, Deborah C - San Francisco, CA; Witherspoon, Tanya L - Philadelphia, PA; Wolf, Paul C - Dallas, TX; Wu, Dennis W - San Francisco, CA; Yang, Xinyu - Dallas, TX; Zadina, Christopher W - Chicago, IL; Zielinski, Scott L - Seattle, WA

Subject: RE: Mission Statement and Related Items
Date: Sunday, May 10, 2020 8:22:54 PM

Gang,

Further to my email below, I thought I would share the Op-ed below from the Chairman of our Board of Governors (b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

(b)
(5)

AMERICAN OVERSIGHT

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Howley, Jacob D - Washington, DC
Subject: RE: Mission Statement and Related Items
Date: Monday, May 11, 2020 10:17:29 AM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Howley, Jacob D - Washington, DC
Sent: Monday, May 11, 2020 9:16 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410c2
Subject: RE: Mission Statement and Related Items

Tom:
(b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, May 10, 2020 8:23 PM
Subject: RE: Mission Statement and Related Items

Gang,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

(b)
(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC

To: Abayomi, Omotara X - Washington, DC; Ackerman, William G - Washington, DC; Acors-Pierce, Deborah K - Washington, DC; Adams, Rory E - Washington, DC; Alesevich, Walter - Washington, DC; Alverno, Anthony F - Washington, DC; Auglis, Lyndsay M - Washington, DC; Azzopardi, Dominic - Washington, DC; Bell, Keedah - Washington, DC; Belt, David C - Washington, DC; Boardman, Stephan J - Washington, DC; Boblick, Jeffrey J - Washington, DC; Boissaye, Arkiatou - Washington, DC; Bonanno, Natalie A - Washington, DC; Bourque, Wendy J - Washington, DC; Bramesco, Julienne W - Washington, DC; Brantley, Carrie A - Denver, CO; Brewster-Johnson, Jessica Y - Washington, DC; Britt, Jasmine - Washington, DC; Brown, Ian D - Washington, DC; Brown, Rebecca E - Washington, DC - Contractor; Brownlie, Caroline R - Washington, DC; Calamoneri, Kevin A - Washington, DC; Castorina, Janine - Washington, DC; Chambers, Keisha K - Washington, DC; Champi, Elaine K - Washington, DC; Chavannes-Battle, Nancy P - Washington, DC; Cheema, Nabeel R - Washington, DC; Chounet, Kaitlyn R - Washington, DC; Collins, Davon M - Washington, DC; Connelly, Jacqueline A - Washington, DC; Connolly, Matthew J - Washington, DC; Coolidge, Lucy R - Arlington, VA; Cooper, Richard T - Washington, DC; Crump, Linda K - St Louis, MO; Davison, Jacob O - Washington, DC; Dietz, Robert J - Washington, DC; Dobson, Tracy A - Washington, DC; Donahue, Ray E - Washington, DC; Duttry, Rebecca H - Washington, DC; Dym, Lori J - Washington, DC; ECSGC; Ellis, David B - Washington, DC; Epstein, Shoshana O - Washington, DC; Flynn, Terence F - Washington, DC; Francis, Eboni B - Washington, DC; Fray, Joseph B - Washington, DC; Gillespie, Christopher P - Washington, DC; Giusto, Jesse - Washington, DC; Goulian, Eric D - Washington, DC; Gurrola, Kathleen R - Washington, DC; Hale, Tyler - Washington, DC; Hamilton, Amanda J - Washington, DC; Harris, Wendy A - Washington, DC; Healy, Abigail K - Washington, DC; Hofer, Joshua - Washington, DC; Howley, Jacob D - Washington, DC; Hunnicutt, Rachel K - Washington, DC; Hunter, Natalie D - Washington, DC; Jackson, Michelle A - Washington, DC; Jung, Uk J - Washington, DC - Contractor; Kiely, Michael F - Sw, DC; King, Bryan R - Washington, DC; Koetting, Eric P - Washington, DC; Kramer, Mary Jane - Washington, DC; Lee, Clevette M - Washington, DC; Lewis, Michael A - Washington, DC; Lind, Christopher W - Washington, DC; Lynch, Erin E - Washington, DC; Mace, Ann M - Washington, DC; Marcello, Kara C - Washington, DC; Marino, Lauren M - Washington, DC; McClease, Tiffany N - Washington, DC; McNulty, Peter J - Washington, DC; Meadows, B Jeff - Washington, DC; Meyerson, Christopher C - Washington, DC; Miley, Catherine E - Washington, DC; Miras, Lucia R - Washington, DC; Moguel Resendiz, Mariana - Washington, DC - Contractor; Mortimer, Melissa M - Washington, DC; Mungo, Dannielle S - Washington, DC; Noel, Christy - Washington, DC; Nwude, Glenda J - Washington, DC; O"Neil, Tamara M - Washington, DC; Paine-Powell, Linda S - Washington, DC; Pangilinan, Regina K - Washington, DC; Parker, Latoya N - Washington, DC; Pelton, Valerie J - Washington, DC; Powers, Sean M - Washington, DC; Rackow, Jeffrey A - Washington, DC; Raykher, Mikhail - Washington, DC; Raynor, LaSandy K - Landover, MD; Reed, Elizabeth A - Washington, DC; Rehrig, Morgan E - Washington, DC; Reimer, Brian M - Washington, DC; Rho, Richard Y - Washington, DC; Riley, Sandra A - Washington, DC; Robinson, Sean C - Washington, DC; Samman, Sydney K - Headquarters, DC - Contractor; Sanchez-Hernandez, Cynthia - Washington, DC; Sindermann, Robert P - Washington, DC; Stevenson, Ruth B - Washington, DC; Stokes, Stacey T - Washington, DC; Surratt, Monica R - Gaithersburg, MD; Taddonio, Kelly A - Washington, DC; Thomason, John P - Washington, DC; Thompson, Tai - Washington, DC; Trumpbour, William J - Washington, DC; Tucker, James L - Washington, DC; Valentin, Maria C - Washington, DC; Vance, Karren D - Washington, DC; Votsch, Maria W - Washington, DC; Washington, Anastasia M - Washington, DC; Weaver, Lauren E - Washington, DC; Weaver, Michael D - Washington, DC; Weidner, Keith E - Washington, DC; Wheeler, Courtney B - Washington, DC; White, Daneisha E - Washington, DC; Whitehead, Nia - Washington, DC; Windmueller, Michelle A - Washington, DC; Woody, Cheryl L - Washington, DC; Wysokinski, Brittany M - Washington, DC; Zomer, Micah T - Washington, DC; Adibisedeh, Sara - San Francisco, CA; Aguilar, Mariana L - Long Beach, CA; Allen, Cynthia R - Memphis, TN; Alvarez, Alison D - Chicago, IL; Apter, Simon M - Seattle, WA; Aukema, Susan E - Denver, CO; Bartholf, Frank M - St Louis, MO; Baskette, Margaret L - Tampa, FL; Beatty, Conny Davinroy - St Louis, MO; Bianchi, Timothy - Denver, CO; Bingenheimer, Katherine A - St Louis, MO; Bjurstrom, Stanford M - St Louis, MO; Black, Austin D - Dallas, TX; Blair, Doris W - Charlotte, NC; Blum, Thomas J - Dallas, TX; Bolden-Diggs, Mary M - Memphis, TN; Bonds, Leigh K - Salt Lake City, UT; Booth, Charles E - Dallas, TX; Bormann, Shelley V - Long Beach, CA; Bosland, Carl C - Washington, DC; Bradley, Yvette K - Dallas, TX; Bray, Wilma M - Denver, CO; Breslin, Jennifer - Philadelphia, PA; Briody, Maureen O - St Louis, MO; Brothers, Hannah C - Chicago, IL; Brown, Shana Y - Long Beach, CA; Burrell, Edith R - Philadelphia, PA; Burton, Eve G - Denver, CO; Bushong, Matthew B - Denver, CO; Campbell-Harris, Erika F - Atlanta, GA; Campion, James E - Philadelphia, PA; Carey, Naomi C - Seattle, WA; Carleton, Daniel C - Philadelphia, PA; Carlile, Christine - Dallas, TX; Carlson, Deborah W - Chicago, IL; Cates, Kimberly K - St. Louis, MO; Cavanaugh, Cheryl A - Seattle, WA; Cervantes, Hermelinda - Long Beach, CA; Cioffi, Barbara H - St. Louis, MO; Colling, James C - Denver, CO; Coney, Steven E - Dallas, TX; Costello, Amy J - Denver, CO; Cotton, Earl L - Atlanta, GA; Crawford, Kathleen D - Chicago, IL; Delvecchio, Patricia - Philadelphia, PA; DeNinno, Sherilyn A - San Diego, CA; Dole, Miriam D - Philadelphia, PA; Dorsey, Mary S - Dallas, TX; Draves, Daren K - San Diego, CA; DuBard, Jaye P - Memphis, TN; Dudley, Renee G - Windsor, CT; Eisenstein, Adam G - Chicago, IL; Elifson, Kelly E - Washington, DC; Embry, Candace D - Landover, MD; Essig, Theresa E - Chicago, IL; Everett, Yvonne - San Francisco, CA; Eves, Roderick D - St. Louis, MO; Ferrera, Isabelle F - Chicago, IL; Fezette, Carrie A - St. Louis, MO; Flick, Andrew M - San Francisco, CA; Friedman, David S - New York, NY; Friedman, James A - Windsor, CT; Fryda, Eric B - Dallas, TX; Gaines, Kim D - Philadelphia, PA; Gann, Traci G - Dallas, TX; Gause, Kevin G - St Louis, MO; Gegen, Theresa M - Dallas, TX; Glass, Jeffrey A - St. Louis, MO; Grant, Helen R - St Louis, MO; Griffith-Lesesne, Ladonna L - Washington, DC; Guerra, Nikolai G - Chicago, IL; Whitley, Jane G - Clearwater, FL; Hansen, Vivienne - San Diego, CA; Harbaugh, Kyle B - St Louis, MO; Hardy, Jason L - Tampa, FL; Harper, Margaret E - Windsor, CT; Harrington, Birgit K - St. Louis, MO; Harris, Angela M - Long Beach, CA; Heininger, Rozann M - St Louis, MO; Hellerud, Julie A - Denver, CO; Henry, Adrian B - Long Beach, CA; Herbst, Kimberly A - St Louis, MO; Hicks, Klara S - Seattle, WA; Hover, Cheryl A - New York, NY; Hudson, La Tonya - Chicago, IL; Hui-Tsang, Marsha M - New York, NY; Humphreys, Deanna M - Dallas, TX; Ingram, Phil - San Diego, CA; Irons, Krista M - New York, NY; Jackson, Amber N - Landover, MD; Jackson, Jason - Long Beach, CA; Jackson, Lisa J; James, Stuart - New York, NY; Janeiro, Jennifer L - Dallas, TX; Jenkins, Nadalynn F - Dallas, TX; John, Elizabeth M - Dallas, TX; Johnstun, Tia A - Salt Lake City, UT; Jones II, Ronald E - Dallas, TX; Jones, Rosa E - Chicago, IL; Kearns, Jennifer A - Washington, DC; Kelly, Kandace - Omaha, NE; Kennish, Tonya L - Denver, CO; Kim, Christin - Philadelphia, PA; Kingsbury, Dallas G - Washington, DC; Kupper,

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David R - St Louis, MO; Stephenson, Rebecca L - Chicago, IL; Brown, Terese M - Roselle, IL; Ladymon, Margaret S - Dallas, TX; Lalor, Carol J - Salt Lake City, UT; Larson, David P - Salt Lake City, UT; Lasalle, Susan L - Dallas, TX; Lashley, Storm P - Landover, MD; Lee, Tanai M - New York, NY; Lee, Tom - Long Beach, CA; Lee-Peel, Brenda - Chicago, IL; Leffler, Carol J - Denver, CO; Levine, Deborah M - Denver, CO; Levine, Kenneth A - New York, NY; Lewis Jr, JC - Dallas, TX; Lietaer, Jessica L - Denver, CO; Lindemann, Jane E - St Louis, MO; Lindsay, Brittany R - Saint Louis, MO; Lisy, Deborah L - Chicago, IL; Little, Julie B - Charlotte, NC; Livingston, Nathan R - St Louis, MO; Locke, Tanisha J - Long Beach, CA; Love, Lorisa M - Chicago, IL; Love-Hobbs, Rachael M - Salt Lake City, UT; Luo, Huimin - San Francisco, CA; Lusty, Kirk C - Salt Lake City, UT; Macneill, Gina M - Philadelphia, PA; Mandernach, Ann E - St Louis, MO; Manta, Mark J - Philadelphia, PA; Mapp, David E - Philadelphia, PA; Marcial, Lisa A - Philadelphia, PA; Markle, Lori L - Philadelphia, PA; Marrero, Javier A - Winter Haven, FL; Marshall, Donna G - Philadelphia, PA; Martinez, Orlando H - Denver, CO; Martinez-Santiago, Xaymara L - St Louis, MO; Mathis, Jeffrey B - Dallas, TX; Mccabe, Suzanne B - Philadelphia, PA; Mcdermott, Heather L - Chicago, IL; Medina, Megan E - Philadelphia, PA; Meek, Catherine V - Long Beach, CA; Meingossner, Robert P - Philadelphia, PA; Merlino, Anthony V - New York, NY; Merritt, Ingrid Y - Windsor, CT; Mihal, Bobbi K - Dallas, TX; Muckle, Patricia A - Denver, CO; Murray, Gwendolyn E - St Louis, MO; New, Sion - Atlanta, GA; Nguyen, Vietlong T - Long Beach, CA; Odom, Brian J - Denver, CO; Osimokun, Brandy A - Washington, DC; Pace, Jennifer C - Denver, CO; Pham, Thao T - Philadelphia, PA; Philbrick, Tammie J - Atlanta, GA; Pizarro, Yolanda M - Philadelphia, PA; Porter, Felica B - Atlanta, GA; Potanos, Thea E - Denver, CO; Price, Roberta - St Louis, MO; Provoda, Wendy I - Windsor, CT; Ra, Jocelyn J - Long Beach, CA; Rae, Donneve S - Denver, CO - Contractor; Rahe, Brenda L - St Louis, MO; Ramsay, Jane - Dallas, TX; Randenberg, Corey J - San Diego, CA; Rauch, Suzanne E - Denver, CO; Reed, James M - Tampa, FL; Ribreau, Greg A - Charlotte, NC; Rice, Anthony T - Windsor, CT; Richards, Brittany P - St. Louis, MO; Rivera, Alexander R - Denver, CO; Robison, Isabel M - Dallas, TX; Rodriguez, Luis O - Philadelphia, PA; Rogers, A Elaine - Windsor, CT; Romig, Melissa A - Dallas, TX; Rosen, Edith S - Tampa, FL; Rosen, Maryl R - Chicago, IL; Rowe, Leslie L - New York, NY; Roxas, Arthur G - St Louis, MO; Rutter, Monique L - San Francisco, CA; Saliba, Richard G - Dallas, TX; Salvon, Michael R - Windsor, CT; Samonte, Alvin S - San Francisco, CA; Schmidt, Samuel J - Salt Lake City, UT; Schwartzman, Steven B - Seattle, WA; Shaver, Meghan E - St. Louis, MO; Sheldon, Jeffrey L - Tampa, FL; Silverman, David D - Philadelphia, PA; Simon-Pearson, Rebecca L - Long Beach, CA; Skahan, Michael R - Dallas, TX; Skoglund, Jacqui - St Louis, MO; Sloan, Heather R - Chicago, IL; Smart, Ezell - Saint Louis, MO; Smith, Brenda M - Philadelphia, PA; Snyder, Shauna M - St Louis, MO; Soderstrum, Brenton D - Landover, MD; Solomon, Nathan T - St Louis, MO; Soto Arocho, Javier - St Louis, MO; Spector, Donald M - New York, NY; Stellabotte, James R - Philadelphia, PA; Strouse Gasser, Idala H - Chicago, IL; Sykes, Gwen M - Memphis, TN; Tadlock, Dynelle M - San Diego, CA; Taylor, Diane L - Windsor, CT; Taylor, Heather L - Washington, DC; Telfer, Jeanine M - Long Beach, CA; Thompson, Joy D - Denver, CO; Thompson, Sineta D - Washington, DC; Tita, Michael R - Salt Lake City, UT; Torrez, Graciela M - Dallas, TX; Traverse, Kathy L - Memphis, TN; Tucker, Valerie L - San Diego, CA; Tyburski, Jean E - Windsor, CT; Varela, Mark A - St. Louis, MO; Varszegi, Melinda A - Salt Lake City, UT; Vicini, Donald J - Dallas, TX; Villegas, Jessica - San Francisco, CA; Walker, Steven - Dallas, TX; Walsh, Colette A - New York, NY; Walsh, Kristen L - Atlanta, GA; Warner, Linda L - Tampa, FL; Webster, Kevin W - Windsor, CT; White, Teresa F - St Louis, MO; Wiedemann-Hudson, Wendy - St Louis, MO; Wilson, Mark F - San Francisco, CA; Winsco, Victoria - Atlanta, GA; Winslow, Deborah C - San Francisco, CA; Witherspoon, Tanya L - Philadelphia, PA; Wolf, Paul C - Dallas, TX; Wu, Dennis W - San Francisco, CA; Yang, Xinyu - Dallas, TX; Zadina, Christopher W - Chicago, IL; Zielinski, Scott L - Seattle, WA

Subject: RE: Mission Statement and Related Items
Date: Sunday, May 10, 2020 8:23:00 PM

Gang,

(b)(5)

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 8, 2020 6:04 PM
To: ALL
Subject: Mission Statement and Related Items

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Rick Hohlt
Cc:	(b)(6) Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC; Weidner, Keith E - Washington, DC
Subject:	RE: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election
Date:	Sunday, May 10, 2020 7:59:56 PM

(b)(5)

From: Rick Hohlt (b)(6)
Sent: Sunday, May 10, 2020 7:57 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
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Sent from my iPhone

On May 10, 2020, at 5:35 PM, Marshall, Thomas J - Washington, DC (b)(6), (b) (3), 410(c) (2) > wrote:

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Chairman Duncan and Rick,

(b)(5)

-Tom

From: Rick Hohlt (b)(6)]

AMERICAN OVERSIGHT

Sent: Friday, May 8, 2020 3:29 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b) (3), 410(c) (2) >
Cc: (b)(6) ; Brennan, Megan J - Washington, DC
(b)(6), (b) (3), 410(c) (2) >; (b)(6)
Subject: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	mike@rmduncan.com; Rick Hohlt
Cc:	Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC; Weidner, Keith E - Washington, DC
Subject:	RE: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election
Date:	Sunday, May 10, 2020 5:35:15 PM
Attachments:	2020 05-08 vote-by-mail letter - Legal Strategy draft CLEAN.DOCX

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Chairman Duncan and Rick,

(b)(5)

-Tom

From: Rick Hohlt [mailto:rick@hohlt.com]
Sent: Friday, May 8, 2020 3:29 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
Cc: mike@rmduncan.com; Brennan, Megan J - Washington, DC <megan.j.brennan@usps.gov>; rick@hohlt.com
Subject: [EXTERNAL] 2020 General Election: List of when absentee ballots can first be mailed out for the General Election

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Rick Hohlt; Brennan, Megan J - Washington, DC
Cc: (b)(6) ; Elston, Michael J - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call
Date: Monday, May 4, 2020 7:59:06 PM

Thanks Rick, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b)(6)]
Sent: Monday, May 4, 2020 7:53 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: mike@rmduncan.com; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; rick@hohlt.com
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

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(b)(5)

From: Marshall, Thomas J - Washington, DC [(b)(6), (b)(3), 410(c)(2)
Sent: Monday, May 04, 2020 7:37 PM
To: (b)(6) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: (b)(6)
Sent: Monday, May 4, 2020 1:33 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6)
Subject: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC
Cc:	Brownlie, Caroline R - Washington, DC; Belt, David C - Washington, DC; Healy, Abigail K - Washington, DC
Subject:	RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call
Date:	Sunday, May 10, 2020 5:08:18 PM
Attachments:	2020 05-08 vote-by-mail letter - Legal Strategy draft CLEAN.DOCX

(b)(5)

-Tom

From: Weidner, Keith E - Washington, DC
Sent: Friday, May 8, 2020 1:52 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Healy, Abigail K - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

Tom,

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 4, 2020 7:59 PM
To: Rick Hohlt (b)(6) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

(b)(5)

AMERICAN OVERSIGHT

(b)(6)

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b)(6)
Sent: Monday, May 4, 2020 7:53 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410 (c)(2) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410 (c)(2)
Cc: (b)(6) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410 (c)(2) >; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410 (c)(2) >;(b)(6)
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

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AMERICAN OVERSIGHT

(b)(5)

From: Marshall, Thomas J - Washington, DC (b)(3), (b) (6), 410(c)(2)
Sent: Monday, May 04, 2020 7:37 PM
To: Rick Hohlt (b)(6) ; Brennan, Megan J - Washington, DC (b)(3), (b) (6), 410(c)(2)
Cc: (b)(6) Elston, Michael J - Washington, DC (b)(3), (b) (6), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(3), (b) (6), 410(c)(2)
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt [(b)(6)
Sent: Monday, May 4, 2020 1:33 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6) ; (b)(6)

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Subject: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

(b)(5)

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Cc: Brownlie, Caroline R - Washington, DC; Belt, David C - Washington, DC; Healy, Abigail K - Washington, DC
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call
Date: Sunday, May 10, 2020 5:08:15 PM
Attachments: 2020 05-08 vote-by-mail letter - Legal Strategy draft CLEAN.DOCX

(b)(5)

-Tom

From: Weidner, Keith E - Washington, DC
Sent: Friday, May 8, 2020 1:52 PM
To: Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2)
Cc: Brownlie, Caroline R - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Belt, David C - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Healy, Abigail K - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

Tom,

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 4, 2020 7:59 PM
To: Rick Hohlt (b)(6) ; Brennan, Megan J - Washington, DC (b)(3), (b)(6), 410(c)(2) >
Cc: mike@rmduncan.com<mailto:mike@rmduncan.com>; Elston, Michael J - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b)(6)
Sent: Monday, May 4, 2020 7:53 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6) ; Elston, Michael J - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC
<(b)(6), (b)(3), 410(c)(2) >; (b)(6)
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

(b)(5)

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Monday, May 04, 2020 7:37 PM
To: Rick Hohlt (b)(6) Brennan, Megan J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: (b)(6) ; Elston, Michael J - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Weidner, Keith E - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b)(6)
Sent: Monday, May 4, 2020 1:33 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6)
Subject: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

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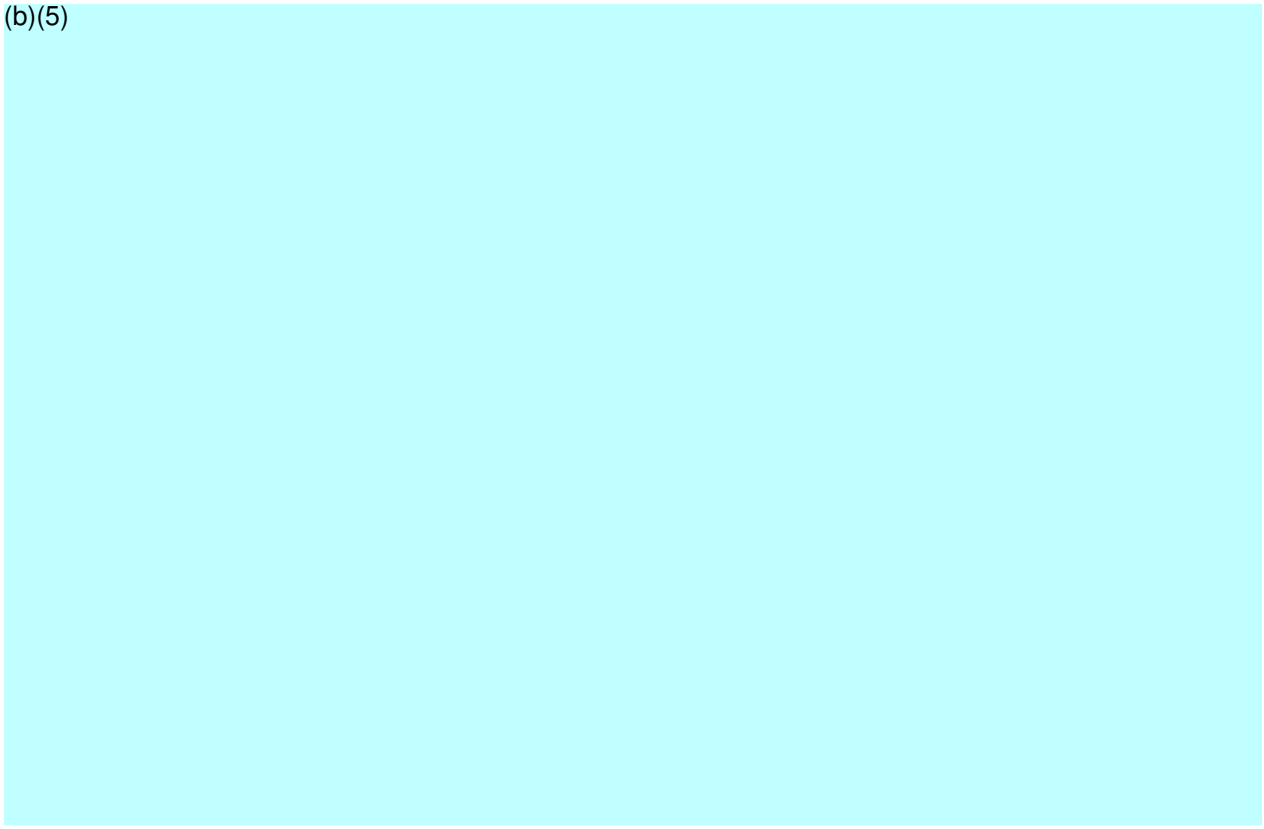

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Rick Hohlt; Brennan, Megan J - Washington, DC
Cc: (b)(6) ; Elston, Michael J - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: [EXTERNAL] : STATE ABSENTEE VOTING info since our call
Date: Monday, May 4, 2020 7:37:26 PM

Rick, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt [(b)(6)
Sent: Monday, May 4, 2020 1:33 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Brennan, Megan J - Washington, DC <megan.j.brennan@usps.gov>
Cc: (b)(6)
Subject: [EXTERNAL] : STATE ABSENTEE VOTING info since our call

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From:	Marshall, Thomas J - Washington, DC
To:	Ellis, David B - Washington, DC; Weidner, Keith E - Washington, DC
Cc:	Calamoneri, Kevin A - Washington, DC
Subject:	RE: [EXTERNAL] bloomberg businessweek factchecking memo
Date:	Wednesday, April 8, 2020 10:06:51 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Ellis, David B - Washington, DC
Sent: Wednesday, April 8, 2020 7:58 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fwd: [EXTERNAL] bloomberg businessweek factchecking memo

FYI

David B. Ellis
Managing Counsel
Employment and Labor Law
United States Postal Service
475 L'Enfant Plaza, SW, Room 6436
Washington, DC 20260-1149
Phone: (202) 268-2981
Cell: (b)(6), (b)(3),
Fax: (202) 268-5402
Email: (b)(6), (b)(3), 410(c)(2)

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Begin forwarded message:

> **From:** "Partenheimer, David A - Washington, DC" (b)(6), (b)(3), 410(c)(2)
> **Date:** April 8, 2020 at 7:23:24 PM EDT
> **To:** "Ellis, David B - Washington, DC" (b)(6), (b)(3), 410(c)(2) , "Walker, Janice D -

AMERICAN OVERSIGHT

Washington, DC" (b)(6), (b)(3), 410(c)(2) "Bruce, Joseph R - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Cc: "Adams, Jeffery A - Washington, DC" (b)(6), (b)(3), 410(c)(2) >, "Storey, Simon M - Washington, DC" (b)(6), (b)(3), 410(c)(2) , "Tulino, Douglas A - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Subject: RE: [EXTERNAL] bloomberg businessweek factchecking memo

All, (b)(5)

Thanks so much.
Dave

From: Ellis, David B - Washington, DC
Sent: Wednesday, April 8, 2020 10:40 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) Bruce, Joseph R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Storey, Simon M - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Tulino, Douglas A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] bloomberg businessweek factchecking memo

(b)(5)

David B. Ellis
Managing Counsel
Employment and Labor Law
United States Postal Service
475 L'Enfant Plaza, SW, Room 6436
Washington, DC 20260-1149
Phone: (202) 268-2981
Cell: (b)(6), (b)(3),
Fax: (202) 268-5402
Email: (b)(6), (b)(3), 410(c)(2)

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communication in error, please notify the sender immediately by reply e-mail, then delete and purge this original message.

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 8, 2020 10:31 AM
To: Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Bruce, Joseph R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Storey, Simon M - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Tulino, Douglas A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] bloomberg businessweek factchecking memo

David,

(b)(5)

Thanks for all your help.

Janice

From: Ellis, David B - Washington, DC
Sent: Wednesday, April 8, 2020 9:16 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) Bruce, Joseph R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Storey, Simon M - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Tulino, Douglas A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] bloomberg businessweek factchecking memo
Importance: High

Janice –

Thanks. (b)(5)

David B. Ellis
Managing Counsel
Employment and Labor Law
United States Postal Service
475 L'Enfant Plaza, SW, Room 6436
Washington, DC 20260-1149
Phone: (202) 268-2981

AMERICAN OVERSIGHT

Cell: (b)(6), (b)(3),
Fax: (202) 268-5402
Email: (b)(6), (b)(3), 410(c)(2)

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From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 8, 2020 8:58 AM
To: Ellis, David B - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Bruce, Joseph R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) Storey, Simon M - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Tulino, Douglas A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] bloomberg businessweek factchecking memo

David and Joseph,

(b)(5)

From: Devin Leonard (BLOOMBERG/ NEWSROOM:)
[(b)(6)
Sent: Tuesday, April 7, 2020 4:39 PM
To: Partenheimer, David A - Washington, DC
(b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

Subject: [EXTERNAL] bloomberg businessweek factchecking memo

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From: Marshall, Thomas J - Washington, DC
To: Rick Hohlt
Cc: Brennan, Megan J - Washington, DC; (b)(6)
Subject: RE: [EXTERNAL] JUNE Primary Elections 2020: Closest Absentee Ballot Request Date to Primary Election 2020
Date: Thursday, May 7, 2020 3:54:50 PM

Rick, (b)(5) .

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rick Hohlt (b)(6)
Sent: Thursday, May 7, 2020 11:31 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; (b)(6)
Subject: [EXTERNAL] JUNE Primary Elections 2020: Closest Absentee Ballot Request Date to Primary Election 2020

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Hunnicutt, Rachel K - Washington, DC
Cc: Dym, Lori J - Washington, DC
Subject: RE: [EXTERNAL] More letters....?
Date: Friday, April 17, 2020 3:01:13 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 12:41 PM
To: Hunnicutt, Rachel K - Washington, DC <(b)(6), (b)(3), 410(c)
Cc: Dym, Lori J - Washington, DC (b)(6), (b)(3), Marshall, Thomas J - Washington, DC (b)(6), (b)(3),
Subject: RE: [EXTERNAL] More letters....?

(b)(5)

Keith

From: Hunnicutt, Rachel K - Washington, DC
Sent: Friday, April 17, 2020 11:35 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Dym, Lori J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] More letters....?

(b)(5)

Rachel K. Hunnicutt
Procurement and Property Law
United States Postal Service
(202) 268-7855

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 11:11 AM
To: Hunnicutt, Rachel K - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Dym, Lori J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] More letters....?

Rachel,

(b)(5)

Thanks,
Keith

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From: Marshall, Thomas J - Washington, DC
To: John Barger
Cc: Robert Mike Duncan; Bloom, Ron; Brennan, Megan J - Washington, DC; Stefan Passantino; Weidner, Keith E - Washington, DC
Subject: RE: [EXTERNAL] More letters....?
Date: Friday, April 17, 2020 3:48:56 PM

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governor Barger,

(b)(5)

Let me know if you have any questions or concerns, and best regards,

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Hunnicutt, Rachel K - Washington, DC; Weidner, Keith E - Washington, DC
Cc: Dym, Lori J - Washington, DC
Subject: RE: [EXTERNAL] More letters....?
Date: Friday, April 17, 2020 3:57:13 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Hunnicutt, Rachel K - Washington, DC
Sent: Friday, April 17, 2020 3:51 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c) Weidner, Keith E - Washington, DC (b)(6), (b)(3), v>
Cc: Dym, Lori J - Washington, DC <(b)(6), (b)(3),
Subject: RE: [EXTERNAL] More letters....?

Tom:

(b)(5)

What do you think?

Rachel K. Hunnicutt
Procurement and Property Law
United States Postal Service
(202) 268-7855

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 3:01 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Hunnicutt, Rachel K - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: Dym, Lori J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] More letters....?

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 12:41 PM
To: Hunnicutt, Rachel K - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Dym, Lori J - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] More letters....?

(b)(5)

.

Keith

From: Hunnicutt, Rachel K - Washington, DC
Sent: Friday, April 17, 2020 11:35 AM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Dym, Lori J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] More letters....?

(b)(5)

.

Rachel K. Hunnicutt
Procurement and Property Law
United States Postal Service
(202) 268-7855

AMERICAN OVERSIGHT

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 11:11 AM
To: Hunnicutt, Rachel K - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Dym, Lori J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] More letters....?

Rachel,

(b)(5)

Thanks,
Keith

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 11:06 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: [EXTERNAL] More letters....?

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 9:56 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: [EXTERNAL] More letters....?

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 9:54 AM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] More letters....?

Keith, (b)(5)
(b)(5)

Thoughts?

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 9:28 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fwd: [EXTERNAL] More letters....?

FYI
Sent from my iPhone

Begin forwarded message:
From: "Marshall, Thomas J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Date: April 16, 2020 at 9:27:17 PM EDT
To: Barger/NorthernCrossPartners (b)(6) >
Cc: Robert Mike Duncan (b)(6) "Bloom, Ron"
(b)(6) >, "Brennan, Megan J - Washington, DC"
(b)(6), (b)(3), 410(c)(2) (b)(6)
Subject: Re: [EXTERNAL] More letters....?
(b)(5)

Sent from my iPhone

On Apr 16, 2020, at 9:14 PM, Barger/NorthernCrossPartners <(b)(6) > wrote:

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

AMERICAN OVERSIGHT

Hi Tom

(b)(5)

Thanks.

From: Ariel (b)(6)
April 16, 2020 8:42 PM
To: r (b)(6)
Subject: re: Seattle's Post Office

Hi there,

Ariel from Fight for Reform here. I'm getting ready to send this petition to Congress, but noticed that your digital signature is missing.
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsH/?g=rJstYDpTVzRXB0T5D2B318A>

The U.S. Postal Service is a vital public resource. But right now, it's at serious risk of running out of funding. If that happens, millions of people won't be able to safely cast their mail-in ballots.

That's why your signature is crucial. As of this afternoon, we're missing key support from Washington Democrats.

If you have a moment, please sign on to SAVE the USPS:<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsE/?g=rJstYDpTVzRXB0T5D2B318A>
TELL CONGRESS: SAVE THE USPS <https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsF/?g=rJstYDpTVzRXB0T5D2B318A>

Thanks for your support,

Ariel G.
Fight for Reform<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsC/?g=rJstYDpTVzRXB0T5D2B318A>
----Forwarded Message----
From: Fight for Reform
Subject: Elizabeth Warren's warning: Save the Post Office in Seattle
To: rick@hohlt.com<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsD/?g=rJstYDpTVzRXB0T5D2B318A>
*** BREAKING ***
[https://go.fightforreform.org/page/-/FFR_Headline-USPS-Trump-Warning_20200410.png]
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsA/?g=rJstYDpTVzRXB0T5D2B318A>

TELL CONGRESS: SAVE THE USPS <https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsB/?g=rJstYDpTVzRXB0T5D2B318A>

The U.S. Postal Service is a vital public resource that is in serious danger. If it collapses, millions of Americans may not be able to cast their mail-in ballots!

That's why Elizabeth Warren is sounding the alarms and demanding Congress take action to SAVE the USPS:
[https://go.fightforreform.org/page/-/McConnell%206.png]<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsO/?g=rJstYDpTVzRXB0T5D2B318A>

If you're willing to fight for our elections and protect the USPS, sign on immediately:
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsP/?g=rJstYDpTVzRXB0T5D2B318A>
TELL CONGRESS: SAVE THE USPS <https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsHBQ/?g=rJstYDpTVzRXB0T5D2B318A>

If we fail to get 10,000 signatures from active Democrats by midnight, our petition will be VOID. So it's absolutely crucial that you sign on.
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsHBA/?g=rJstYDpTVzRXB0T5D2B318A>
Click the button above or use the link below to add your name:

https://go.fightforreform.org/Save-The-United-States-Postal-Service<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d1/2459390246/VEsHBw/?g=rJstYDpTVzRXB0T5D2B318A>

Everything is on the line,

-Fight for Reform

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This message was sent to: rick@hohlt.com<mailto:rick@hohlt.com>
Click here to receive fewer emails.
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d2/2459390246/VEsHBg/p/eyJKU1ZGVFVGSlRDVWwiOiJyaWNrQGhvaGx0LmNvbSJ9/?g=rJstYDpTVzRXB0T5D2B318A> | Click here to unsubscribe.
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d3/2459390246/VEsHAQ/p/eyJKU1ZsYldGcGJDVWwiOiJyaWNrQGhvaGx0LmNvbSJ9/?g=rJstYDpTVzRXB0T5D2B318A>

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This message was sent to: rick@hohlt.com<mailto:rick@hohlt.com> | Change or update your email address by clicking here.
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660dc/2459390246/VEsHAA/?g=rJstYDpTVzRXB0T5D2B318A>

Thank you for supporting Fight For Reform: A State Level Project of End Citizens United. Your support is critical to helping us reject the big money status quo in states and cities across the country through targeted ballot initiatives.

We believe that emails are a crucial way for our campaign to stay in touch with supporters like you. However, if you'd prefer to receive fewer emails, you can click here.
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d2/2459390246/VEsHAw/p/eyJKU1ZGVFVGSlRDVWwiOiJyaWNrQGhvaGx0LmNvbSJ9/?g=rJstYDpTVzRXB0T5D2B318A> If you would like to unsubscribe, click here.
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660d3/2459390246/VEsHAg/p/eyJKU1ZGVFVGSlRDVWwiOiJyaWNrQGhvaGx0LmNvbSJ9/?g=rJstYDpTVzRXB0T5D2B318A>

If you'd like to donate to help fund our efforts to reform our campaign finance system, please click here.
<https://go.fightforreform.org/page/m/702efac8/7e1be755/39acef6b/16660dd/2459390246/VEsHDQ/?g=rJstYDpTVzRXB0T5D2B318A>

From the entire Fight For Reform team, thanks for your support!

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Duplicate

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator
Date: Monday, April 20, 2020 3:49:47 PM
Attachments: Draft Op-Ed.docx
Draft Op-Ed.docx

Keith, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Weidner, Keith E - Washington, DC
Sent: Monday, April 20, 2020 2:39 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

(b)(5)

Keith

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 20, 2020 1:13 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

(b)(5)

-----Original Message-----
From: Weidner, Keith E - Washington, DC
Sent: Monday, April 20, 2020 1:00 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

(b)(5)

Keith

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 20, 2020 12:59 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

(b)(5)

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(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

-----Original Message-----
From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 19, 2020 2:38 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] No, Trump Isn't Trying to Kill the Postal Service | The American Spectator

(b)(5)

Thanks.

-Tom

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Duplicate

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Non-responsive record

AMERICAN OVERSIGHT

Non-responsive record

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: [EXTERNAL] PostCom Bulletin Issue 14-20, April 2, 2020
Date: Thursday, April 2, 2020 9:08:01 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Thursday, April 2, 2020 8:22 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3),
Subject: Re: [EXTERNAL] PostCom Bulletin Issue 14-20, April 2, 2020

(b)(5)

Megan

On Apr 2, 2020, at 7:26 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: postcom@memberclicks-mail.net<mailto:postcom@memberclicks-mail.net> [mailto:postcom@memberclicks-mail.net]
Sent: Thursday, April 2, 2020 10:01 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] PostCom Bulletin Issue 14-20, April 2, 2020

[https://postcom.memberclicks.net/assets/images/PostCom-logo-red.jpg]

PostCom
Bulletin Digest

April 2, 2020

PostCom Bulletin Digest 14-20

Upcoming Member Webinars

March MTAC Overview April 7, 2 pm ET Register<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUhFyf8QZN-2BVMrjmteJfppsbPg3F_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfl3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2zXJFmJxyf8nIC-2Fwp3kQQPFlshyOEoo7glm0ypAm-2FcjbKuO5zcnlQZWTRrOMMwuAcEVQSdYEiUEGNbXHnkJToNettNT7LyECLx5OPQ7eY2cd1-2FqZ6aPrw9YrcgSQMC1f8yMo3voZaw6AOV80WUnrVOE81pa9zDwnzrXly8OL6VxU-3D>

PostCom Discussion on the Coronavirus, April 10, 2pm ET Register<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUjtJv-2F4KRDACK7tTaDvbT4VbvGE_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfl3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2FPOgG-2Fcrcv1z2D2lCZAwBMropHR7EAN2M5fSJHehLAsZGXZuy-2FOjpfJ7rPAmEd-2BAQv5zcw4E8slGZxfua1ri-2BfQDwydouM-2BTn20gNZP-2F1f-2FJuOiNogOJE6enhASHaAGbQsXHyEyIInA-2B6zD-2FtGobCyNDEs9AajM0ftyaZ-2FaT0uY-3D>

April Member Webinar April 14, 3pm ET Register<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUjnKw7ZJF5oVQUjxM0J1hXK4WLY_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfl3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2sHIGBeZw1e9cJqFUPX2wAqsTzxry7QLeG6aGs7NhQOJfz29XKDP4FDMCEnWU5TaCx-2FMgZJlbnzDTNnt2ufeBm36NAVEBwlgQ5KRUX9bfbJhgMYKrexraosXXjezlP5WsE-2FypDWu413hYoJFZtu0QCIawQYkQT-2BSlauqYWEn8y1c-3D>

BOG Meets Virtually During COVID-19 Emergency » Governor Robert Duncan devoted his remarks largely to commending the USPS workforce for its work on the front lines delivering essential mail and packages and providing a vital link, particularly to remote communities and vulnerable senior citizens, during the COVID-19 crisis. See Page 2.

Report Calls for Improved Physical Security for Inspection » Forensic Laboratory Services (FLS), which analyzes evidence for the U.S. Postal Inspection Service, has effective controls for receiving, handling, and shipping evidence, although it could better safeguard evidence through improved physical security and consistent safety training. See Page 3.

Postal Notes

Congressman Joe Neguse Introduces Legislation to Protect Front Line Postal Workers and Ensure On-Time Mail Delivery During Coronavirus » PostalNews<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUisV0ly-2Fmo8MaWiXg4aoLUbu4oO_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfl3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2oM5UWS3WAf7lvt4DebVR7BagRX5sv384H5XK-2B6dttOXbnqmX3q0vK-2BDbPE97bhafNjMfzXLnksTVN-2FhYUAzZz2o0sqTLXkYQKiRuXQT9Yl4bInyZHvbuC9FJ8fWwlnNsbKRJLTtawm3dh0IVuKqAilZ0s0yABR9D0fc7E8N4hpY-3D> Congressman Joe Neguse introduced legislation to provide emergency supplemental appropriations to the U.S. Postal Service amidst the coronavirus pandemic to protect local postal workers and post offices.

Coronavirus Relief Package Omits Financial Assistance For Postal Service » Linns<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUgdmPD6R2MuxKfwzJdY2j1zLr-e_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfl3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-

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2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2AEhd1OAbrnmG-2BQEmkqULlKqcVscCP6ge1G-2Bbz4bsRZuF5qYouX-2FJ5LZeA-2BjzEYOFQCZIgixwZCAt3vKo0-2FKK9-2FPJpJoKa8wm5CmgzTYAVN0YjL8B3U9xWJjykj1fjed7CketAa6NicIUrCA4pfZgtrsJV76ORyoETCJOtjw1KxE-3D> The day after Congress sent its $2 trillion coronavirus COVID-19 relief package to the White House, Rep. Gerald Connolly, D-Va., charged that President Donald Trump had blocked the United States Postal Service from directly sharing in the funds that lawmakers were granting to many federal agencies.

More National News<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUgsMri-2BYJ9QAkkqIvFtksDMgP4O_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfI3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2lDEylYL61OSMs-2BqxZYyFS8yNonZQt-2Fjs1mjLPVSYAoTy8BZxE61jq2klRL8ImWzW-2FiWODA4pnAFLPbAYyIagA0ViBJR9EtHHu0zwyPNrITuMWM-2Fh6v8STN39gjVr3PPC-2FRKCWMtvxNtb-2B1ypJ-2BvJrGiSAw8cgcECDQ9u8cXYRug-3D>

USPS Updates

Federal Register: Postal Regulatory Commission - New Postal Products, 17608 [2020–06571<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUgwKH6lRvp9qwpkhOgG87bobe5f_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfI3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2eob76rXWO8c96uOjTevz0QnGejx1gbWA9bHmDcbR48QUabVYPwm-2BNnoWJLI7T-2FlOlWXqbtOpN6O-2FS5PBn2d9vCzSHiStRT-2BhiecolwnBn3N579eWlYIoWb-2B5wI408C8K-2BGA2ykHv1dC19mPBnf1h4H0ZL03G4TBf7tLIY6rRvYY-3D>]; 17907 [2020–06638<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUj2elS5-2F50SSTtC9KxOFGECGlte_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfI3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2Dk2I0P5FywMyT5MCvnCdVguRdnUSlCZV4tJlHJPqfSPipNeueZqF-2B502lQiPY6-2Fx2Yrtod8PgmKAJFvSp61ttDm6COjX5ulpaz-2BzcaZzPuAwR-2BCIIjRqZvJerjlmYOw0flTNmdBfyAaVNLM7lNVCMdISsypsOW31hXQ5PQceGYw-3D>], 18286 [2020–06754<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUilgClEn8g7Z46f-2FB3VvR13s8mj_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfI3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2lpPwOnRMKaNRKQdTCb8fLuNxoRrbALPItOGAey-2Bxkijk9sFqrxsvAhibvGqck-2B90ifg-2F7YN6u9NVciwm1hFqljNj3H72ZqZKKwZs4ANXEprTlf8u7uAS4arBcNQoWFs7cAoU-2BmRfaXDPqrUEYadiTefNzwzQoFB9GnGam1K7pHM-3D>]; Postal Service - Meetings; Sunshine Act, 17608 [2020–06632]<http://clicks.memberclicks-mail.net/ls/click?upn=4RYssdHiUtPkJ009mVVmV-2BF1WH-2FiStVeN4637r1Sy2nxY4J5N0Vn0wvMAHlSUPa5Q50xrcoCdo3H1WNT9HbEGQeRZRqebAKi2J5AIrUc-2FUig6ACGNN2dxV35f8r2ztKwrQo6_cGe9W5K-2FCqFb2N07halzpFqKhiJ4ERuok43-2BoFfI3iJfmCi5Hn6JD-2FMSwhZlyz5eAM3dxk2vbFZF-2FTj-2FmjZqAA98-2BTsVgSuWgugPAqeTUGpLF-2F-2ByGdRokYfeosKwVaVMCmlWZy8BEUAqPHxUrIn0-2BRc3Fb4ciefkE7T3J2ohJVOAOk-2B6Ltyo9SYf-2FboMO0e2HXhXTkTMpODut2-2F0ZT9RtB8mBzQlwBVU9Q1sUIY7TORZ8LxnpDMHlpJzHFKh08EZW0oYFK-2BbBxC19TNORVGkSSuwWBYbOoHYY5tkzyoDJCXb4kvey3l1QT-2FtUXcXnLx5VFPVc-2FwSuP3iXsSx6vaosXoZBf8qrbZTp5BafGmB5ls-3D>

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International News

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: Re: [EXTERNAL] PostCom Bulletin Issue 16-20, April 16, 2020
Date: Thursday, April 16, 2020 9:11:56 PM

(b)(5)

Sent from my iPhone

On Apr 16, 2020, at 8:36 PM, Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) wrote:

(b)

Thanks,

Megan

On Apr 16, 2020, at 8:06 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 8:05 PM
To: 'Ron Bloom' (b)(6) >; 'John M. Barger' (b)(6)
Cc: 'Robert "Mike" Duncan' (b)(6) >>; Elston, Michael J - Washington, DC (b)(6)
Subject: FW: [EXTERNAL] PostCom Bulletin Issue 16-20, April 16, 2020

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Governors,

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-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

<PostCom Bulletin 16-20, April 16, 2020.pdf>

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From: Marshall, Thomas J - Washington, DC
To: James Cochrane
Subject: RE: [EXTERNAL] PSA letter and supporting documentation sent to Secretary Mnuchin
Date: Saturday, April 11, 2020 4:23:10 AM

Jim, (b)(6) (b)(5) , (b)(5)

Stay safe, and I hopefully I will see you soon.

-Tom

From: James Cochrane (b)(6)
Sent: Friday, April 10, 2020 9:36 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] PSA letter and supporting documentation sent to Secretary Mnuchin

Hey Tom, hope all is well

(b)(5)

Please contact me if there are any questions

Jim

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From: Marshall, Thomas J - Washington, DC
To: Bloom, Ron
Cc: M. -Mike- Duncan Robert; David Williams (b)(6); John Barger (b)(6); Roman Martinez IV (b)(6); (b)(6); Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Elston, Michael J - Washington, DC
Subject: Re: [EXTERNAL] RE: COVID-19 Bill Summary & Proposed Technical Assistance
Date: Tuesday, March 24, 2020 11:36:03 AM
Attachments: image876221.png

Governor Bloom, (b)(5)

-Tom

Sent from my iPhone

On Mar 24, 2020, at 11:28 AM, Bloom, Ron (b)(6) wrote:

(b)(5)

Ron
Bloom

Managing Partner |
Vice Chairman

Private Equity

Brookfield Asset Management
Brookfield Place New York

250 Vesey Street, 15th Floor , New York , New York
10281

T +1.212.978.1707<tel:+1.212.978.1707> |
M (b)(6)

(b)(6)
www.brookfield.com

<image876221.png>

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From: Marshall, Thomas J - Washington, DC
To: David Williams
Subject: Re: [EXTERNAL] Re: Appropriate share D.C. Circuit decision (UPS v. PRC; D.C. Cir. No. 19-1026)
Date: Wednesday, April 15, 2020 1:04:28 AM

Thank you Governor Williams. (b)(6)

-Tom

Sent from my iPhone

On Apr 15, 2020, at 12:07 AM, David Williams <(b)(6), (b)(3), 410(c)(2) wrote:

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(b)(5)

On Tue, Apr 14, 2020 at 11:21 PM Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:
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PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

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(b)(5)

[redacted]

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-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Bloom, Ron
Cc: M. -Mike- Duncan Robert; David Williams (b)(6)); John Barger (b)(6)); Roman Martinez IV (b)(6) Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Elston, Michael J - Washington, DC
Subject: Re: [EXTERNAL] RE: COVID-19 Bill Summary & Proposed Technical Assistance
Date: Monday, March 23, 2020 4:59:32 PM
Attachments: image305180.png

(b)(5)

Sent from my iPhone

On Mar 23, 2020, at 4:40 PM, Bloom, Ron (b)(6) wrote:

(b)(5)

.

Ron
Bloom

Managing Partner |
Vice Chairman

Private Equity

Brookfield Asset Management
Brookfield Place New York

250 Vesey Street, 15th Floor , New York , New York
10281

T +1.212.978.1707<tel:+1.212.978.1707> |
M (b)(6)

(b)(6)
www.brookfield.com

<image305180.png>

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<https://www.brookfield.com/emaildisclaimer>

From: Marshall, Thomas J - Washington, DC <(b)(6) >

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Sent: Monday, March 23, 2020 4:30 PM
To: M. -Mike- Duncan Robert <(b)(6) >; David Williams (b)(6)
(b)(6) ; John Barger (b)(6)
(b)(6) >; Bloom, Ron (b)(6) Roman Martinez IV
((b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: COVID-19 Bill Summary & Proposed Technical Assistance

[External Email]
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From: Marshall, Thomas J - Washington, DC
To: Jim Morrell
Cc: Elston, Michael J - Washington, DC
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG
Date: Sunday, April 26, 2020 11:53:47 AM
Attachments: Draft Op-Ed (003) (003) jm3.docx

Jim, (b)(6) (b)(6)

(b)(5)

-Tom

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 7:32 PM
To: 'Jim Morrell' (b)(6)
(b)(6), (b)(3),
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

(b)(5)

-Tom

From: Jim Morrell (b)(6)]
Sent: Saturday, April 25, 2020 7:18 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Tom,

(b)(5)

Thanks,

Jim

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Saturday, April 25, 2020 2:03 PM
To: Jim Morrell (b)(6)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

Jim, (b)(5)

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(b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 12:56 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Re: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

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(b)(5)

On Apr 25, 2020, at 12:53 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 12:46 PM
To: 'Jim Morrell' (b)(6) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Draft WSJ Op-Ed from the PMG

Thanks Jim. I (b)(5) (b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 12:44 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
(b)(5)

Jim

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Saturday, April 25, 2020 12:30 PM
To: Jim Morrell <jim@blueprintcomms.com<mailto:jim@blueprintcomms.com>>; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

Thanks Jim. I(b)(5)

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she prefers, but before I do so I will wait for one more round of comments from you.

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 12:14 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thanks, Tom. (b)(5)

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Saturday, April 25, 2020 11:53 AM
To: Jim Morrell (b)(6) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 25, 2020 11:48 AM
To: Jim Morrell (b)(6) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Draft WSJ Op-Ed from the PMG

Jim, (b)(5)

-Tom

From: Jim Morrell (b)(6)
Sent: Saturday, April 25, 2020 11:23 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Draft WSJ Op-Ed from the PMG

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thank you, Tom. (b)(5)

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(b)(5)

Thanks,

Jim

From: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Friday, April 24, 2020 7:25 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Jim Morrell (b)(6) >
Subject: [EXTERNAL] Draft WSJ Op-Ed from the PMG

Mike, and Jim, (b)(5)

Talk to you both soon.

-Tom

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: Re: [EXTERNAL] Re: Follow Up
Date: Friday, May 8, 2020 9:45:22 PM

(b)(5)

Sent from my iPhone

On May 8, 2020, at 9:13 PM, Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

FYI

(b)(5)

Thank you.

Megan

Begin forwarded message:

From: "Clark (Seattle), Dave" (b)(6)
Date: May 8, 2020 at 6:24:26 PM EDT
To: "Brennan, Megan J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] Re: Follow Up

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(b)(3), 410(c)(2)

Thanks
Dave

On May 8, 2020, at 10:37 AM, Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

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Dave,

(b)(3), 410(c)(2)

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(b)(3), 410(c)(2)

[redacted]

[redacted]

[redacted]

Take care.

Megan

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: [EXTERNAL] Re: Pricing/Cost Study
Date: Saturday, May 9, 2020 9:22:48 AM
Attachments: image001.png

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Saturday, May 9, 2020 9:02 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] Re: Pricing/Cost Study

Thanks,

Megan

-------- Original message --------
From: "Bloom, Ron" (b)(6)
Date: 5/9/20 8:38 AM (GMT-05:00)
To: Roman Martinez IV (b)(6)
Cc: Mike@rmduncan.com<mailto:Mike@rmduncan.com>, "Stroman, Ronald A - Washington, DC"
(b)(6), (b)(3), 410 (c)(2) >, "John Barger
(b)(6)
(b)(6) "Brennan, Megan J -
Washington, DC" (b)(6), (b)(3), 410 (c)(2) "Corbett, Joseph -
Washington, DC" (b)(6), (b)(3), 410 (c)(2)
Subject: [EXTERNAL] Re: Pricing/Cost Study

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Strongly agree

Ron

Bloom

Managing Partner

|

Vice Chairman

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(b)(6)

(b)(6)

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[cid:image001.png@01D625E3.67198D20]

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<https://www.brookfield.com/emaildisclaimer>

On May 9, 2020, at 8:32 AM, Roman Martinez IV (b)(6) >> wrote:

[External Email]
All,
(b)(5)

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(b)(5)

Best,
Roman

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Non-responsive record

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Non-responsive record

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Non-responsive record

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From: Marshall, Thomas J - Washington, DC
To: M. -Mike- Duncan Robert
Subject: RE: [EXTERNAL] Re: USPS/Michael Best
Date: Friday, March 27, 2020 6:22:08 PM

Thanks Governor Duncan, and I did eventually get your voice mail. I was on the 10th floor most of the day, and there are certain areas in this building where cell calls are often delayed. You do, however, have the correct number.

Let me know if you would prefer a call back. Otherwise, I will talk with you on Monday, barring any emergencies.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: M. -Mike- Duncan Robert [mailto:mike@rmduncan.com]
Sent: Friday, March 27, 2020 6:09 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
Subject: Re: [EXTERNAL] Re: USPS/Michael Best

Tom, it's not necessary but check you cell voice mail to see if I got the correct number!

Sent from my iPhone

> On Mar 27, 2020, at 5:29 PM, Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov> wrote:
>
> Sorry Mr. Chairman, I did not get a message that you called. Do you need me to call you back this evening? I have spoken to Governor Barger, and will be setting up a conference call with the outside firm on Monday, to include Governor Barger and you at his request.
>
> -Tom
>
> Thomas J. Marshall
> General Counsel and Executive Vice President United States Postal
> Service
>
>
> -----Original Message-----
> From: Barger/NorthernCrossPartners
> [mailto:jbarger@northerncrosspartners.com]
> Sent: Friday, March 27, 2020 4:42 PM
> To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
> Cc: mike@rmduncan.com
> Subject: Re: [EXTERNAL] Re: USPS/Michael Best
>
> Great Tom,
>
> We know you are running hard.
> Lets do circle up when you have a moment.
> You can start with the Chairman; he will loop me in as required.

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>
> Take care,
>
>
>
>> On Mar 27, 2020, at 1:23 PM, Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov> wrote:
>>
>> Governor Barger, I have been on the run all day, and will call you back as soon as I get a moment to come up for air.
>>
>> However, after our call yesterday, one additional item that occurred to me was whether we have any argument under the Defense Production Act that the Administrations can provide the Postal Service with personal protection equipment like protective gloves, hand sanitizer, disinfectant wipes, and the like, since we are performing an essential public service as part of the nation's critical infrastructure and this material is necessary to enable our folks to do their jobs safely? As you know some of these items, particularly hand sanitizer, are in short supply.
>>
>> In any event, we are asking Michael Best to research the issue, and to provide us with their advice and guidance on how we might get this matter in front of the Administration. Given the connections of the Governors, I would also appreciate your thoughts on whether you could facilitate that conversation, once we know the answer if whether this is feasible under the Defense Production Act.
>>
>> -Tom
>>
>> Thomas J. Marshall
>> General Counsel and Executive Vice President United States Postal
>> Service
>>
>>
>> -----Original Message-----
>> From: John Barger [mailto:jbarger@northerncrosspartners.com]
>> Sent: Thursday, March 26, 2020 8:54 PM
>> To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
>> Cc: mike@rmduncan.com
>> Subject: [EXTERNAL] Re: USPS/Michael Best
>>
>> Thank you Tom.
>>
>> Nothing new here as you know. We're already doing all that.
>>
>> Per our discussion this afternoon, are there other emergency measures POTUS has invoked besides the DPA and which could be used as a basis for regulatory relief?
>>
>> As discussed, beyond funding issues the USPS board of Governors is curious about possible changes to the regulatory framework that can be accomplished by Executive order.
>>
>> Have the lawyers looked at that?
>>
>> Thanks,
>>
>> John M. Barger
>>
>>
>>
>> Please excuse typos, courtesy of iPhone keyboard, oversized thumbs,
>> aggressive Apple algorithms
>>
>>>> On Mar 26, 2020, at 5:35 PM, Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov> wrote:

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>>>
>>> Governor Barger,
>>>
>>> Further to our conversation this evening, I am forwarding the preliminary research my received today from Michael Best. To cut the chase, I have set forth their initial recommendations below:
>>>
>>> The USPS should:
>>>
>>> (1) engage Congress to assure passage of the CARES Act by the House without alteration to the section authorizing $10 Billion in direct loans;
>>>
>>> (2) immediately upon passage of the CARES Act, work with the Treasury Department to secure favorable terms for funds made available; and
>>>
>>> (3) continue to engage with Congress to secure additional authority for loans or loan guarantees in excess of the $10 Billion appropriated in the CARES Act if the current national emergency continues.
>>>
>>>
>>> We will circle back to the firm to expand the scope of their research to add the items we discussed. In the interim, let me know if you have any questions or concerns, and I will talk to you soon.
>>>
>>> -Tom
>>>
>>> Thomas J. Marshall
>>> General Counsel and Executive Vice President United States Postal
>>> Service
>>>
>>>
>>> <USPS DPA Memorandum (final) -- 27794003 v1.docx>
>>
>

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Re: [EXTERNAL] Re: USPS/Michael Best
Date: Friday, March 27, 2020 7:26:43 PM

Can you get the times he can do on Monday and Tuesday?

Sent from my iPhone

On Mar 27, 2020, at 7:13 PM, Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov> wrote:

Tom,

MB is asking to do the call in the afternoon due to a conflict.

Sent from my iPhone

Begin forwarded message:

From: "Passantino, Stefan (59582)" <spassantino@michaelbest.com>
Date: March 27, 2020 at 6:34:54 PM EDT
To: "Weidner, Keith E - Washington, DC" <Keith.E.Weidner@usps.gov>
Cc: "Olson, Joseph L (13465)" <JLOLSON@michaelbest.com>
Subject: [EXTERNAL] Re: USPS/Michael Best

Absolutely. Is there any chance you have availability in the afternoon? I am in a telephonic board meeting in the morning.

On Mar 27, 2020, at 5:45 PM, Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov> wrote:

Thanks very much, Stefan. I had a conversation with Tom Marshall and wanted to follow-up on a few things.

First, I wanted to see if you (and whoever else from your firm you think should join) are available for a conference call on Monday morning with a few of our Governors, plus Tom and I, to discuss what you have done so far and next steps. Preferably 11:00, but if that doesn't work please let me know what your availability is.

Second, and in terms of next steps, there are a few additional matters that we would like you to consider that I wanted to put on your radar screen.

--A big pain point for our organization is securing sufficient personal protective supplies for our employees like hand sanitizer, gloves, disinfectant wipes, etc. We would like your guidance on whether there are any legal tools we could use to seek to secure such supplies, considering we are designated as critical infrastructure. If so, we would also like your guidance on the specific steps we should take with the Administration to leverage those tools. It appears from your DPA analysis that Title III might be relevant here; if not, perhaps another statute or Executive Branch tool might be.

--We would also like you to consider whether the Postal Service could be given additional pricing and product flexibility through some sort of executive action. As you may know, the Postal Service is limited in the types of products and services we can provide pursuant to statute and regulation, and is also subject to regulation by the Postal Regulatory Commission concerning our prices and products (see generally chapter 36 of title 39, US Code, and 39 CFR Chapter III). Our Board has been considering whether to pursue certain reforms to this statutory and regulatory construct as part of the legislative process (see attached document), but also wants you to research whether these or similar reforms could be pursued through non-legislative means. Regarding this issue, it might make sense to have a further call early next week so that I can walk you through the issues.

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Thanks,

Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
202-577-9413 (c)

From: Passantino, Stefan (59582) [mailto:spassantino@michaelbest.com]
Sent: Friday, March 27, 2020 4:18 PM
To: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov>
Cc: Olson, Joseph L (13465) <JLOLSON@michaelbest.com>; Boerke, Nicholas J (12767) <njboerke@michaelbest.com>; Priebus, Reince (53838) <rp@michaelbest.com>; Groth, Nathan D (59584) <ndgroth@michaelbest.com>
Subject: [EXTERNAL] RE: USPS/Michael Best

Keith, it was good speaking with you just now and I am glad to hear that our initial work product appeared to be what you were looking for as a first cut. As we discussed, this weekend we are pulling together comprehensive CARES Act analysis as pertains to USPS (both the specific provisions related to USPS and the other general credit facilities available under CARES). We will also be providing you with our analysis of other Executive Branch tools (Executive Orders, regulatory guidance, etc) which, candidly, do not appear as impactful as the CARES Act. In the interim, here is the more generalized CARES Act analysis I described which will form the foundation of our specific analysis tailored to the USPS:

LENDING COVID-19 OPPORTUNITIES
BUSINESS LENDING SUPPORTED BY FEDERAL RESERVE BANK
The Federal Reserve Bank (FRB) has announced a "Main Street Business Lending Program" is intended to provide relief to what the FRB cites as small to midsize businesses.
While Congress's focus has been on small businesses and consumers, FRB's actions are focused on businesses that are basically healthy but in danger at these times because of the freeze-up in financial markets. Some have been insulated from the outbreak's effect to this point, but rely on debt as part of their normal operations. Others have lost business because of the virus but could survive if they could borrow to cover their expenses.
Several of the FRB's actions are derived from actions taken 2008-2009 financial crisis. But some are new, like the FRB is considering lending money directly to large corporations, something it has never done before. The FRB has framed the program as "bridge financing" to help otherwise healthy companies keep their doors open and their workers employed during a period of disruption.
The three new programs that FRB announced on March 23, 2020 are:

1. Main Street Business Lending Program: This program is intended to support lending to eligible small and midsize businesses. Such a program is likely to depend on additional money from the Treasury Department. The FRB hasn't yet provided program details.
2. Term Asset-Backed Securities Loan Facility, or TALF: This facility will mirror one the FRB used in 2008 to support consumer and business credit markets. The FRB has stated that it will use this facility to lend money to investors to buy securities backed by credit card loans and other consumer debt.
3. Support Financing for Corporate Debt Obligations: The FRB announced a new facility to address the lack of new financing in the roughly $6 trillion market for highly rated corporate debt by offering bridge loans for up to four years, which includes limits on the payment of dividends and stock buybacks for firms that defer interest payments on their loans. A facility aimed at unblocking the market for existing corporate debt, allowing the FRB to purchase

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bonds already issued by highly rated companies and eligible exchange-traded funds, which have around $147 billion in investment-grade corporate debt

SMALL BUSINESS LENDING

SBA Economic Injury Disaster Loan Program (PRESIDENT EXECUTIVE ORDER)

President Trump announced the administration's action to provide relief to small businesses impacted by the coronavirus (COVID-19) through the Economic Injury Disaster Loan Program<https://www.sba.gov/disaster-assistance/coronavirus-covid-19>.

The SBA's Economic Injury Disaster Loan program provides small businesses with targeted, low-interest working capital loans of up to $2 million that can provide economic support to small businesses to help overcome the temporary loss of revenue they are experiencing. These loans may be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster's impact. The interest rate is 3.75% for small businesses. The interest rate for non-profits is 2.75%. SBA offers loans with long-term repayments in order to keep payments affordable, up to a maximum of 30 years. Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

For any SBA EIDL loans made in response to COVID-19 before December 31, 2020, the SBA shall waive any personal guarantee on advances and loans below $200,000, the requirement that an applicant needs to have been in business for the 1-year period before the disaster, and the credit elsewhere requirement. During the covered period, SBA can approve and offer EIDL loans based solely on an applicant's credit score, or use an alternative appropriate alternative method for determining applicant's ability to repay.

The SBA is working with all states and territories to offer these loans. These loans are made available upon a formal request received from a state's or territory's Governor. Once a declaration is made for designated areas within a state, small businesses can apply for the disaster relief loan. The information on the application process for the Economic Injury Disaster Loan assistance will be made available to all affected communities as well as updated on SBA's website<https://disasterloan.sba.gov/ela>. Here<https://disasterloan.sba.gov/ela/Declarations/Index> are the states and territories that have Presidential and SBA declared disasters.

SBA spokesperson Carol Chastang has stated that SBA generally approves a state's request no longer than 48 hours and SBA may take two to three weeks to make a decision once a loan application is submitted by a business. If the loan is approved, disbursement of funds can be made within five days of receiving the loan closing documents.

Visit SBA's webpage<https://disasterloan.sba.gov/ela/> to learn about eligible disaster areas, to apply online, and to check your application status. Business owners can call the disaster customer service center at 800-659-2955, or email disastercustomerservice@sba.gov<mailto:disastercustomerservice@sba.gov>. The deaf and hearing impaired may call 800-877-8339.

SBA Paycheck Protection Loans (PPL) (CARES ACT)

The Paycheck Protection Loan (PPL) is a new loan product within the SBA's 7a Loan Program authorized for $349 billion. Both existing SBA lenders and new lenders brought into the program with the assistance of the Department of Treasury will be able to offer these loans to eligible small businesses.

The Paycheck Protection Program is 100 percent guaranteed by the SBA with an interest rate of 4%. The maximum loan amount is $10 million or 2.5 times the average monthly payroll based on the prior year's payroll.

The loan covers payroll costs included costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums; employee salaries, commissions, or similar compensations; payments of interest on any mortgage obligation (not to include prepayment of or payment of principal on a mortgage obligation); rent (including rent under a lease agreement); utilities; and interest on any other debt obligations that were incurred before February 15, 2020. Eligible borrowers must make a good faith certification that the loan is necessary due to the uncertainty of current economic conditions caused by COVID-19; they will use the funds to retain workers and maintain payroll, lease, and utility payments; and are not receiving duplicative funds for the same uses from another SBA program.

For eligibility purposes, requires lenders to, instead of determining repayment ability, which is not possible during this crisis, to determine whether a business was operational on February 15, 2020, and had employees for whom it paid salaries and payroll taxes, or a paid independent contractor.

Small businesses and certain nonprofits, including 501(c)(3) organizations and 501(c)(19) veteran organizations, and tribal business concerns, with less than 500 employees as well as those that meet the current SBA size standards for the loan are eligible for the loan. Additionally, sole proprietors, independent contractors, federal small business contractors and self-employed individuals will also be eligible. Moreover, small businesses in the hospitality and food industry with more than one location could be eligible at the store and location level if the store employs less than 500 workers; meaning each store location could be eligible., if a franchisor appears in the SBA's National Franchise Director, assistance will extend down to the franchisee at the store or location level.

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To increase speed and turnaround time within this new loan product, more than 800 existing SBA-certified lenders, including banks, credit unions, and other financial institutions, have been delegated authority and SBA would be required to streamline the process to bring additional lenders into the program. Delegated authority allows the lenders to process, close, and service a loan without SBA review. This authority will also extend to lenders who join the program and make these loans.
All borrower and lender fees for the Paycheck Protection Loans are waived. The Credit Elsewhere Test, collateral requirements, and all requirements for personal guarantees under the Paycheck Protection Loans are waived.
The loans have automatic deferrals of principal, interest, and fee for six months. Any portion of a loan that is not used for forgiveness purposes will have a maturity of not more than 10 years, and the guarantee for that portion of the loan will remain intact.
Small businesses can obtain both a new Paycheck Protection Loan and an SBA Economic Injury Disaster Loan (EIDL) so long as they cover different items. Flexibility is granted through no repayment penalties on either the Paycheck Protection Loan or the EIDLs and a refinancing option has been included.

1. PPL Loan Forgiveness

As part of the PPL program, a loan forgiveness tool has been developed that allows businesses that maintain payroll continuity from February 15, 2020 through June 30, 2020 as defined by headcount, to request forgiveness on a Paycheck Protection Loan used on payroll costs, mortgage interest, rent, and utility pay over an 8 week period.
The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25% of their prior year compensation.
The loan forgiveness program provides flexibility for businesses that re-hire workers that were previously laid off.
To receive loan forgiveness, a business will have to work with a lender to justify their payroll was maintained through documentation. Lenders will be held harmless on decisions of eligibility and SBA will purchase the loan after the lender grants approval.

SBA Express Loan Program

The maximum loan for a SBA Express loan was increased from $350,000 to $1 million through December 31, 2020, after which point the Express loan will have a maximum of $350,000. It also allows Veteran's fee waivers for the 7(a) Express loan program to be permanently waived.

Emergency Economic Injury Disaster Grant Program (EIDL) (CARES ACT)

An Emergency Grant is established to allow an eligible entity who has applied for an EIDL loan due to COVID-19 to request an advance on that loan, of not more than $10,000, which the SBA must distribute within 3 days.
Applicants are not required to repay advance payments, even if subsequently denied for an EIDL loan.
In advance of disbursing the advance payment, the SBA must verify that the entity is an eligible applicant for an EIDL loan. This approval shall take the form of a certification under penalty of perjury by the applicant that they are eligible.
The advance payment may be used for providing paid sick leave to employees, maintaining payroll, meeting increased costs to obtain materials, making rent or mortgage payments, and repaying obligations that cannot be met due to revenue losses.
An advance payment must be considered when determining loan forgiveness, if the applicant transfers into a loan made under SBA's Paycheck Protection Program.
SBA's authority to carry out Emergency EIDL Grants expires on December 30, 2020.
Additional SBA guidance, resources, and information for small businesses impacted by COVID-19 can be found here<https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources>.

Existing 7(a), 504 or Microloan Product

SBA is required to pay the principal, interest, and any associated fees that are owed on the covered loans, which includes an existing 7(a) (including Community Advantage), 504 or microloan products, for a six month period starting on the next payment due. Loans that are already on deferment will receive six months of payment by the SBA beginning with the first payment after the deferral period. Loans made up until six months after enactment will also receive a full 6 months of loan payments by the SBA.
SBA must make payments no later than 30 days after the date on which the first payment is due.
SBA is required to still make payments even if the loan was sold on the secondary market.
SBA is to encourage lenders to provide deferments and allows lenders, up until one year after enactment, to extend the maturity of SBA loans in deferment beyond existing statutory limits.

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LENDING FOR ALL BUSINESS INCLUDING STATE AND LOCAL GOVERNMENTS (CARES)
Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy" (ESF)
Provides for a $500 billion authorization for the Treasury Department to make loans, guarantees and "other investments" to support certain eligible businesses, as well as state and local governments.

1. Direct Lending, including:

a. $25 billion for passenger air carriers, eligible businesses that are certified under part 145 of title 15, Code of Federal Regulations, and approved to perform inspection, repair, replace, or overhaul services, and ticket agents;
b. $4 billion for cargo air carriers; and
c. $17 billion for businesses important to maintaining national security (likely for Boeing).

(2) $454 billion, as well as any amounts available but not used for direct lending, for loans, loan guarantees, and investments in support of the Federal Reserve's lending facilities to eligible businesses, states, and municipalities.
Federal Reserve 13(3) lending is a critical tool that can be used in times of crisis to help mitigate extraordinary pressure in financial markets that would otherwise have severe adverse consequences for households, businesses, and the U.S. economy.
For the entire authorization, the Treasury Secretary would have authority to determine terms and conditions for the program, including the rates—which will be based on the risk and current average yield of Treasuries of comparable maturity.
Terms and Conditions Associated with the Loans:
For the three sector-specific categories, the Treasury Secretary may make loans to businesses that can demonstrate: (1) they are an eligible business to which credit is not reasonably available at the time of the transaction; (2) the intended obligation is prudently incurred; and (3) the loan or guarantee is sufficiently secured or made at a rate that reflects the risk and, to the extent practicable, is not less than an interest rate based on market conditions for comparable obligations prior to the outbreak of COVID-19.
Additional terms require an applicant from these three sectors to: (1) show, to the extent practicable, the duration of the loan or guarantee will not exceed 5 years; (2) forego buying back stock or paying dividends for common stock (except if contractually obligated to do so) for 12 months after the obligation is no longer outstanding; (3) maintain employment levels as of March 24, 2020, to the extent practicable, until September 30, 2020, - and not "in any case" reduce those employment levels by more than 10 percent; (4) certify that the business is "created or organized in the United States or under the laws of the United States and has significant operations in and a majority of its employees based in the United States; and (5) demonstrate that it incurred losses such "that the continued operations of the business are jeopardized."
Many, but not all, of these restrictions also apply to the broader loan category for other eligible businesses or state and local governments. Most important, for example, businesses receiving money from this pool are subject to the same restrictions on stock repurchase and dividend issuance, although the Secretary retains the authority to waive dividend restriction if it is in the interest of the U.S. government to do. (However, the Secretary must be prepared to potentially defend that decision before Congress.) The restriction that recipients be U.S. businesses applies to this pool as well, but the loan duration, employment level, and loss restrictions do not.
Allows the U.S. government to share in the gains made pursuant to such loans applies to the three-sector specific industries - but not for the broader general business loan pool. Additionally, the Treasury Department must liquidate its interest in any authorized loan programs in this title as soon as soon as reasonably practical—while maximizing the U.S. government's interest.
Employee/Officer Compensation Provisions limit officers or employees who earned in excess of $3 million in total compensation in calendar year 2019 from earning, in 2020, total compensation more than the sum of $3 million plus 50 percent of the amount over $3 million of the total compensation they received in 2019.

1. Assistance for Mid-Sized Businesses

Within the general business loan program, the final bill emphasizes that the Secretary should "endeavor to" make loans and investments available—to the extent practicable—to midsize businesses (including nonprofit organizations) with between 500 and 10,000 employees at a rate not higher than two percent annualized, and with no principal or interest payable for the first six months of the life of the loan. Entities wishing to take of advantage of this program must make a good-faith certification that: (1) economic uncertainty requires those terms; (2) funds received will be used to retain 90 percent of the workforce at full compensation and benefit levels through Sept. 30, 2020; and (3) they intend to restore not less than 90 percent of their workforce level prior to Feb. 1, 2020 while restoring all compensation and benefit levels to workers no later than 4 months after their termination date.

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These entities must also certify that they will not "outsource or offshore jobs for the term of the loan or two years after completing repayment of the loan"; will not abrogate collective bargaining rights during this time; and will remain neutral in a union organizing effort for the term of the loan.

C. Municipal Prioritization: The final bill requires the Secretary to attempt to provide liquidity to "the financial system that supports lending to States and municipalities."

D. New Administrative Issues of Notes: On the administrative side, the final bill authorizes the Treasury Department to designate financial institutions—including but not limited to depositories, brokers, dealers, and other institutions—as financial agents of the U.S for the purpose of performing the Secretary's duties under this title. Additionally, the Secretary must prescribe regulations or guidance as appropriate to carry out the purpose of the title within 10 days following enactment.

E.
New Inspector General: Section 4018 establishes, within the Treasury Department, the Office of the Special Inspector General for Pandemic Recovery who will oversee implementation of the ESF. The President will be responsible for nominating this individual "as soon as practicable after any loan, loan guarantee, or other investment is made" under the program. The Special IG will be subject to the removal provisions in Section 3(b) of Inspector General Act.
The Special IG will have authority to conduct, supervise, and coordinate audits and investigations of "the making, purchase, management, and sale of loans, loan guarantees, and other investments made by the Secretary," in addition to the Secretary's management of the program. In doing so, the Special IG will have the authorities provided in section 6 of the Inspector General Act of 1978 and will be considered exempt from termination by the Attorney General. The bill authorizes $25 million to fund the Special IG's activities.
Finally, the bill creates a Congressional Oversight Commission to oversee the execution of the ESF program by the Secretary and the Board of Governors of the Federal Reserve System. The Commission must submit regular reports to Congress and review the implementation of the program. Reports must begin no later than 30 days following the first exercise of the Secretary's authority under the ESF program. Membership in the Commission will consist of one member appointed by each of the Speaker of the House, the House Minority Leader, the Senate Majority Leader, and the Senate Minority Leader. The fifth member, Commission's Chair, will be jointly appointed by the Speaker and the Senate Majority Leader.

Bankruptcy
The Small Business Reorganization Act is amended to increase the eligibility threshold to file under subchapter V of chapter 11 of the U.S. Bankruptcy Code to businesses with less than $7,500,000 of debt. The increase sunsets after one year and the eligibility threshold returns to $2,725,625.
Additionally, the definition of income in the Bankruptcy Code for chapters 7 and 13 is amended to exclude coronavirus-related payments from the federal government from being treated as “income” for purposes of filing bankruptcy. This provision sunsets after one year.
The calculation of disposable income for purposes of confirming a chapter 13 plan shall not include coronavirus-related payments. This provision sunsets after one year.
Individuals and families currently in chapter 13 can seek payment plan modifications if they are experiencing a material financial hardship due to the coronavirus pandemic, including extending their payments for up to seven years after their initial plan payment was due. This provision sunsets after one year.

OTHER LENDING PROGRAMS (CARES)
USDA LENDING
RURAL BUSINESS COOPERATIVE SERVICE – $20.5 million
The bill provides the necessary subsidy to make $1 billion in lending authority available for the Business and Industry loan guarantee program, which provides much-needed financing to business owners that might not be able to qualify for a loan on their own.
COMMODITY CREDIT CORPORATION (CCC)
The CCC is the funding mechanism for agricultural programs such as Price Loss Coverage and Dairy Margin

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Coverage. The CCC bolsters commodity and income support programs, natural resources conservation programs, disaster assistance programs and most recently the Market Facilitation Program. The bill includes language that replenishes the CCC borrowing authority by $14 billion. The $14-billion replenishment is for fiscal year 2020, so that's in addition to the second and third tranche of MFP payments, as well as farm bill payments made last fall. This replenishment will allow USDA to develop new support programs to assist agricultural producers and potentially help agribusinesses such as ethanol plants
U.S. DEPARTMENT OF AGRICULTURE (USDA)/OFFICE OF THE SECRETARY – $9.5 billion
The bill provides $9.5 billion in emergency COVID-19 response funding to provide financial support for agricultural producers impacted by COVID-19, including producers of specialty crops, producers that supply local food systems, and livestock producers.

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
E spassantino@michaelbest.com<mailto:spassantino@michaelbest.com>
T 202.747.9582 | M 202.400.1530 | F 202.347.1819

<image001.png>

A LexMundi Member

Michael Best & Friedrich LLP

my bio <http://www.michaelbest.com/People/Stefan-Passantino> | our firm <http://www.michaelbest.com> | vCard <http://www.michaelbest.com/People/Stefan-Passantino.vcf>

Click here to visit our COVID-19 Resource Center with the latest updates on business & legal implications related to the coronavirus.<https://t.xink.io/Tracking/Index/f-IBAHUXAQCw2VQA0>

-----Original Message-----
From: Passantino, Stefan (59582)
Sent: Thursday, March 26, 2020 5:08 PM
To: 'Weidner, Keith E - Washington, DC' <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Cc: Olson, Joseph L (13465) <JLOLSON@michaelbest.com<mailto:JLOLSON@michaelbest.com>>; Boerke, Nicholas J (12767) <njboerke@michaelbest.com<mailto:njboerke@michaelbest.com>>; Priebus, Reince (53838) <rp@michaelbest.com<mailto:rp@michaelbest.com>>; Groth, Nathan D (59584) <ndgroth@michaelbest.com<mailto:ndgroth@michaelbest.com>>
Subject: RE: USPS/Michael Best

Keith, attached per your request is a first pass at the high-level analysis of the Defense Production Act of 1950. Note also in this memorandum the discussion regarding the fact that the USPS is addressed in Title VI Section 6001 of the new CARES Act (attached) regarding borrowing and prioritization of USPS delivery of medical products. There is some discussion ongoing but clearly the evolution of this legislation is also something we are watching very closely and will continue to advise on.

Stefan Passantino

Partner

AMERICAN OVERSIGHT

Practice Group Chair, Government Relations, Political Law & Public Policy T 202.747.9582 | michaelbest.com
Michael Best & Friedrich LLP

-----Original Message-----

From: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>

Sent: Thursday, March 26, 2020 2:04 PM

To: Passantino, Stefan (59582) <spassantino@michaelbest.com<mailto:spassantino@michaelbest.com>>

Subject: RE: USPS/Michael Best

Hello Stefan,

I am circling back to get an ETA on when we might get some preliminary talking points regarding the Defense Production Act.

Thanks,

Keith

Keith Weidner

Deputy General Counsel, Headquarters

475 L'Enfant Plaza S.W.

Room 6002

Washington, D.C. 20260

202-268-6252 (w)

202-577-9413 (c)

-----Original Message-----

From: Passantino, Stefan (59582) [mailto:spassantino@michaelbest.com]

AMERICAN OVERSIGHT

Sent: Tuesday, March 24, 2020 7:59 PM

To: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>

Cc: Olson, Joseph L (13465) <JLOLSON@michaelbest.com<mailto:JLOLSON@michaelbest.com>>; Boerke, Nicholas J (12767) <njboerke@michaelbest.com<mailto:njboerke@michaelbest.com>>; Groth, Nathan D (59584) <ndgroth@michaelbest.com<mailto:ndgroth@michaelbest.com>>

Subject: [EXTERNAL] Re: USPS/Michael Best

If it's ok with you. Let's try for 9:30 am ET tomorrow. We can use my call-in:

Dial in (United States): 1-888-378-0222 Conference Room Number: 877-542-288

On Mar 24, 2020, at 5:42 PM, Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>> wrote:

Stefan, I am available between 9:30 and 11 and 12:30-2, and then anytime after 3. However, if you need another time let me know and I can move certain of my other meetings around.

Keith

Keith Weidner

Deputy General Counsel, Headquarters

475 L'Enfant Plaza S.W.

Room 6002

Washington, D.C. 20260

202-268-6252 (w)

202-577-9413 (c)

From: Passantino, Stefan (59582) [mailto:spassantino@michaelbest.com]

Sent: Tuesday, March 24, 2020 5:13 PM

AMERICAN OVERSIGHT

To: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>; Lewis, Michael A - Washington, DC <Michael.A.Lewis@usps.gov<mailto:Michael.A.Lewis@usps.gov>>

Cc: Kallat, Prashanth - Washington, DC <Prashanth.Kallat@usps.gov<mailto:Prashanth.Kallat@usps.gov>>

Subject: [EXTERNAL] RE: USPS/Michael Best

Thank you. As a first step I would like to set up a call with a few senior members of our team. Do you have availability tomorrow morning or early afternoon?

Stefan Passantino

Partner

Practice Group Chair, Government Relations, Political Law & Public Policy T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

<image001.png>

Michael Best & Friedrich LLP

Click here to visit our COVID-19 Resource Center with the latest updates on business & legal implications related to the coronavirus.<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0>

From: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>>

Sent: Tuesday, March 24, 2020 4:55 PM

To: Lewis, Michael A - Washington, DC <Michael.A.Lewis@usps.gov<mailto:Michael.A.Lewis@usps.gov>>>; Passantino, Stefan (59582) <spassantino@michaelbest.com<mailto:spassantino@michaelbest.com>>>

Cc: Kallat, Prashanth - Washington, DC <Prashanth.Kallat@usps.gov<mailto:Prashanth.Kallat@usps.gov>>>

Subject: RE: USPS/Michael Best

Thanks, Mike.

AMERICAN OVERSIGHT

Stefan, please reach out to me with any questions concerning the legal research we would like your firm to perform. As I am sure has already been discussed, we would like you to examine whether there are any statutes or executive materials that would provide the Postal Service with the ability either to seek financial assistance due to the COVID-19 pandemic, and/or to assist in the response to the pandemic. One statute in particular we would like a better understanding of is the Defense Production Act.

My contact information is below.

Thanks,

Keith

Keith Weidner

Deputy General Counsel, Headquarters

475 L'Enfant Plaza S.W.

Room 6002

Washington, D.C. 20260

202-268-6252 (w)

202-577-9413 (c)

From: Lewis, Michael A - Washington, DC

Sent: Tuesday, March 24, 2020 4:41 PM

To: Passantino, Stefan (59582) <spassantino@michaelbest.com<mailto:spassantino@michaelbest.com>>>

Cc: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>>; Kallat, Prashanth - Washington, DC <Prashanth.Kallat@usps.gov<mailto:Prashanth.Kallat@usps.gov>>>

Subject: USPS/Michael Best

Stefan:

Pursuant to the message below, the contracting officer has authorized your firm to begin work immediately. Contract documents will be finalized tomorrow.

AMERICAN OVERSIGHT

As discussed earlier, Keith Weidner, our Deputy General Counsel, will serve as Contracting Officer's Representative and will be the firm's primary POC on matters relating to work. I've copied him on this message.

Mike

Michael A. Lewis

Chief Counsel, Procurement & Intellectual Property USPS Law Department Procurement & Property Law

475 L'Enfant Plaza, SW, Room 6319

Washington, DC 20260-1101

Desk Phone: 202-268-7063

Mobile Phone: 202-713-6280

E-mail: michael.a.lewis@usps.gov<mailto:michael.a.lewis@usps.gov>>

From: Kallat, Prashanth - Washington, DC

Sent: Tuesday, March 24, 2020 4:10 PM

To: Lewis, Michael A - Washington, DC <Michael.A.Lewis@usps.gov<mailto:Michael.A.Lewis@usps.gov>>>

Subject: RE: For Review

Mike,

I approve Michael Best to begin work today. The contract will be finalized by COB tomorrow.

Thanks.

AMERICAN OVERSIGHT

Prashanth Kallat

Contracting Officer

Manager, Professional & Technical Services The United States Postal Service

202-268-6538

Email Disclaimer

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From: Marshall, Thomas J - Washington, DC
To: John Barger
Cc: M. -Mike- Duncan Robert; Weidner, Keith E - Washington, DC; Pangilinan, Regina K - Washington, DC
Subject: RE: [EXTERNAL] Re: USPS/Michael Best
Date: Saturday, March 28, 2020 12:10:53 PM

(b)(5)

From: John Barger [(b)(6)
Sent: Saturday, March 28, 2020 11:30 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: M. -Mike- Duncan Robert (b)(6) ; Weidner, Keith E - Washington, DC
(b)(6), (b)(3), 410(c)(2) Pangilinan, Regina K - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: [EXTERNAL] Re: USPS/Michael Best

John M. Barger
Managing Director
www.northerncrosspartners.com<http://www.northerncrosspartners.com>

Please excuse typos, courtesy of iPhone keyboard, oversized thumbs, aggressive Apple algorithms

On Mar 28, 2020, at 7:48 AM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)
(b)(5)

From: John Barger (b)(6)]
Sent: Saturday, March 28, 2020 9:52 AM
To: M. -Mike- Duncan Robert (b)(6)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Re: [EXTERNAL] Re: USPS/Michael Best

(b)(5)

Thank you.

John M. Barger
Managing Director
www.northerncrosspartners.com<http://www.northerncrosspartners.com>

Please excuse typos, courtesy of iPhone keyboard, oversized thumbs, aggressive Apple algorithms

On Mar 28, 2020, at 6:44 AM, M. -Mike- Duncan Robert <(b)(6) >>

AMERICAN OVERSIGHT

wrote:
John,

(b)(5)

Mike
Sent from my iPhone

On Mar 27, 2020, at 10:25 PM, John Barger
(b)(6) > wrote:
Mike

(b)(5)

Thanks.
John M. Barger
Managing Director
www.northerncrosspartners.com<http://www.northerncrosspartners.com>

Please excuse typos, courtesy of iPhone keyboard, oversized thumbs, aggressive Apple algorithms

Begin forwarded message:
From: "Marshall, Thomas J - Washington, DC"
(b)(6), (b)(3), 410(c)(2)
Date: March 27, 2020 at 7:19:39 PM PDT
To: Barger/NorthernCrossPartners
<(b)(6) >
Cc: "(b)(6)
(b)(6) >
Subject: RE: [EXTERNAL] Re: USPS/Michael Best
Governors, (b)(5)

Best regards,

-Tom

-----Original Message-----
From: Barger/NorthernCrossPartners (b)(6)
Sent: Friday, March 27, 2020 4:42 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: (b)(6)
Subject: Re: [EXTERNAL] Re: USPS/Michael Best

(b) Tom,

(b)(5)

AMERICAN OVERSIGHT

Take care,

On Mar 27, 2020, at 1:23 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:

Governor Barger, I(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal
Service

-----Original Message-----
From: John Barger [(b)(6)
Sent: Thursday, March 26, 2020 8:54 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc:(b)(6)
Subject: [EXTERNAL] Re: USPS/Michael Best

(b)(5)

Thanks,

John M. Barger

Please excuse typos, courtesy of iPhone keyboard, oversized thumbs,
aggressive Apple algorithms

AMERICAN OVERSIGHT

On Mar 26, 2020, at 5:35 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:

Governor Barger,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President United States Postal Service

<USPS DPA Memorandum (final) -- 27794003 v1.docx>

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Passantino, Stefan (59582)
Cc: Weidner, Keith E - Washington, DC; Olson, Joseph L (13465); Boerke, Nicholas J (12767)
Subject: Re: [EXTERNAL] RE: USPS--Attorney/Client, Deliberative and Predecisional Materials
Date: Friday, April 3, 2020 5:42:28 PM

Can you tell me whether you got the message?

Sent from my iPhone

On Apr 3, 2020, at 5:40 PM, Marshall, Thomas J - Washington, DC (b)(6) wrote:

Stefan, can you call in to the teleconference?

Sent from my iPhone

On Apr 3, 2020, at 3:19 PM, Passantino, Stefan (59582) (b)(6) > wrote:

Attached please find the final memorandum. We will be available at our convenience this afternoon to discuss.

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

<image001.png>

Michael Best & Friedrich LLP

Click to visit our COVID-19 Resource Center<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0> & CARES Act Relief Resource Center<https://t.xink.io/Tracking/Index/IgACAHkXAQCw2VQA0> with the latest updates on business & legal implications related to the coronavirus.

From: Weidner, Keith E - Washington, DC (b)(6) >
Sent: Friday, April 03, 2020 2:32 PM
To: Passantino, Stefan (59582) (b)(6) >>
Cc: Olson, Joseph L (13465) (b)(6)
Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials

Stefan/Joe,

(b)(5)

Thanks,
Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)

AMERICAN OVERSIGHT

(b)(6) (c)

From: Passantino, Stefan (59582) (b)(6)
Sent: Friday, April 3, 2020 11:19 AM
To: Marshall, Thomas J - Washington, DC (b)(6) >;
Weidner, Keith E - Washington, DC <(b)(6)
Cc: Olson, Joseph L (13465) (b)(6) >
Subject: [EXTERNAL] RE: USPS--Attorney/Client, Deliberative and Predecisional Materials

Tom, Keith, (b)(5)

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

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Michael Best & Friedrich LLP

Click to visit our COVID-19 Resource Center<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0> & CARES Act Relief Resource Center<https://t.xink.io/Tracking/Index/IgACAHkXAQCw2VQA0> with the latest updates on business & legal implications related to the coronavirus.

From: Marshall, Thomas J - Washington, DC (b)(6) >
Sent: Thursday, April 02, 2020 9:21 PM
To: Passantino, Stefan (59582) (b)(6) >; Weidner, Keith E - Washington, DC (b)(6)
Cc: Olson, Joseph L (13465) (b)(6) >
Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials

Stefan, (b)(5)

Thanks, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Passantino, Stefan (59582) [(b)(6)
Sent: Thursday, April 2, 2020 2:59 PM
To: Marshall, Thomas J - Washington, DC (b)(6) >;
Weidner, Keith E - Washington, DC <(b)(6)
Cc: Olson, Joseph L (13465) <(b)(6)
Subject: [EXTERNAL] USPS--Attorney/Client, Deliberative and Predecisional Materials

Tom, Keith, (b)(5)

AMERICAN OVERSIGHT

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
E spassantino@michaelbest.com<mailto:spassantino@michaelbest.com>
T 202.747.9582 | M 2(b)(6) | F 202.347.1819

<image001.png>

A LexMundi Member

Michael Best & Friedrich LLP

my bio <http://www.michaelbest.com/People/Stefan-Passantino> | our firm <http://www.michaelbest.com> | vCard <http://www.michaelbest.com/People/Stefan-Passantino.vcf>

Click to visit our COVID-19 Resource Center<https://t.xink.io/Tracking/Index/f-IBAHUXAQCw2VQA0> & CARES Act Relief Resource Center<https://t.xink.io/Tracking/Index/IgACAHUXAQCw2VQA0> with the latest updates on business & legal implications related to the coronavirus.

From: Passantino, Stefan (59582)
Sent: Wednesday, April 01, 2020 4:04 PM
To: Marshall, Thomas J - Washington, DC (b)(6) ;
Weidner, Keith E - Washington, DC (b)(6) >
Cc: Olson, Joseph L (13465) (b)(6) >
Subject: RE: USPS--Background

(b)(5)

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

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Michael Best & Friedrich LLP

Click to visit our COVID-19 Resource Center<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0> & CARES Act Relief Resource Center<https://t.xink.io/Tracking/Index/IgACAHkXAQCw2VQA0> with the latest updates on business & legal implications related to the coronavirus.

From: Passantino, Stefan (59582) (b)(6)
Sent: Monday, March 30, 2020 7:44 PM
To: Marshall, Thomas J - Washington, DC (b)(6)
Subject: Re: USPS--Background

Thank you. I(b)(5)

On Mar 30, 2020, at 7:42 PM, Marshall, Thomas J - Washington, DC (b)(6) > wrote:

Sorry, (b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Passantino, Stefan (59582) (b)(6)
Sent: Monday, March 30, 2020 5:07 PM
To: Marshall, Thomas J - Washington, DC (b)(6)
Subject: [EXTERNAL] RE: USPS--Background

(b)(5) .

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
E spassantino@michaelbest.com<mailto:spassantino@michaelbest.com>
T 202.747.9582 | M (b)(6) | F 202.347.1819

<image001.png>

A LexMundi Member

Michael Best & Friedrich LLP

my bio <http://www.michaelbest.com/People/Stefan-Passantino> | our firm <http://www.michaelbest.com> | vCard <http://www.michaelbest.com/People/Stefan-Passantino.vcf>

Click to visit our COVID-19 Resource Center<https://t.xink.io/Tracking/Index/f-IBAHUXAQCw2VQA0> & CARES Act Relief Resource Center<https://t.xink.io/Tracking/Index/IgACAHUXAQCw2VQA0> with the latest updates on business & legal implications related to the coronavirus.
<image002.gif>
From: Barger/NorthernCrossPartners
(b)(6)
Sent: Monday, March 30, 2020 3:51 PM
To: Marshall, Thomas J - Washington, DC (b)(6)
Rick Hohlt (b)(6) >; M. -Mike- Duncan Robert
(b)(6)
Keith.E.Weidner@usps.gov(b)(6) >; Passantino, Stefan (59582)
<spassantino@michaelbest.com(b)(6) >; Olson, Joseph L (13465)
<JLOLSON@michaelbest.com(b)(6)
Subject: USPS--Background

(b)
(5)

AMERICAN OVERSIGHT

(b)(5)

Email Disclaimer
****
The information contained in this communication may be confidential, is intended only for the use of the recipient(s) named above, and may be legally privileged. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication, or any of its contents, is strictly prohibited. If you have received this communication in error, please return it to the sender immediately and delete the original message and any copy of it from your computer system. If you have any questions concerning this message, please contact the sender.
<USPS Memorandum RE COVID-19 Pandemic (04.03.20).pdf>

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Cc: Seaver, Kristin A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: [EXTERNAL] Retail suspension
Date: Sunday, March 22, 2020 8:04:01 PM
Attachments: CPU Generic Letter_essential - CRB edits.doc

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Sunday, March 22, 2020 7:15 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fwd: [EXTERNAL] Retail suspension

Tom,

(b)(5)
Thanks,

Megan

Begin forwarded message:
From: Janet Roby (b)(6) >
Date: March 22, 2020 at 7:11:27 PM EDT
To: (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] Retail suspension
(b)(5)

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From: Marshall, Thomas J - Washington, DC
To: Grossmann, Luke T - Washington, DC; Corbett, Joseph - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: RE: 4/6 COR event w/ PMG Brennan
Date: Saturday, April 4, 2020 5:19:05 PM
Attachments: BOG TPs Treasury_draft 4.4.2019.docx

Luke, (b)(5)

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AMERICAN OVERSIGHT

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From:	Marshall, Thomas J - Washington, DC
To:	Corbett, Joseph - Washington, DC
Cc:	Grossmann, Luke T - Washington, DC; Weidner, Keith E - Washington, DC; Stroman, Ronald A - Washington, DC; Walker, Janice D - Washington, DC
Subject:	Re: 4/6 COR event w/ PMG Brennan--Governors" briefing
Date:	Saturday, April 4, 2020 9:27:41 PM
Attachments:	image002.png

(b)(5)

Sent from my iPhone

On Apr 4, 2020, at 9:23 PM, Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

Thanks Tom, (b)(5)

(b)(5)

Thanks, Joe

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 4, 2020 5:19 PM
To: Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: 4/6 COR event w/ PMG Brennan

Luke, (b)(5)

AMERICAN OVERSIGHT

(b)(5)

From: Grossmann, Luke T - Washington, DC
Sent: Friday, April 3, 2020 3:16 PM
To: Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Corbett, Joseph - Washington, DC (b)(6), (b)(6), (b)(3), 410(c)(2) >
Cc: Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: 4/6 COR event w/ PMG Brennan

All:

(b)(5)

Thanks,

- Luke

From: Stavely, Rhonda J - Washington, DC
Sent: Friday, April 3, 2020 2:06 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Grossmann,
Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: 4/6 COR event w/ PMG Brennan

Good afternoon,

(b)(5)

Thank you.

Rhonda

From: Meyers, Sheila T - Washington, DC
Sent: Friday, April 3, 2020 11:27 AM
To: Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: 4/6 COR event w/ PMG Brennan

Hi Rhonda,
(b)(5)

AMERICAN OVERSIGHT

(b)(5)

.

Thanks,

Sheila T. Meyers
Manager, Government Liaison
U.S. Postal Service •
202.268.2353 '
202.268.3775 6
(b)(6), (b)(3), 410(c)(2) •

<COR HILL BRIEFING_4.6.2020.docx>

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From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: RE: Ad Hoc Coordinating Committee
Date: Thursday, April 2, 2020 4:00:48 PM

Mike, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Thursday, April 2, 2020 2:17 PM
To: Bloom, Ron (b)(6) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; (b)(6) (b)(6)
Cc: John Barger (b)(6) R.J. Winans (b)(6) Jennie Leung (b)(6)
Subject: Ad Hoc Coordinating Committee

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

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From:	Marshall, Thomas J - Washington, DC
To:	Calamoneri, Kevin A - Washington, DC
Cc:	Weidner, Keith E - Washington, DC; Donahue, Ray E - Washington, DC; Brownlie, Caroline R - Washington, DC; Bartholf, Frank M - St Louis, MO; Ellis, David B - Washington, DC
Subject:	RE: Admin Leave Issues
Date:	Sunday, March 29, 2020 9:29:29 PM
Attachments:	covid 19 memo - CRB edits.docx

Thanks everyone. (b)(5) .

From: Calamoneri, Kevin A - Washington, DC
Sent: Sunday, March 29, 2020 6:41 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) Donahue, Ray E - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Brownlie, Caroline R - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Bartholf, Frank M - St Louis, MO (b)(3), 410(c)(2), (b)(6) ; Ellis, David B - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Admin Leave Issues
Importance: High

Tom,

Please see attached (b)(5)

Kevin A. Calamoneri
Deputy General Counsel, Field Operations
UNITED STATES POSTAL SERVICE
475 L'Enfant Plaza SW
Washington, DC 20260-1135
Office Phone: (202) 268-3876
Cell: (b)(3), 410(c)
(b)(3), 410(c)(2), (b)(6)

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From: Marshall, Thomas J - Washington, DC
To: Krage Strako, Jakki - Washington, DC
Subject: (b)(5), (b)(3), Tuesday
Date: Sunday, April 5, 2020 3:59:29 PM

(b)(5), (b)(3), 410(c)(2)

From: Krage Strako, Jakki - Washington, DC
Sent: Sunday, April 5, 2020 1:52 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: (b)(5), (b) - Tuesday

FYI

(b)(5), (b)(3), 410(c)(2)

From: Krage Strako, Jakki - Washington, DC
Sent: Sunday, April 5, 2020 1:49 PM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: (b)(5), (b) - Tuesday

Megan
(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Krage Strako, Jakki - Washington, DC; Brennan, Megan J - Washington, DC
Subject: RE: (b)(5) NSA review supporting information
Date: Friday, April 10, 2020 5:20:39 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Krage Strako, Jakki - Washington, DC
Sent: Friday, April 10, 2020 4:53 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: (b)(5) NSA review supporting information

Megan
(b)(5)

From: Krage Strako, Jakki - Washington, DC
Sent: Friday, April 10, 2020 4:38 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: (b)(5) NSA review supporting information

Mike
Attached you will find the (b)(5) .

The first file summarizes (b)(5) .

The second file is (b)(5)
.

If you would like clarity on any of this information, or if you need additional information, please let me know.

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: RE: (b)(3),
Date: Tuesday, April 28, 2020 2:42:33 PM
Attachments: (b)(3), 410(c)(2)

Mike, (b)(5), (b)(3), 410(c)(2)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 24, 2020 2:53 PM
To: Elston, Michael J - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: RE: (b)(3), 410(c)

Mike, (b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 22, 2020 5:24 PM
To: Elston, Michael J - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: (b)(3), 410(c)

Just to provide you with a status update, (b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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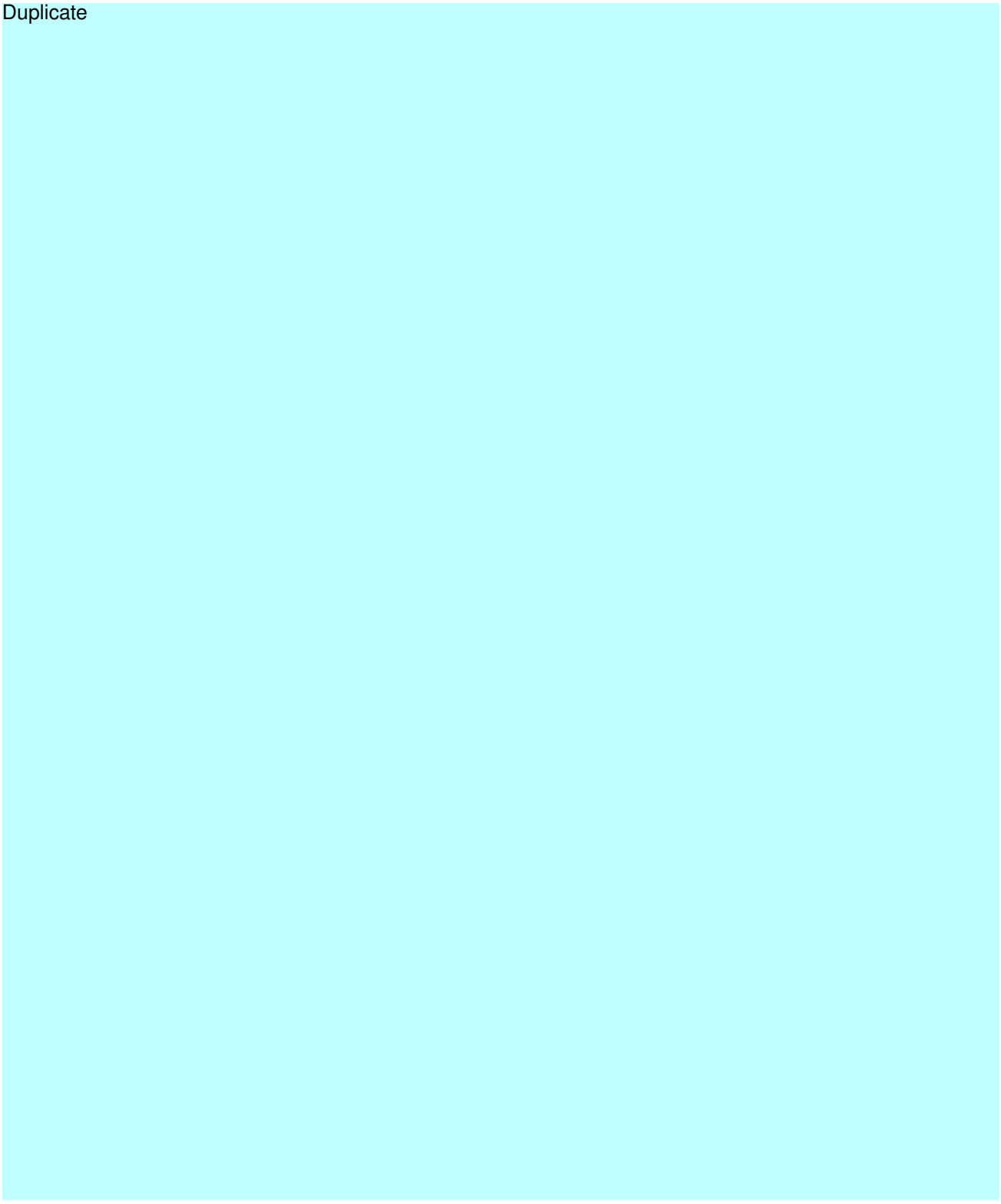

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Smith, Jay L - Washington, DC; Krage Strako, Jakki - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Cc: Costello, Timothy R - South Florida District, FL; Orth, James A - Washington, DC; Sowdon III, Richard B - Washington, DC; Ross, Donald W - Paterson, NJ; Gambhir, Shibani S - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: (b)(3), 410(c)(2)
Date: Wednesday, April 15, 2020 8:41:39 AM

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Smith, Jay L - Washington, DC
Sent: Wednesday, April 15, 2020 7:17 AM
To: Krage Strako, Jakki - Washington, DC <(b)(6), (b)(3), 410(c) >; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) ; Orth, James A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Sowdon III, Richard B - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Ross, Donald W - Paterson, NJ (b)(6), (b)(3), 410(c)(2) >; Gambhir, Shibani S - Washington, DC (b)(6), (b)(3), 410(c)(2) (b)(3), 410(c)(2)
Importance: High

Leadership Team-

(b)(5), (b)(3), (b)(5), (b)(3), 410(c)(2)

Thanks,

Jay Smith
Director, Enterprise Accounts

From: Smith, Jay L - Washington, DC
Sent: Wednesday, April 15, 2020 7:01 AM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) v>>; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Grossmann, Luke T - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) >>; Orth, James A - Washington, DC (b)(6), (b)(3), 410(c)(2) Sowdon III, Richard B - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Ross, Donald W - Paterson, NJ (b)(6), (b)(3), 410(c)(2) gov>>; Gambhir, Shibani S - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: (b)(3), 410(c)(2) - PMG brief
Importance: High

Good morning-

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

Thanks,

Jay L Smith
Director, Enterprise Accounts
United States Postal Service
(o)202.268.8318
(m) (b)(6), (b)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: (b)(3), 410(c)(2)
Date: Tuesday, April 14, 2020 4:58:27 PM

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 14, 2020 2:43 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 14, 2020 2:30 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: (b)(3), 410(c)(2)

(b)(5), (b)(3),

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Owens, Sharon - Merrifield, VA
Sent: Tuesday, April 14, 2020 12:28 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Kelley, John P - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Phelps, Steven R - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) gov>>
Subject: RE: (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

From: Owens, Sharon - Merrifield, VA
Sent: Tuesday, April 14, 2020 11:53 AM
To: Krage Strako, Jakki - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Kelley, John P -

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Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Phelps, Steven R - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) >
Subject: RE: (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)
(b)(5), (b)(3), 410(c)(2)

From: Owens, Sharon - Merrifield, VA
Sent: Tuesday, April 14, 2020 11:46 AM
To: Krage Strako, Jakki - Washington, DC <ja(b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC(b)(6), (b)(3), 410(c)(2) Kelley, John P - Washington, DC <j(b)(6), (b)(3), 410(c)(2) Phelps, Steven R - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

From: Krage Strako, Jakki - Washington, DC
Sent: Tuesday, April 14, 2020 10:40 AM
To: Corbett, Joseph - Washington, DC <J(b)(6), (b)(3), 410(c)(2) v>>; Owens, Sharon - Merrifield, VA <(b)(6), (b)(3), 410(c)(2) ov>>; Grossmann, Luke T - Washington, DC <(b)(6), (b)(3), 410(c)(2) Kelley, John P - Washington, DC (b)(6), (b)(3), 410(c)(2) v>>; Phelps, Steven R - Washington, DC <(b)(6), (b)(3), 410(c)(2) gov>>
Cc: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) v>>; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(3), 410(c)(2)

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Sharon
(b)(5), (b)(3), 410(c)(2)

From: Corbett, Joseph - Washington, DC
Sent: Monday, April 13, 2020 11:20 PM
To: (b)(6), (b)(3), 410(c)(2)

Subject: RE: (b)(3), 410(c)(2)
(b)(5), (b)(3), 410(c)(2)

From: Owens, Sharon - Merrifield, VA
Sent: Monday, April 13, 2020 2:30 PM
To: Grossmann, Luke T - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Corbett, Joseph - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Kelley, John P - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Phelps, Steven R - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)

Subject: RE: (b)(3), 410(c)(2)
(b)(5), (b)(3), 410(c)(2)

From: Grossmann, Luke T - Washington, DC
Sent: Monday, April 13, 2020 1:50 PM
To: (b)(6), (b)(3), 410(c)(2)

Subject: FW: (b)(3), 410(c)(2)

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(b)(5), (b)(3), 410(c)(2)

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(b)(5), (b)(3), 410(c)(2)

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

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From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: RE: (b)(3), 410(c)(2)
Date: Tuesday, April 14, 2020 7:36:29 PM

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Tuesday, April 14, 2020 7:33 PM
To: Marshall, Thomas J - Washington, D (b)(3), 410(c)(2)

Tom,

(b)(5)

Mike

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From:	Marshall, Thomas J - Washington, DC
To:	Owens, Sharon - Merrifield, VA; Krage Strako, Jakki - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC; Kelley, John P - Washington, DC; Phelps, Steven R - Washington, DC
Cc:	Costello, Timothy R - South Florida District, FL; Weidner, Keith E - Washington, DC
Subject:	RE: (b)(3), 410(c)(2)
Date:	Tuesday, April 14, 2020 2:29:37 PM

Including Keith in the review.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Rehrig, Morgan E - Washington, DC; Weidner, Keith E - Washington, DC; Cooper, Richard T - Washington, DC; Brownlie, Caroline R - Washington, DC; Howley, Jacob D - Washington, DC; Cheema, Nabeel R - Washington, DC; Votsch, Maria W - Washington, DC; Koetting, Eric P - Washington, DC; Belt, David C - Washington, DC; Boardman, Stephan J - Washington, DC
Subject: RE: Appropriate share D.C. Circuit decision (UPS v. PRC; D.C. Cir. No. 19-1026)
Date: Tuesday, April 14, 2020 8:06:58 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rehrig, Morgan E - Washington, DC
Sent: Tuesday, April 14, 2020 7:22 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2); Cooper, Richard T - Washington, DC (b)(6), (b)(3), 410(c)(2) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) Cheema, Nabeel R - Washington, DC (b)(6), (b)(3), 410(c)(2); Votsch, Maria W - Washington, DC (b)(6), (b)(3), 410(c)(2); Koetting, Eric P - Washington, DC <(b)(6), (b)(3), 410(c)(2) Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) Boardman, Stephan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Appropriate share D.C. Circuit decision (UPS v. PRC; D.C. Cir. No. 19-1026)

All,

(b)(5)

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(b)(5)

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(b)(5)

Please let me know if you have any questions about this decision.

Thanks,
Morgan

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From: Marshall, Thomas J - Washington, DC
To: Meyers, Sheila T - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Cc: Duncan, Angela K - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: April 3rd Letter from Democratic Members of Congress
Date: Tuesday, April 14, 2020 6:55:57 PM

Luke, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Meyers, Sheila T - Washington, DC
Sent: Tuesday, April 14, 2020 6:55 PM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Cc: Duncan, Angela K - Washington, DC (b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>
Subject: RE: April 3rd Letter from Democratic Members of Congress

Yes Tom,

(b)(5)

Thanks,

Sheila

From: Corbett, Joseph - Washington, DC
Sent: Tuesday, April 14, 2020 6:52 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Meyers, Sheila T - Washington, DC (b)(6), (b)(3), 410(c)(2) Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Duncan, Angela K - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: April 3rd Letter from Democratic Members of Congress

(b) (b)(5)

Thanks, Joe

Joseph Corbett
EVP and CFO
U.S. Postal Service
(202) 361-0868 (Mobile)
(202) 268-5272 (Office)

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 14, 2020 6:44 PM
To: Meyers, Sheila T - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Duncan, Angela K - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

Subject: RE: April 3rd Letter from Democratic Members of Congress

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Meyers, Sheila T - Washington, DC
Sent: Tuesday, April 14, 2020 6:41 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Duncan, Angela K - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Fwd: April 3rd Letter from Democratic Members of Congress

Tom,

(b)(5)

Thanks,
Sheila

Begin forwarded message:
From: "Stroman, Ronald A - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Date: April 14, 2020 at 5:35:45 PM EDT
To: "Corbett, Joseph - Washington, DC" (b)(6), (b)(3), 410(c)(2) , "Grossmann, Luke T - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Cc: "Meyers, Sheila T - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: April 3rd Letter from Democratic Members of Congress

Joe and Luke,

(b)(5)

Ron

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From: Marshall, Thomas J - Washington, DC
To: Friedman, James A - Windsor, CT
Subject: RE: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.
Date: Thursday, May 7, 2020 8:51:06 AM

(b)(5)

From: Friedman, James A - Windsor, CT
Sent: Thursday, May 7, 2020 8:31 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, May 6, 2020 7:49 PM
To: (b)(6), (b)(3), 410(c)(2)

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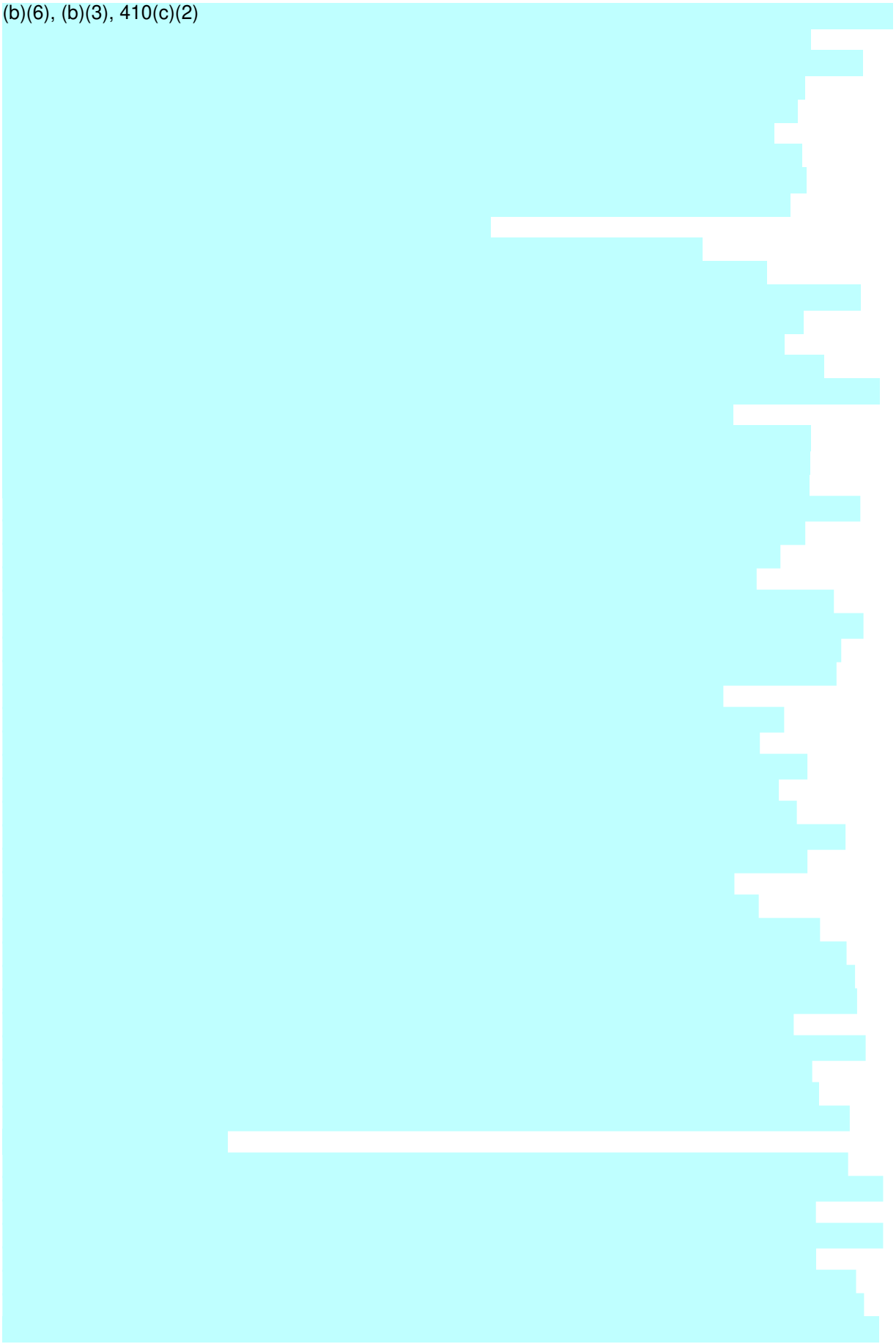
(b)(6), (b)(3), 410(c)(2)



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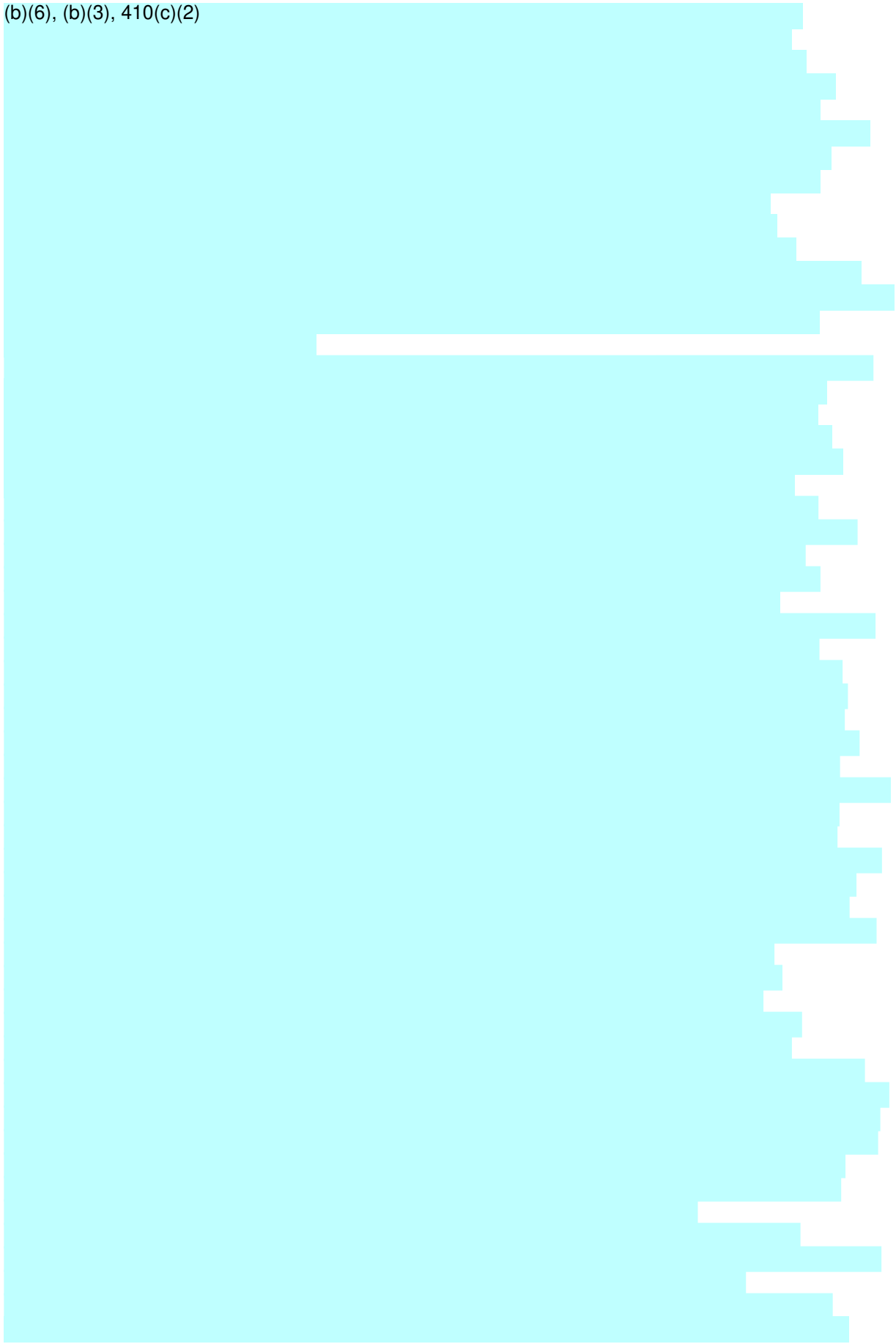
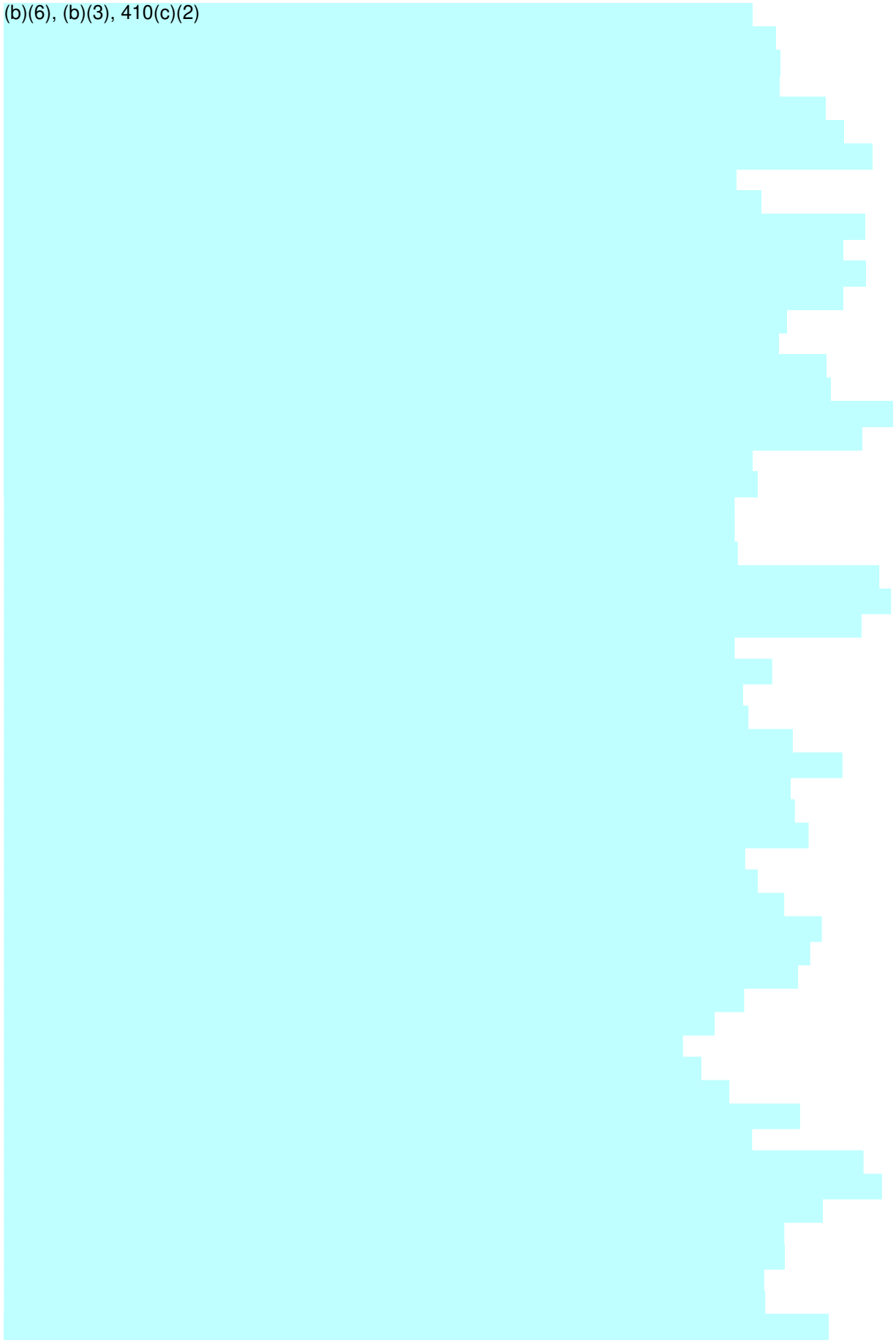
(b)(6), (b)(3), 410(c)(2)



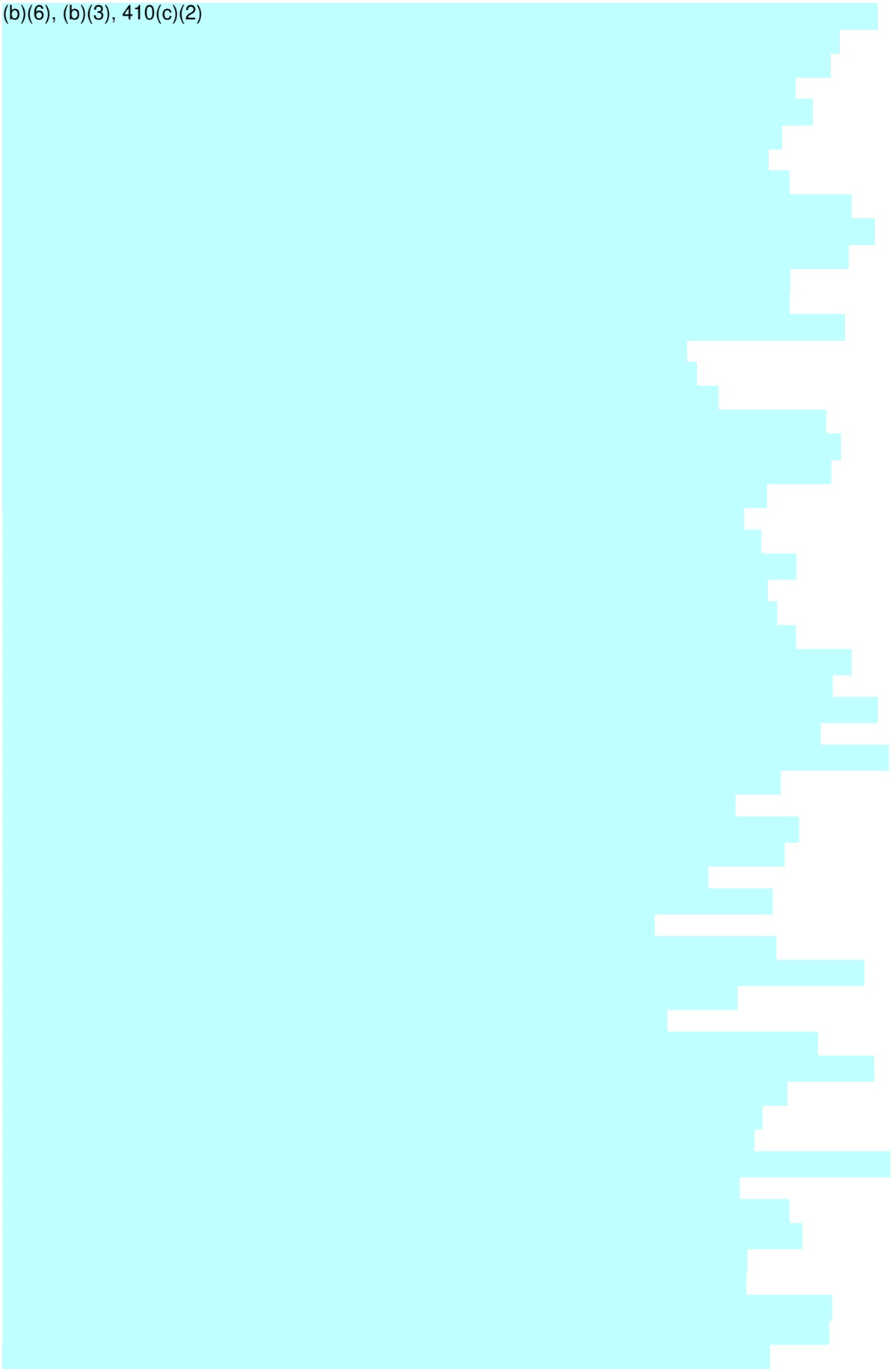
AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)



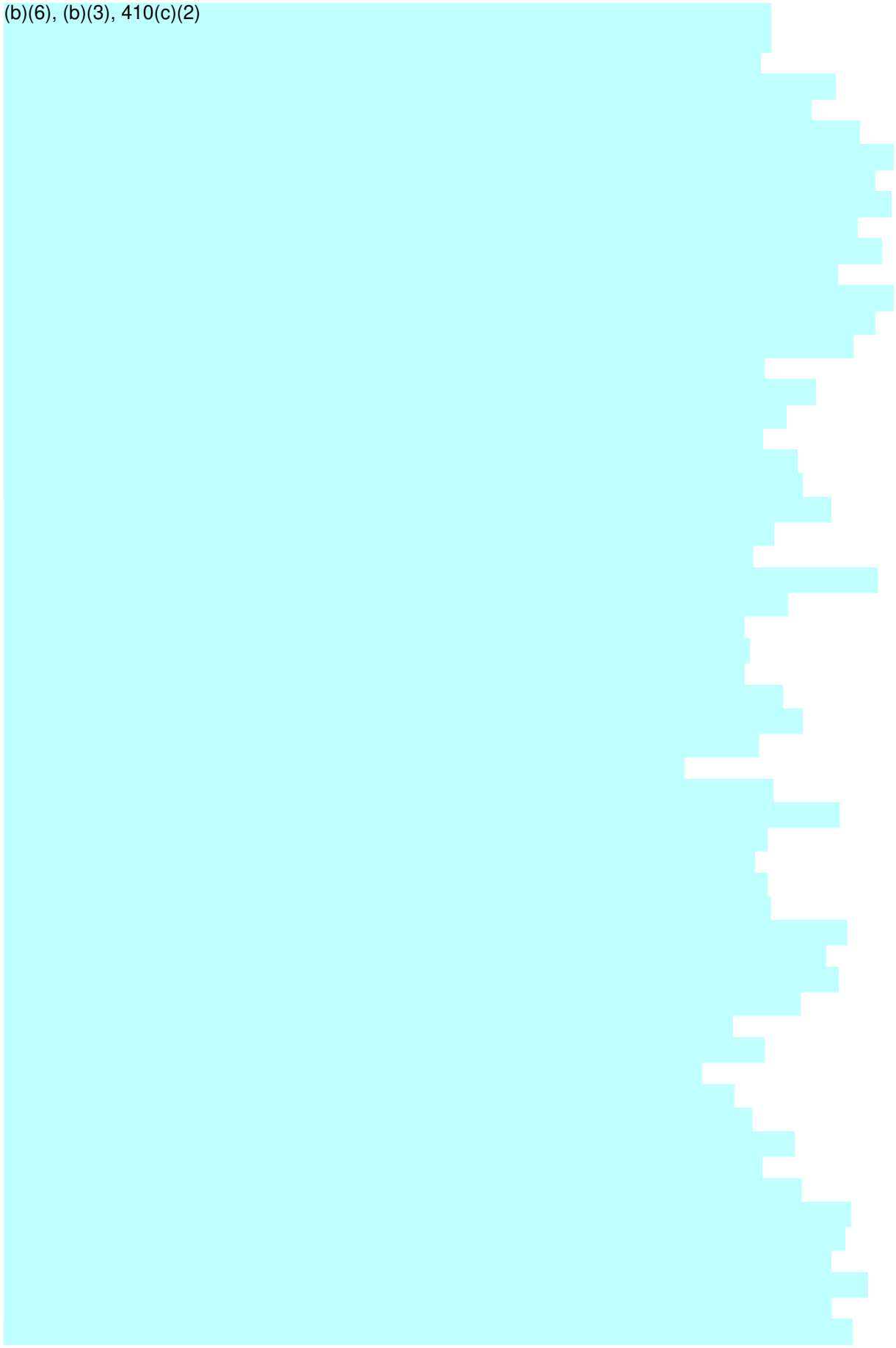
AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)



AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)



AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)

[redacted]

Subject: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.

(b)(5)

[redacted]

(b)(5)

[redacted]

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

[Image]

UNITED STATES CONGRESS

FOR IMMEDIATE RELEASE
Apr. 30, 2020

Contacts:
Aryele Bradford (Maloney): (202) 226-5181
Jamie Smith (Connolly): (202) 309-8359
Kevin Fogarty (King): (202) 225-3062

Maloney, Connolly, and King to Hold
Press Conference on Launch of Bipartisan
"Postal Preservation Caucus"

Members to Discuss Legislation to Save the Postal Service

Washington, D.C. (April 30, 2020)-Today, Rep. Carolyn B. Maloney, the Chairwoman of the Committee on Oversight and Reform, Rep. Gerald E. Connolly, the Chairman of the Subcommittee on Government Operations, Rep. Peter King, the Ranking Member of the House Committee on Homeland Security's Emergency Preparedness Subcommittee, will hold a telephone press conference to announce the launch of the bipartisan "Postal Preservation Caucus" to urge House and Senate leadership to provide emergency funding to save the Postal Service.

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WHO: Reps. Maloney, Connolly, King

WHAT: Press Conference to Save the Postal Service

WHEN: Thursday, April 30, 2020 at 3:00 PM

Media please RSVP to OversightPress@mail.house.gov<mailto:OversightPress@mail.house.gov> by 1:00 PM today for dial-in information. Please also provide the number from which you will be calling.

###

Cosponsor H.R. 6425: The Protect Our Post Offices Act<http://dearcolleague.us/2020/04/support-the-u-s-postal-service-cosponsor-h-r-6425-4/>
Cosponsors (70): Reps. Adams, Axne, Beatty, Blumenauer, Blunt Rochester, Bonamici, Boyle, Brownley, Carbajal, Castor, Chu, Cicilline, Clark, Cleaver, Cohen, Costa, Courtney, Dean, DeGette, DelBene, Dingell, Doyle, Escobar, Evans, Gabbard,

AMERICAN OVERSIGHT

Garamendi, Garcia (IL), Garcia (TX),Vicente Gonzalez, Grijalva, Haaland, Hastings, Hayes, Heck, Higgins, Horsford, Holmes Norton, Johnson (GA), Kaptur, Keating, Kind, Krishnamoorthi, Langevin, Lee (CA), Lowenthal, Malinowski, McGovern, Meeks, Moulton, Murphy,
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Supported by: The National Association of Postal Supervisors, The Association of United States Postal Lessors
Dear Colleague,
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The Protect Our Post Offices Act would allocate $25 billion in emergency appropriations to the United States Postal Service. These funds can be used by USPS to make up lost revenue, purchase and provide PPE for front-line postal workers, and other purposes that are necessary to support continuing services for USPS.
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Please join me in ensuring thousands of postal employees can continue to provide us with essential services during this pandemic and provide emergency funding for USPS.
To become a cosponsor or for more information, please contact Abbie Callahan.
Sincerely,
Joe Neguse
Member of Congress

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Friedman, James A - Windsor, CT
Subject: RE: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.
Date: Thursday, May 7, 2020 7:07:17 PM

Jim, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Friedman, James A - Windsor, CT
Sent: Thursday, May 7, 2020 8:56 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.

(b)(5)

Jim

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, May 7, 2020 8:51 AM
To: Friedman, James A - Windsor, CT (b)(6), (b)(3), 410(c)(2)
Subject: RE: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.

(b)(5)

From: Friedman, James A - Windsor, CT
Sent: Thursday, May 7, 2020 8:31 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.

(b)(5)

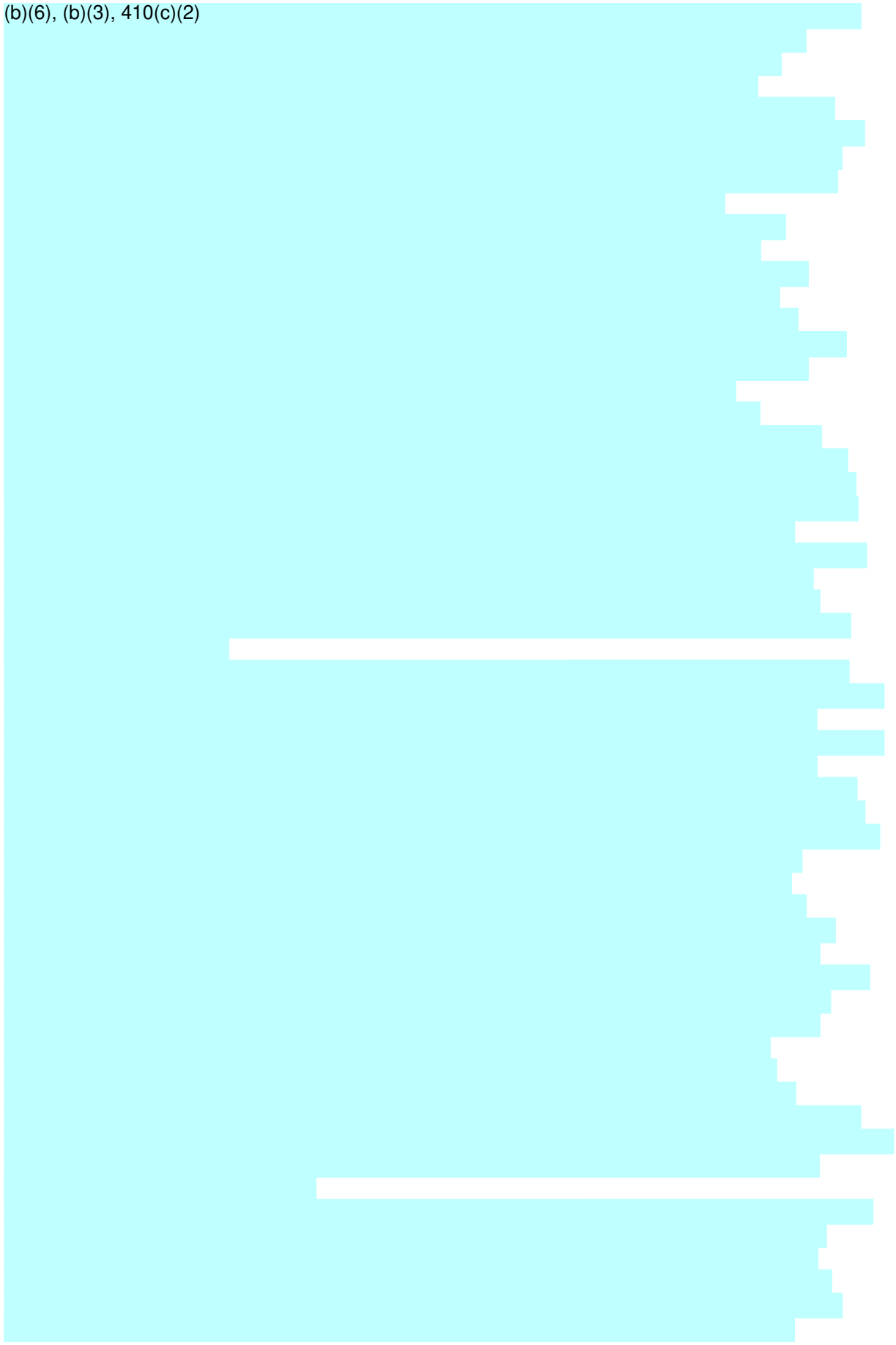
AMERICAN OVERSIGHT

Jim

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, May 6, 2020 7:49 PM
To: (b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)



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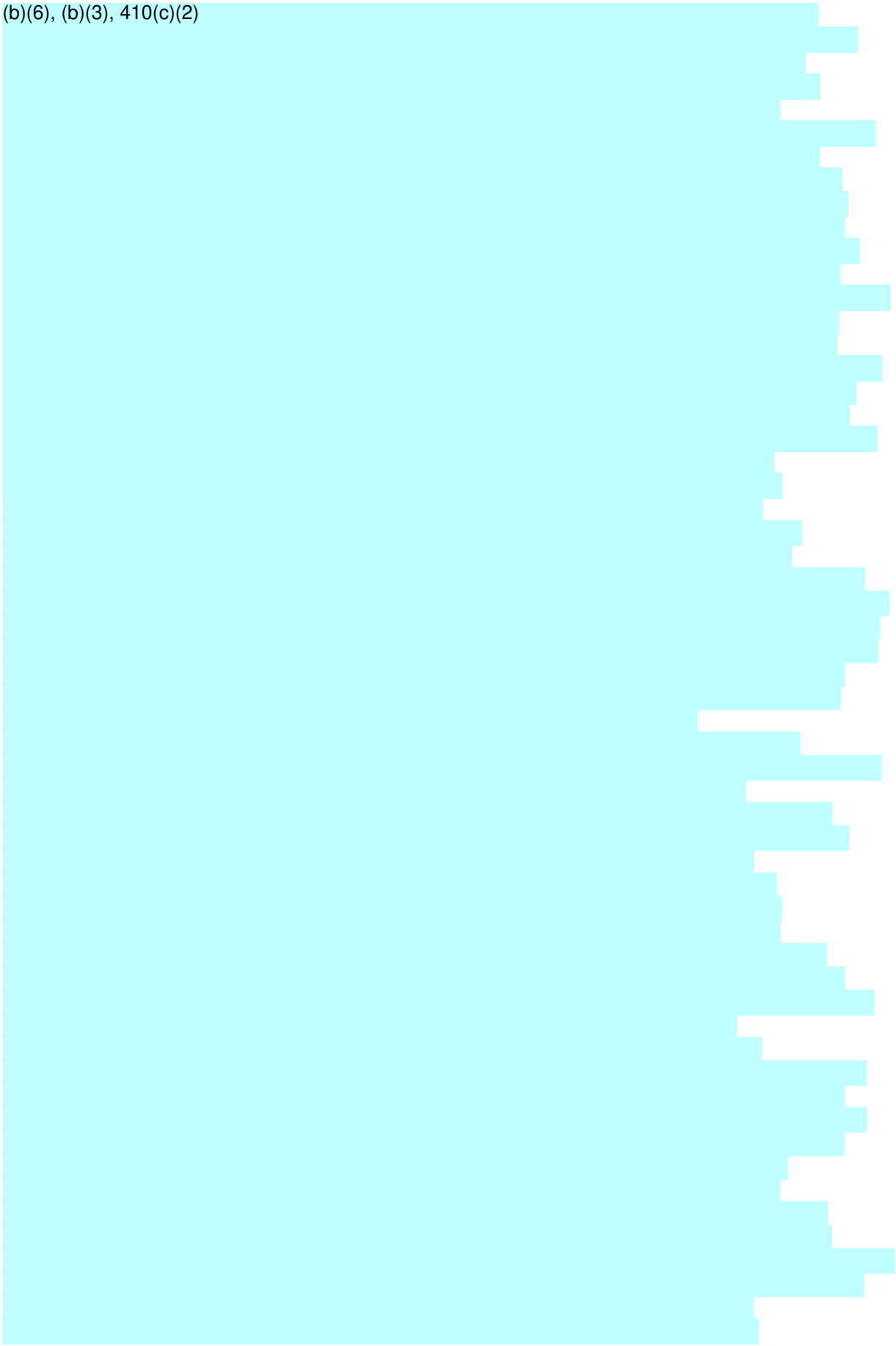

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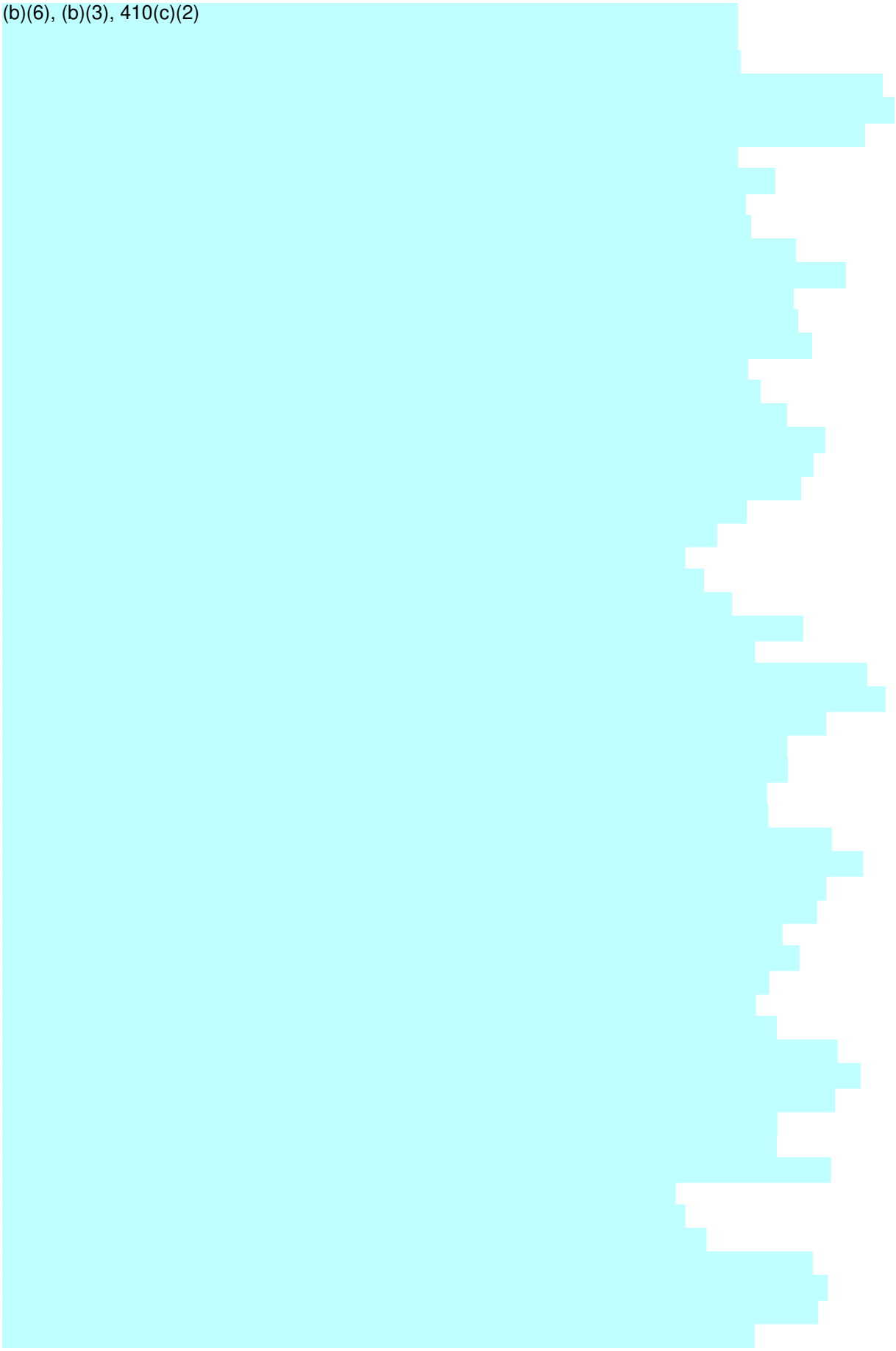

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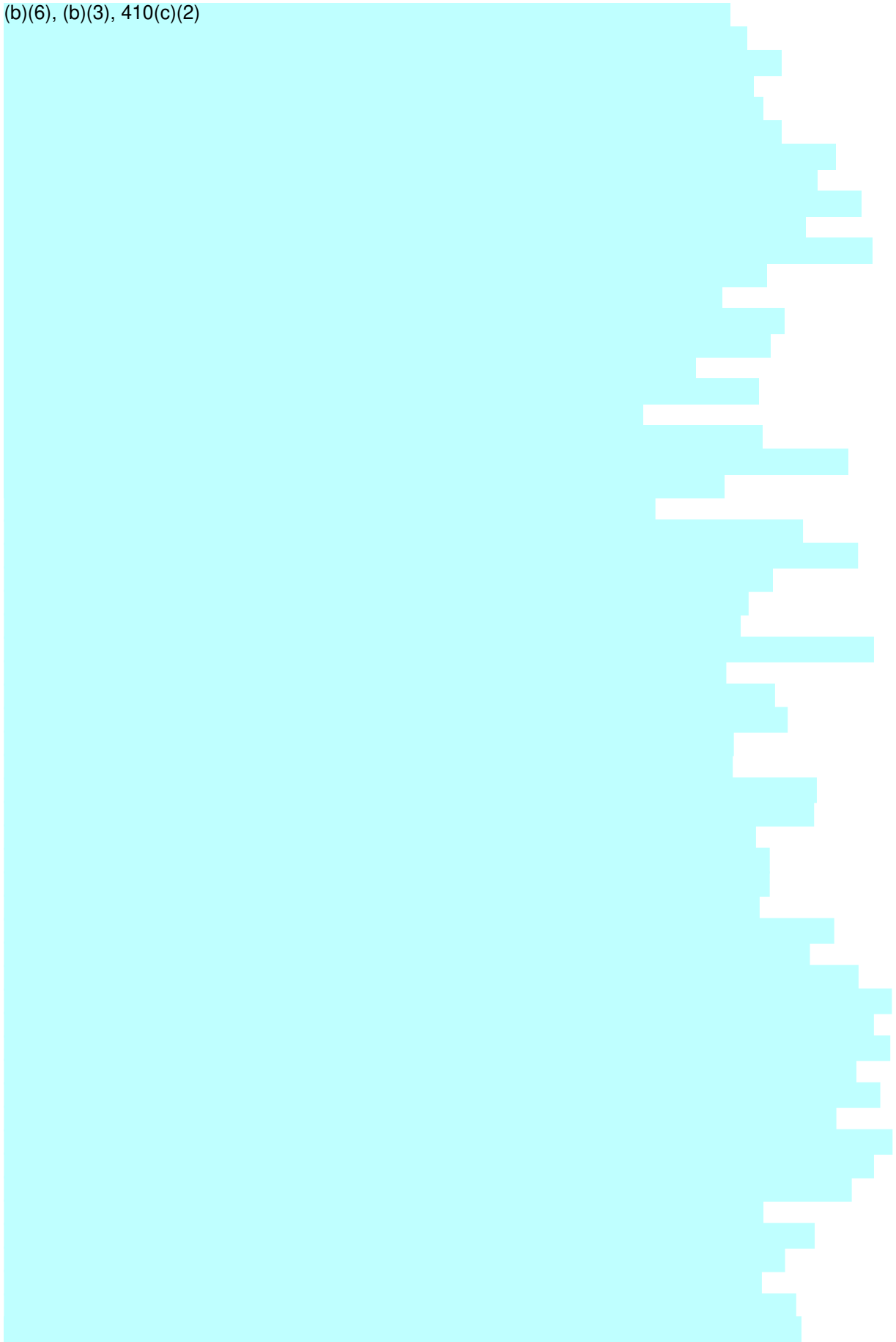

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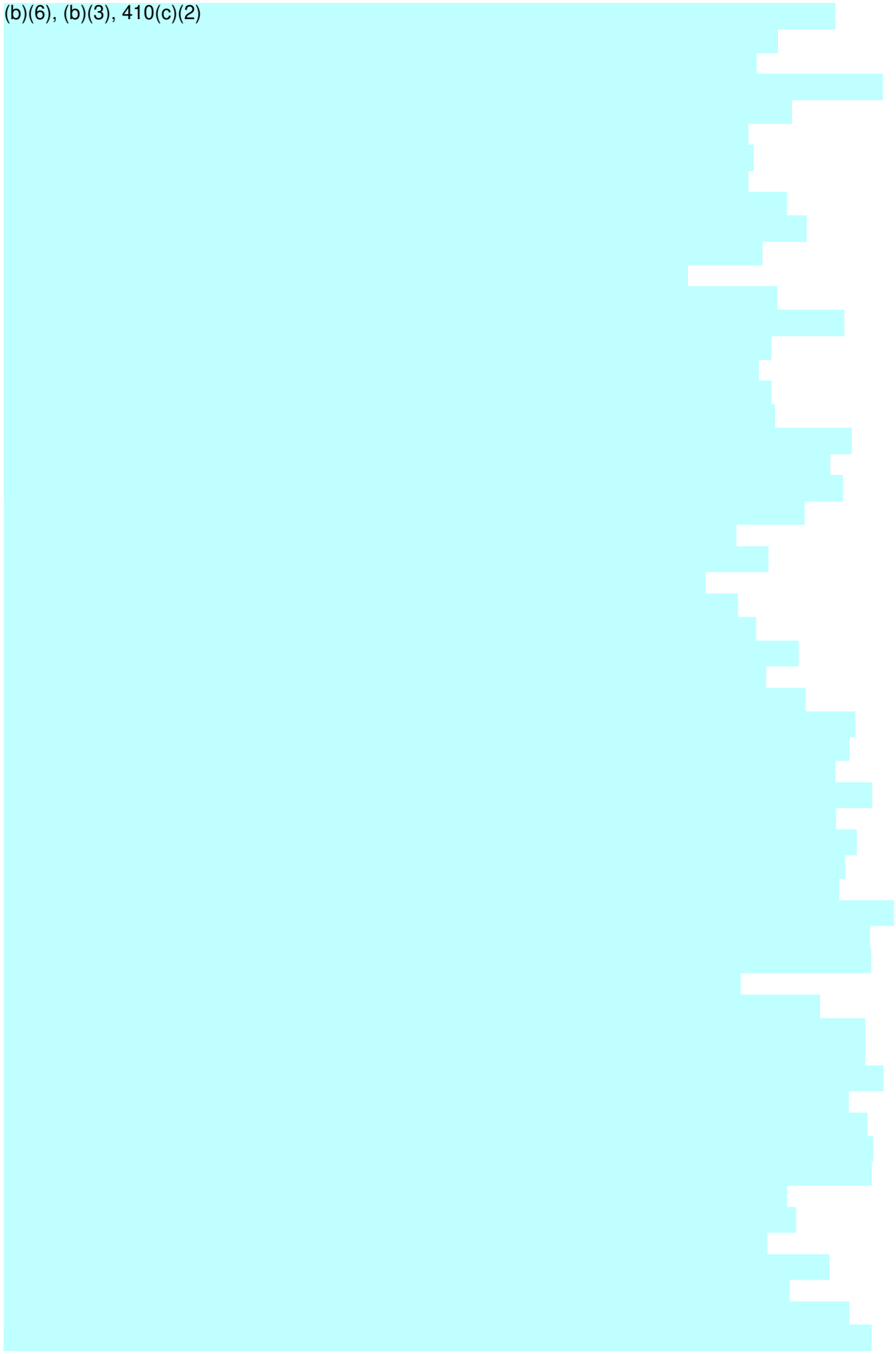

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(b)(6), (b)(3), 410(c)(2)

Subject: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.

Gang, (b)(5)

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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Sincerely,
Joe Neguse
Member of Congress

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Grant, Helen R - St Louis, MO
Subject: Re: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.
Date: Wednesday, May 6, 2020 9:07:17 PM

(b)(5)

Sent from my iPhone

On May 6, 2020, at 9:04 PM, Grant, Helen R - St Louis, MO (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

Sent from my iPhone

On May 6, 2020, at 7:49 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

[Image]

UNITED STATES CONGRESS

FOR IMMEDIATE RELEASE
Apr. 30, 2020

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Joe Neguse
Member of Congress

<Business Letter on USPS Relief to Congressional Leaders - 4-30-20.pdf>
<2020 05 05 Letter to McCarthy_McConnell_Mnuchin.pdf>

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Rutter, Monique L - San Francisco, CA
Subject: RE: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.
Date: Wednesday, May 6, 2020 8:04:47 PM

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rutter, Monique L - San Francisco, CA
Sent: Wednesday, May 6, 2020 7:52 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Bipartisan Postal Preservation Caucus and other examples of Bipartisan support.

(b)(5)

Monique

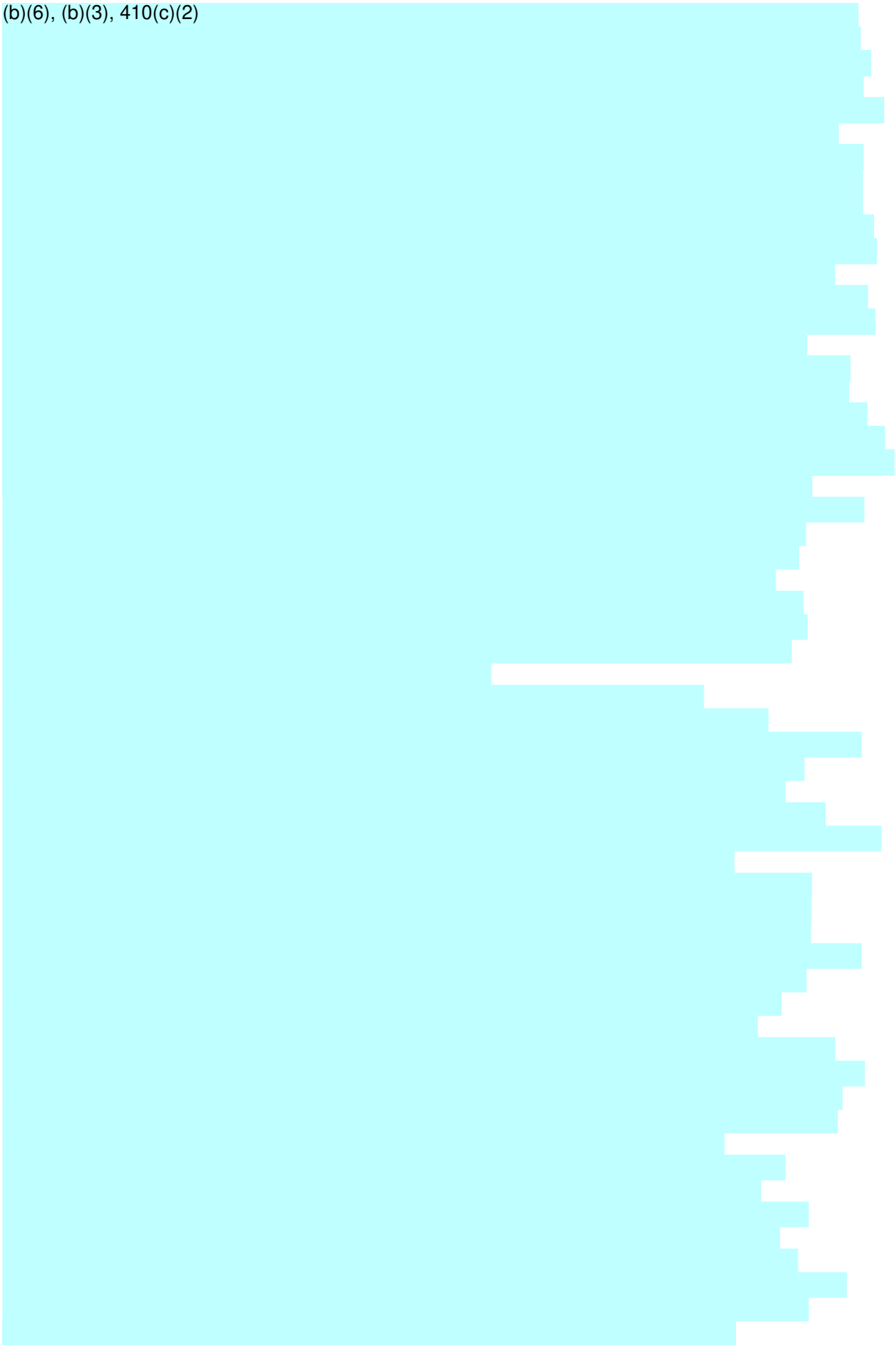
Monique Rutter
United States Postal Service
General Law Service Center
Attorney, FORE UNIT
Domiciled San Francisco
1300 Evans St., Room 217
PO Box 883790
San Francisco, CA 94188-3790
Telephone (415) 550-5300
Direct (415) 550-5336
Fax (415) 550-5416 and 5418

THIS MEMORANDUM IS A CONFIDENTIAL COMMUNICATION FROM COUNSEL. IT IS SUBJECT TO THE ATTORNEY-CLIENT PRIVILEGE AND THE WORK PRODUCT DOCTRINE. IT SHOULD NOT BE INSERTED INTO ANY ADMINISTRATIVE FILES.

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, May 6, 2020 4:49 PM
To: Abayomi, Omotara X - Washington, DC
(b)(6), (b)(3), 410(c)(2)

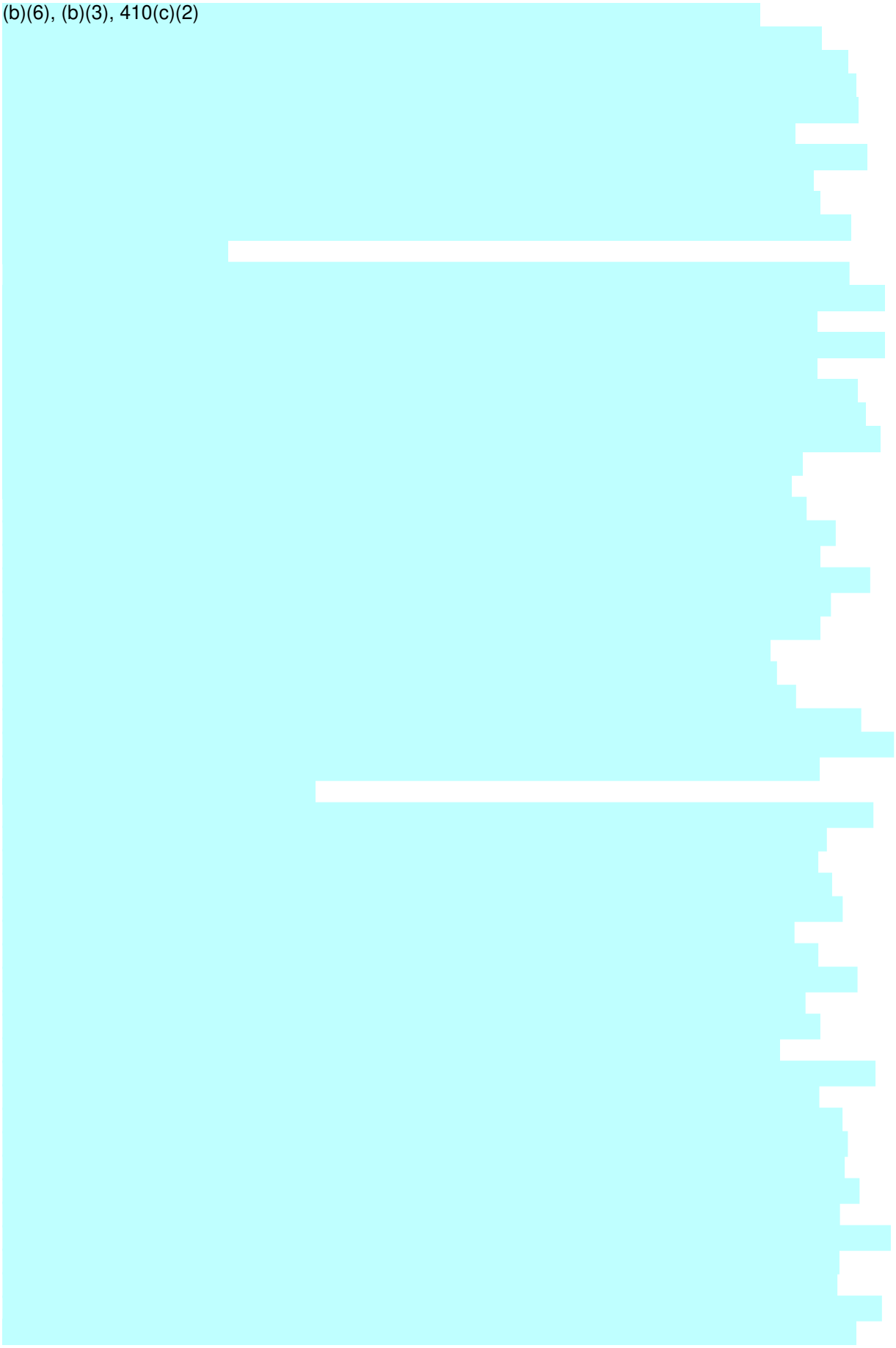
AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)



AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)



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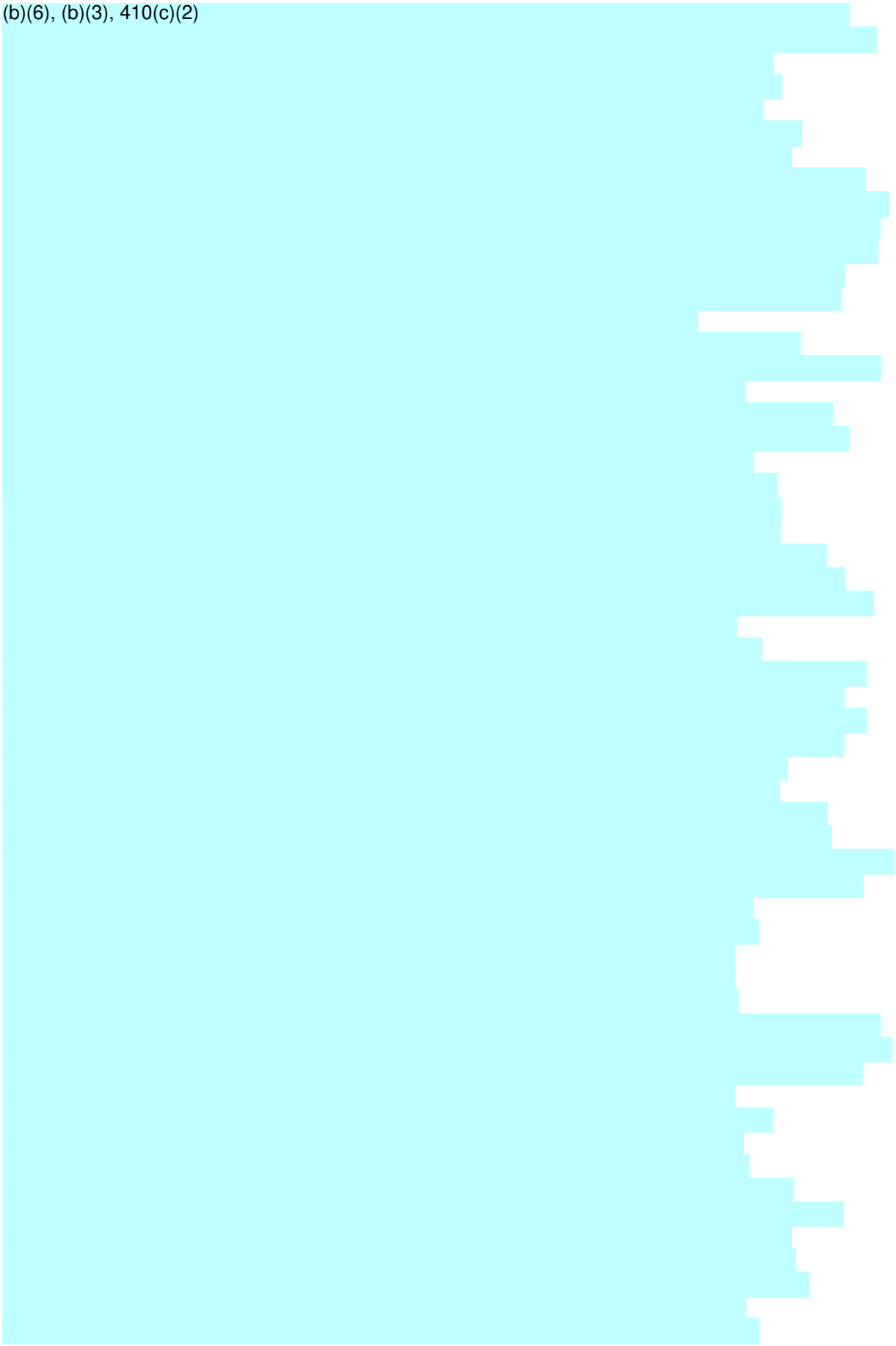

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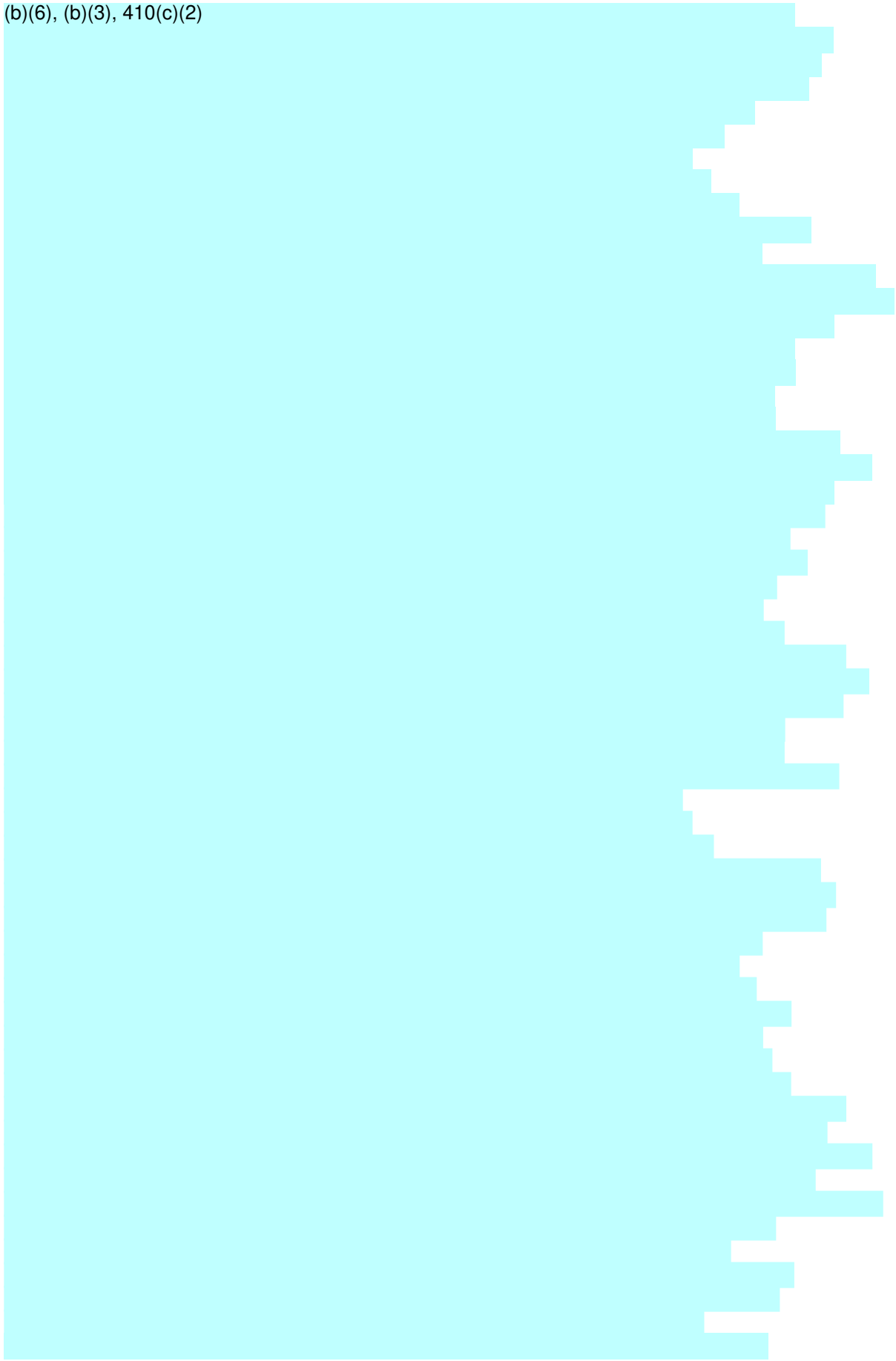

AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2)
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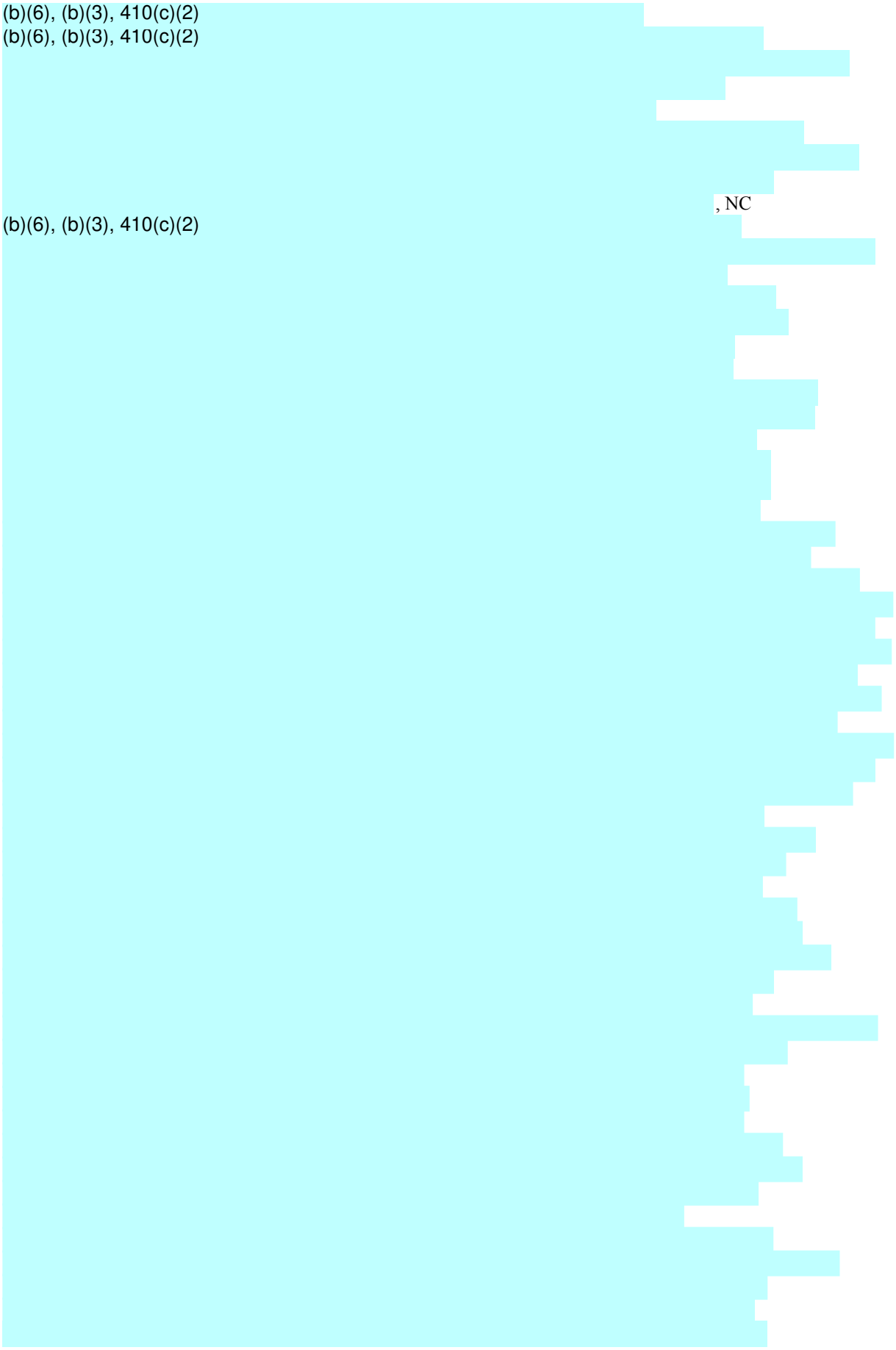

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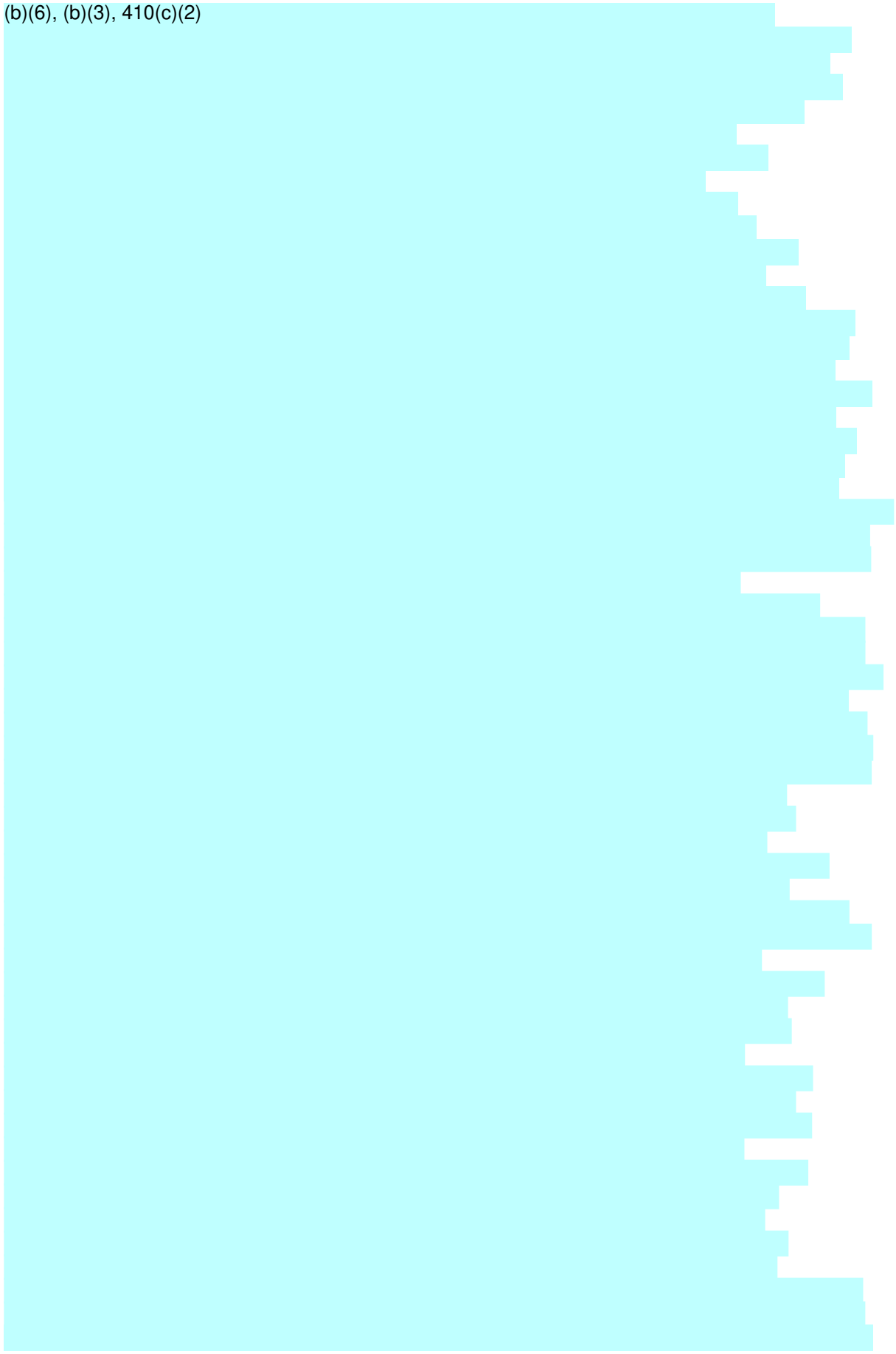

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-Tom

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[Image]

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The USPS employs 620,000 workers, and provides critical services such as delivering prescriptions, the 2020 Census, and mail-in ballots in addition to regular mail delivery. These services become even more crucial in the time of a global pandemic that has greatly limited in-person contact.
Unfortunately, the pandemic has also accelerated financial problems USPS already faced. Officials have warned that because of the decrease in mail volumes, the Postal Service may run out of funding as soon as June of this year.

USPS estimates a net loss of $22 billion over the next eighteen months<https://about.usps.com/newsroom/statements/041020-pmg-statement-on-usps-stimulus-needs.htm>, and over $54 billion in the long term, as a result of this pandemic. We must protect our constituents and local postal workers by ensuring the postal service can continue to provide on-time mail delivery and protect front-line workers during the COVID-19 pandemic.
Please join me in ensuring thousands of postal employees can continue to provide us with essential services during this pandemic and provide emergency funding for USPS.
To become a cosponsor or for more information, please contact Abbie Callahan.
Sincerely,
Joe Neguse
Member of Congress

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject: RE: Board notification
Date: Monday, April 27, 2020 7:08:58 PM

(b)(5), (b)(3),

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Monday, April 27, 2020 5:31 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Board notification

Tom & Mike,

(b)(5), (b)(3), 410(c)(2)

Thank you.

Megan

From: Krage Strako, Jakki - Washington, DC
Sent: Monday, April 27, 2020 12:27 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Board notification

Megan
(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brownlie, Caroline R - Washington, DC
Cc: Weidner, Keith E - Washington, DC; Belt, David C - Washington, DC
Subject: Re: Board Research Question
Date: Friday, May 1, 2020 7:43:33 PM

(b)(5)

Sent from my iPhone

On May 1, 2020, at 6:15 PM, Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

Tom,

(b)(5)

Thanks,
Carrie

Caroline Rieger Brownlie

AMERICAN OVERSIGHT

Managing Counsel, Legal Strategy
US Postal Service Law Department
475 L'Enfant Plaza, SW
Room 6209
Washington, DC 20260-1135
Phone: (202) 268-3010
Cell: (b)(6)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Belt, David C - Washington, DC; Brownlie, Caroline R - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: RE: Board Research Question
Date: Monday, May 4, 2020 7:50:22 PM
Attachments: 2020 05-04 Form 8-K.PDF

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Belt, David C - Washington, DC
Sent: Monday, May 4, 2020 7:03 PM
To: Marshall, Thomas J - Washington, DC (b)(6), b(3), 410(c)(2) ; Brownlie, Caroline R - Washington, DC (b)(6), b(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), b(3), 410(c)(2)
Subject: RE: Board Research Question

Tom,

(b)(5)

Thanks.

AMERICAN OVERSIGHT

-Dave

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 1, 2020 7:44 PM
To: Brownlie, Caroline R - Washington, DC
(b)(6), b(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), b(3), 410(c)(2) ; Belt, David C - Washington, DC <(b)(6), b(3), 410(c)(2) >
Subject: Re: Board Research Question

(b)(5)

Sent from my iPhone

On May 1, 2020, at 6:15 PM, Brownlie, Caroline R - Washington, DC (b)(6), b(3), 410(c)(2) > wrote:

Tom,

(b)(5)

AMERICAN OVERSIGHT

Thanks,
Carrie

Caroline Rieger Brownlie
Managing Counsel, Legal Strategy
US Postal Service Law Department
475 L'Enfant Plaza, SW
Room 6209
Washington, DC 20260-1135
Phone: (202) 268-3010
Cell: (b)(6)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brownlie, Caroline R - Washington, DC
Cc: Weidner, Keith E - Washington, DC; Belt, David C - Washington, DC
Subject: Re: Board Research Question
Date: Friday, May 1, 2020 7:43:36 PM

(b)(5)

Sent from my iPhone

On May 1, 2020, at 6:15 PM, Brownlie, Caroline R - Washington, DC <(b)(6), (b)(3), 410(c)(2) wrote:

Tom,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Thanks,
Carrie

Caroline Rieger Brownlie
Managing Counsel, Legal Strategy
US Postal Service Law Department
475 L'Enfant Plaza, SW
Room 6209
Washington, DC 20260-1135
Phone: (202) 268-3010
Cell: (b)(6)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Belt, David C - Washington, DC; Brownlie, Caroline R - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: RE: Board Research Question
Date: Monday, May 4, 2020 7:50:25 PM
Attachments: 2020 05-04 Form 8-K.PDF

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Belt, David C - Washington, DC
Sent: Monday, May 4, 2020 7:03 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Board Research Question

Tom,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Thanks.

-Dave

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 1, 2020 7:44 PM
To: Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Board Research Question

(b)(5)

Sent from my iPhone

> On May 1, 2020, at 6:15 PM, Brownlie, Caroline R - Washington, DC (wrote:
>
> Tom,
>
> (b)(5)

AMERICAN OVERSIGHT

(b)(5)

[redacted]

[redacted]

[redacted]

Thanks,
Carrie

Caroline Rieger Brownlie
Managing Counsel, Legal Strategy
US Postal Service Law Department
475 L'Enfant Plaza, SW
Room 6209
Washington, DC 20260-1135
Phone: (202) 268-3010

AMERICAN OVERSIGHT

Cell: (b)(6)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: BOG announces selection of Louis DeJoy to serve as 75th Postmaster General
Date: Wednesday, May 6, 2020 8:27:26 PM

(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Wednesday, May 6, 2020 8:22 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: BOG announces selection of Louis DeJoy to serve as 75th Postmaster General

(b)(5), (b)(3), 410(c)(2)

Thanks,

Megan

On May 6, 2020, at 8:11 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) > wrote:
(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, May 6, 2020 8:03 PM
To: All
Subject: BOG announces selection of Louis DeJoy to serve as 75th Postmaster General

Team, I wanted to let you all know that this evening the Board of Governors announced the appointment of Louis DeJoy as the 75th Postmaster General of the United States, effective on June 15, 2020. Please see our attached press release in that regard. (b)(5), (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

-Tom

AMERICAN OVERSIGHT

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service
<BOG press release PMG appointment Final.docx>

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: BOG announces selection of Louis DeJoy to serve as 75th Postmaster General
Date: Wednesday, May 6, 2020 8:24:14 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Wednesday, May 6, 2020 8:22 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: BOG announces selection of Louis DeJoy to serve as 75th Postmaster General

(b)(5), (b)(3), 410(c)(2)

Thanks,

Megan

On May 6, 2020, at 8:11 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:
(b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, May 6, 2020 8:03 PM
To: All
Subject: BOG announces selection of Louis DeJoy to serve as 75th Postmaster General

Team, I wanted to let you all know that this evening the Board of Governors announced the appointment of Louis DeJoy as the 75th Postmaster General of the United States, effective on June 15, 2020. (b)(5), (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service
<BOG press release PMG appointment Final.docx>

AMERICAN OVERSIGHT

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Bonanno, Natalie A - Washington, DC
Subject: RE: BOG Meeting today
Date: Wednesday, April 1, 2020 6:05:52 PM

Thanks, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Bonanno, Natalie A - Washington, DC
Sent: Wednesday, April 1, 2020 4:55 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: BOG Meeting today

Hi Tom:

(b)(5)

hanks.

Sincerely,

Natalie

From: Hofer, Joshua - Washington, DC
Sent: Wednesday, April 1, 2020 4:49 PM
To: Bonanno, Natalie A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG Meeting today

Hi Natalie,

(b)(5)

AMERICAN OVERSIGHT

Thanks,
Joshua

From: Bonanno, Natalie A - Washington, DC
Sent: Wednesday, April 1, 2020 3:24 PM
To: Hofer, Joshua - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG Meeting today

Hi Joshua:

(b)(5)

Sincerely,

Natalie

From: Hofer, Joshua - Washington, DC
Sent: Wednesday, April 1, 2020 3:14 PM
To: Bonanno, Natalie A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG Meeting today

Hi Natalie,

(b)(5)

Joshua

From: Bonanno, Natalie A - Washington, DC
Sent: Wednesday, April 1, 2020 2:50 PM
To: Hofer, Joshua - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG Meeting today

Hi Joshua:

(b)(5)
(b)(5)

Sincerely,

Natalie

From: Bonanno, Natalie A - Washington, DC

AMERICAN OVERSIGHT

Sent: Wednesday, April 1, 2020 1:51 PM
To: Hofer, Joshua - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG Meeting today

Hi Joshua:

(b)(5)

Sincerely,

Natalie

From: Hofer, Joshua - Washington, DC
Sent: Wednesday, April 1, 2020 1:24 PM
To: Bonanno, Natalie A - Washington, DC
(b)(6), (b)(3), 410(c)(2) gov>>
Subject: RE: BOG Meeting today

(b)(5)
(b)(5)

Joshua

From: Hofer, Joshua - Washington, DC
Sent: Wednesday, April 1, 2020 1:19 PM
To: Bonanno, Natalie A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG Meeting today

Hi Natalie,

(b)(5)

AMERICAN OVERSIGHT

Joshua J. Hofer
Attorney | Federal Compliance
o: 202.268.6704
m:(b)(6), (b)

From: Bonanno, Natalie A - Washington, DC
Sent: Wednesday, April 1, 2020 11:05 AM
To: Hofer, Joshua - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: BOG Meeting today

Hi Joshua:

(b)(5)

Sincerely,

Natalie

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 1, 2020 10:48 AM
To: Bonanno, Natalie A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fwd: BOG Meeting today

(b)(5)
Sent from my iPhone

Begin forwarded message:
From: "Walker, Janice D - Washington, DC" <(b)(6), (b)(3), 410(c)(2)
Date: April 1, 2020 at 9:58:19 AM EDT
To: "Brennan, Megan J - Washington, DC" (b)(6), (b)(3), 410(c)(2) >,
"Marshall, Thomas J - Washington, DC" <(b)(6), (b)(3), 410(c)(2) >
Cc: "Stavely, Rhonda J - Washington, DC" (b)(6), (b)(3), 410(c)(2) gov>>,
"Latham, Sandra R - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: BOG Meeting today

Hi Megan and Tom,

(b)(5)

Thanks.

AMERICAN OVERSIGHT

Janice

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: (b)(3), 410(c)(2)
Date: Thursday, April 16, 2020 1:28:54 PM

Sounds right.

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 16, 2020 1:26 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(3), 410(c)(2)

(b)(5)
(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 16, 2020 1:20 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: FW: (b)(3), 410(c)(2)

Tom, (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 14, 2020 8:08 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: (b)(3), 410(c)(2)

Fyi. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Tuesday, April 14, 2020 8:00 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: (b)(3), 410(c)(2)

(b)(5)

From: Krage Strako, Jakki - Washington, DC
Sent: Friday, April 10, 2020 3:37 PM
To: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: (b)(3), 410(c)(2)

Mike
(b)(5)

AMERICAN OVERSIGHT

(b)(5)

From: Thorn, Clint - Memphis, TN
Sent: Friday, April 10, 2020 2:31 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Gambhir, Shibani S - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: (b)(3), 410(c)(2)

Jakki,

(b)(5)
.

Thanks,

(b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: RE: (b)(3), 410(c)(2)
Date: Wednesday, April 15, 2020 7:21:27 PM

Mike, as an fyi, (b)(5)

Let me know if you have any questions or concerns.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Howley, Jacob D - Washington, DC; Weidner, Keith E - Washington, DC
Cc: Belt, David C - Washington, DC; Brownlie, Caroline R - Washington, DC
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx
Date: Thursday, April 9, 2020 12:05:18 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Howley, Jacob D - Washington, DC
Sent: Thursday, April 9, 2020 10:43 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

Fair enough. (b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 9, 2020 10:30 AM
To: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)
(b)(5)

Keith

From: Howley, Jacob D - Washington, DC
Sent: Thursday, April 9, 2020 10:07 AM
To: Weidner, Keith E - Washington, DC (Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

AMERICAN OVERSIGHT

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Howley, Jacob D - Washington, DC
Sent: Thursday, April 9, 2020 9:56 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

Thoughts?

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 9, 2020 9:51 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Belt, David C - Washington, DC <(b)(6), (b)(3), ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 9, 2020 9:44 AM
To: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Howley, Jacob D - Washington, DC

AMERICAN OVERSIGHT

Sent: Thursday, April 9, 2020 9:41 AM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c) >
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

Keith:
(b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 9, 2020 9:36 AM
To: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

Keith

From: Howley, Jacob D - Washington, DC
Sent: Wednesday, April 8, 2020 6:04 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c) >
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

Sent from a mobile device; please forgive any typos.

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019

AMERICAN OVERSIGHT

Washington, DC 20260-1101
phone: +1 / 202-268-8917
fax: +1 / 202-268-5628

On Apr 8, 2020, at 5:55 PM, Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

(b)(5)

Thoughts?

From: Howley, Jacob D - Washington, DC
Sent: Wednesday, April 8, 2020 5:45 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c) gov>; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202-268-8917
fax: +1 / 202-268-5628

On Apr 8, 2020, at 5:17 PM, Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

Thanks,

AMERICAN OVERSIGHT

Keith

From: Howley, Jacob D - Washington, DC
Sent: Wednesday, April 8, 2020 5:12 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)
Cc: Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

Keith:

(b)(5)

Please let me know if any further assistance on this would be helpful. Thanks.

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 8, 2020 4:43 PM
To: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) Belt, David C - Washington, DC (b)(6), (b)(3), >
Cc: Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

Thanks,
Keith

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 8, 2020 4:39 PM
To: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c) v>; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)
Cc: Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

AMERICAN OVERSIGHT

Keith

From: Howley, Jacob D - Washington, DC
Sent: Wednesday, April 8, 2020 1:52 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c) >; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)
Cc: Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

Keith, Dave:
(b)(5)
(b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 8, 2020 11:59 AM
To: Howley, Jacob D - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Belt, David C - Washington, DC <(b)(6), (b)(3), >; Brownlie, Caroline R - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

(b)(5)

.

Keith

From: Howley, Jacob D - Washington, DC
Sent: Wednesday, April 8, 2020 10:22 AM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) ; Brownlie, Caroline R - Washington, DC
(b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

Subject: RE: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

Thanks. (b)(5)

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 8, 2020 10:18 AM
To: Belt, David C - Washington, DC (b)(6), (b)(3), 410(c) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Howley, Jacob D - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

See attached, and please keep this closely held.

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 7, 2020 6:54 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c) >
Subject: FW: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

fyi

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Grossmann, Luke T - Washington, DC
Sent: Tuesday, April 7, 2020 6:48 PM
To: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c) >; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Mendonca, Pat - Washington, DC <(b)(6), (b)(3), 410(c) >; ODell, Sheri L - Washington, DC (b)(6), (b)(3), 410(c)
Subject: BOG_Financial Impact Assessment_04.07.2020_1845PM.pptx

All:

(b)(5)

Thanks,

AMERICAN OVERSIGHT

- Luke

<USPS Phase 4 leg proposals summary.docx>
<USPS Phase 4 leg proposals (2) clean.docx>

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Keith

From: Nemetz, Miriam R. (b)(6)
Sent: Thursday, April 2, 2020 2:37 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Borrowing materials

Hi Keith.

(b)(5)

Thanks.

Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
(b)(6)

From: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Wednesday, April 01, 2020 4:49 PM
To: Nemetz, Miriam R. (b)(6)
Subject: RE: Borrowing materials

EXTERNAL SENDER

Thanks, Miriam.

(b)(5)

Thanks,
Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
(b)(6)

From: Nemetz, Miriam R. (b)(6)
Sent: Wednesday, April 1, 2020 4:26 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Borrowing materials

Hi again.

(b)(5)

Best,
Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
(b)(6) >

From: Nemetz, Miriam R.
Sent: Wednesday, April 01, 2020 4:22 PM
To: 'Weidner, Keith E - Washington, DC' (b)(6), (b)(3), 410(c)(2)
Subject: RE: Borrowing materials

Hi Keith.

We have cleared conflicts. With respect to the estimate, I was waiting to see whether Charles would have additional thoughts after reviewing the material, but I am not sure that he will be able to get back to me today. However, I have reviewed the USPS memo

(b)(5)

Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
(b)(6), (b)(3), 410(c)(2)

From: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Wednesday, April 01, 2020 2:03 PM
To: Nemetz, Miriam R. (b)(6)
Subject: RE: Borrowing materials

EXTERNAL SENDER

(b)(5)

Thanks,
Keith

From: Nemetz, Miriam R. (b)(6)
Sent: Tuesday, March 31, 2020 11:47 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Borrowing materials

Thanks.

From: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Tuesday, March 31, 2020 11:45 AM
To: Nemetz, Miriam R. (b)(6)
Subject: RE: Borrowing materials

EXTERNAL SENDER

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(b)(5)

Keith

From: Nemetz, Miriam R. (b)(6)
Sent: Tuesday, March 31, 2020 11:24 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Borrowing materials

(b)(5)

From: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Tuesday, March 31, 2020 11:11 AM
To: Nemetz, Miriam R. (b)(6)
Subject: RE: Borrowing materials

EXTERNAL SENDER

Thanks, Miriam.

(b)(5)
(b)(5)

Keith

From: Nemetz, Miriam R. (b)(6)
Sent: Tuesday, March 31, 2020 10:58 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Borrowing materials

Hi Keith (b)(5)

Thanks.

Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
(b)(6), (b)(3), 410(c)(2)

From: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Monday, March 30, 2020 12:32 PM
To: Nemetz, Miriam R. (b)(6)
Subject: Borrowing materials

EXTERNAL SENDER

CONFIDENTIAL
ATTORNEY-CLIENT PRIVILEGED

Miriam,

(b)(5)

Thanks,
Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
(b)(6)

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: Borrowing materials
Date: Thursday, April 23, 2020 3:30:58 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 23, 2020 3:21 PM
To: Weidner, Keith E - Washington, DC (b)(6) (b)
Subject: RE: Borrowing materials

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 23, 2020 3:16 PM
To: Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2)
Subject: RE: Borrowing materials

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 23, 2020 3:15 PM
To: Marshall, Thomas J - Washington, DC < (b)(6) (b)(3) 410(c)(2)
Subject: RE: Borrowing materials

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 23, 2020 3:06 PM
To: Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2)
Subject: RE: Borrowing materials

Keith (b)(5) Thanks.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 21, 2020 10:32 AM
To: Marshall, Thomas J - Washington, DC (b)(6) (b)(3) 410(c)(2)
Subject: FW: Borrowing materials

Tom,

(b)(5)

Keith

From: Rothfeld, Charles A. (b)(6)
Sent: Monday, April 13, 2020 8:31 PM
To: Weidner, Keith E - Washington, DC < (b)(6) (b)(3) 410(c)(2) gov>>
Cc: Nemetz, Miriam R. (b)(6) >
Subject: [EXTERNAL] RE: Borrowing materials

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Keith –

(b)(5)

Many thanks.

Charles

From: Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2)
Sent: Friday, April 10, 2020 4:33 PM
To: Rothfeld, Charles A. (b)(6) >; Nemetz, Miriam R. < (b)(6)
Subject: RE: Borrowing materials

EXTERNAL SENDER

Charles,

(b)(5)

Keith

From: Rothfeld, Charles A. (b)(6)
Sent: Friday, April 10, 2020 4:08 PM
To: Nemetz, Miriam R. < (b)(6)
Cc: Weidner, Keith E - Washington, DC < (b)(6) (b)(3) 410(c)(2)
Subject: [EXTERNAL] Re: Borrowing materials

(b)(5)
Sent from my iPhone

On Apr 10, 2020, at 4:06 PM, Nemetz, Miriam R. (b)(6) >> wrote:

(b)(5) (b)(6)

From: Rothfeld, Charles A. (b)(6)
Sent: Friday, April 10, 2020 4:05 PM
To: Nemetz, Miriam R. < (b)(6)
Cc: Weidner, Keith E - Washington, DC < (b)(6) (b)(3) 410(c)(2) >
Subject: Re: Borrowing materials

(b)(5)
Sent from my iPhone

On Apr 10, 2020, at 1:58 PM, Nemetz, Miriam R. (b)(6) > wrote:

(
Sent from my iPhone

On Apr 10, 2020, at 1:56 PM, Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2) >> wrote:

EXTERNAL SENDER

AMERICAN OVERSIGHT

(b)(5)

Thanks,
Keith

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 10, 2020 1:47 PM
To: 'Rothfeld, Charles A.' (b)(6) Nemetz, Miriam R. (b)(6)
Subject: RE: Borrowing materials

(b)(5)

Keith

From: Rothfeld, Charles A. (b)(6)
Sent: Friday, April 10, 2020 1:43 PM
To: Nemetz, Miriam R. (b)(6)
Cc: Weidner, Keith E - Washington, DC <(b)(6) (b)(3) 410(c)(2)
Subject: [EXTERNAL] Re: Borrowing materials

Also works for me.
Sent from my iPhone

On Apr 10, 2020, at 12:26 PM, Nemetz, Miriam R. (b)(6) wrote:
4 pm is fine with me.

Sent from my iPhone

On Apr 10, 2020, at 12:11 PM, Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2) wrote:

EXTERNAL SENDER

Are you both available at 4:00 today?

Keith

From: Rothfeld, Charles A. (b)(6)
Sent: Thursday, April 9, 2020 3:33 PM
To: Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2) Nemetz, Miriam R. (b)(6) >
Subject: [EXTERNAL] RE: Borrowing materials

Okay, thanks – we're flexible on timing for a call.

Charles

From: Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2)
Sent: Thursday, April 9, 2020 2:53 PM
To: (b)(6) Nemetz, Miriam R. (b)(6) >
Subject: RE: Borrowing materials

EXTERNAL SENDER

Thanks very much, Charles. (b)(5)

Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
(b)(6)

From: Rothfeld, Charles A. (b)(6)
Sent: Thursday, April 9, 2020 12:11 PM
To: Nemetz, Miriam R. (b)(6) Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2)
Subject: [EXTERNAL] RE: Borrowing materials

Keith –

(b)(5)

Many thanks.

Charles

From: Nemetz, Miriam R. <(b)(6)
Sent: Wednesday, April 8, 2020 2:33 PM
To: Weidner, Keith E - Washington, DC <(b)(6) (b)(3) 410(c)(2)
Cc: Rothfeld, Charles A. <(b)(6)
Subject: RE: Borrowing materials

Thanks Keith. (b)(5) s. A call later tomorrow or Friday would be fine. Does that work?

Miriam

From: Weidner, Keith E - Washington, DC <(b)(6) (b)(3) 410(c)(2)
Sent: Wednesday, April 08, 2020 1:42 PM
To: Nemetz, Miriam R. <(b)(6)
Subject: RE: Borrowing materials

EXTERNAL SENDER

Thanks, Miriam. (b)(5)
(b)

Keith

From: Nemetz, Miriam R. (b)(6)
Sent: Wednesday, April 8, 2020 12:27 PM
To: Weidner, Keith E - Washington, DC (b)(6) (b)(3) 410(c)(2)
Subject: [EXTERNAL] RE: Borrowing materials

Hi Keith.

(b)(5) Would you like to set a time for a call? We can do it at the end of the day today, but Charles said that early tomorrow might be better if that is acceptable.

Best,

Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
(b)(6)

AMERICAN OVERSIGHT

From: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Sent: Thursday, April 02, 2020 4:07 PM
To: Nemetz, Miriam R. <MNemetz@mayerbrown.com<mailto:MNemetz@mayerbrown.com>>
Subject: RE: Borrowing materials

EXTERNAL SENDER

Hi Miriam,

That is acceptable.

Thanks,
Keith

From: Nemetz, Miriam R. [mailto:MNemetz@mayerbrown.com]
Sent: Thursday, April 2, 2020 2:37 PM
To: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Subject: [EXTERNAL] RE: Borrowing materials

Hi Keith.

I have one more administrative item. Ken and I have specific USPS rates already but Charles Rothfeld does not. We are proposing that his time be billed at $895 per hour. His law school graduation year is 1980 and his standard rate is $1,090. Please let me know whether that is acceptable

Thanks.

Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
mnemetz@mayerbrown.com<mailto:mnemetz@mayerbrown.com>

From: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Sent: Wednesday, April 01, 2020 4:49 PM
To: Nemetz, Miriam R. <MNemetz@mayerbrown.com<mailto:MNemetz@mayerbrown.com>>
Subject: RE: Borrowing materials

EXTERNAL SENDER

Thanks, Miriam.

My view is to move forward with Phase I now. I have a purchase order in the pipeline that accommodates the estimate for that portion of the project. We'll get that over to you, though in the meantime the CO has authorized you to begin work.

Regarding Phase II, I would like to hold off on a full memo at this point until we get closer to the end of Phase I. Given that this is a fluid situation I want to make sure the work product we are having you do continues to align with what we need, and at this point I can't say with absolute certainty that we will need a full-blown memo when the time comes.

Let me know if that works on your end.

Thanks,
Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
202-577-9413 (c)

From: Nemetz, Miriam R. [mailto:MNemetz@mayerbrown.com]
Sent: Wednesday, April 1, 2020 4:26 PM
To: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Subject: [EXTERNAL] RE: Borrowing materials

Hi again.

Charles just got back to me, and agrees that the estimate below is reasonable.

Best,
Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
mnemetz@mayerbrown.com<mailto:mnemetz@mayerbrown.com>

From: Nemetz, Miriam R.
Sent: Wednesday, April 01, 2020 4:22 PM
To: 'Weidner, Keith E - Washington, DC' <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Subject: RE: Borrowing materials

Hi Keith.

We have cleared conflicts. With respect to the estimate, I was waiting to see whether Charles would have additional thoughts after reviewing the material, but I am not sure that he will be able to get back to me today. However, I have reviewed the USPS memo and think a reasonable estimate is $15,000- $20,000 for Phase I (analysis and summary of conclusions) and an additional $20,000 to $25,000 for phase 2 (complete memo). Does that seem reasonable to you? We will try to be efficient.

I don't know whether the purchase orders are specific to a project, but I thought I would mention (in case any usable funds remain) that we recently completed a project for Ray Donahue.

Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
mnemetz@mayerbrown.com<mailto:mnemetz@mayerbrown.com>

From: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Sent: Wednesday, April 01, 2020 2:03 PM
To: Nemetz, Miriam R. <MNemetz@mayerbrown.com<mailto:MNemetz@mayerbrown.com>>
Subject: RE: Borrowing materials

EXTERNAL SENDER

Hi Miriam, do you have an ETA on when you expect to complete the conflicts check and give me an estimate? Just trying to get my ducks in a row from an administrative perspective.

Thanks,
Keith

From: Nemetz, Miriam R. [mailto:MNemetz@mayerbrown.com]

AMERICAN OVERSIGHT

Sent: Tuesday, March 31, 2020 11:47 AM
To: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Subject: [EXTERNAL] RE: Borrowing materials

Thanks.

From: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Sent: Tuesday, March 31, 2020 11:45 AM
To: Nemetz, Miriam R. <MNemetz@mayerbrown.com<mailto:MNemetz@mayerbrown.com>>
Subject: RE: Borrowing materials

EXTERNAL SENDER

Preferably by Wednesday of next week.

If you find that you need more time it would be good to at least get oral feedback about what your conclusions are by then.

This is my best guess at this time and could change based on developments with the Board.

Keith

From: Nemetz, Miriam R. [mailto:MNemetz@mayerbrown.com]
Sent: Tuesday, March 31, 2020 11:24 AM
To: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Subject: [EXTERNAL] RE: Borrowing materials

Yes, it does. When do you need to receive the first, shorter document?

From: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Sent: Tuesday, March 31, 2020 11:11 AM
To: Nemetz, Miriam R. <MNemetz@mayerbrown.com<mailto:MNemetz@mayerbrown.com>>
Subject: RE: Borrowing materials

EXTERNAL SENDER

Thanks, Miriam.

Please do provide separate estimates for an initial analysis/oral feedback and then a full-blown memo. For the initial stage I am wondering if it makes most sense to both have a discussion and also get a short document that summarizes your views on the issues. We could have that in hand for internal discussions with our Board regarding strategy moving forward, while you work on a more complete memo. Let me know if that makes sense to you.

This will be a fluid situation so at this point we don't need an estimate for any Congressional work. Ultimately I think what is most likely is that we will want to leverage a memo in any dealings we have with public officials on this matter, but I am not sure what approach we will be taking at this time.

Keith

From: Nemetz, Miriam R. [mailto:MNemetz@mayerbrown.com]
Sent: Tuesday, March 31, 2020 10:58 AM
To: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Subject: [EXTERNAL] RE: Borrowing materials

Hi Keith. Thanks for sending these materials and for thinking of us for this assignment. I have initiated a rush conflict check. (There should be no conflict but we still have to do it, obviously.)

I have lined up Charles Rothfeld to work on this because he has relevant knowledge and experience (and is one of the smartest lawyers I know). I am linking to his bio here. https://www.mayerbrown.com/en/people/r/rothfeld-charles-a?tab=overview<https://nam01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.mayerbrown.com%2Fen%2Fpeople%2Fr%2Frothfeld-charles-a%3Ftab%3Doverview&data=01%7C01%7CCRothfeld%40mayerbrown.com%7C88ac8794c2d1438d615a08d7dd8e6498%7C09131022b7854e6d8d42916975e51262%7C0&sdata=cgRDa2YK5Fsl0x3jbnHQWHLNKXFxxqBVjAog%2FMpagtI%3D&reserved=0> Ken Geller, who has previously advised the Postal Service on governance issues, will also be involved a high level. Charles is not listed on the rate matrix that we provided to the Postal Service and I am working on getting a rate for him that we can propose to you.

You mentioned that you would like an oral report from us early next week. When next week do you need it?

For the estimate, should we assume that we will first give an oral report and then prepare a memo? Should we provide separate estimates for the initial analysis/oral feedback and for a possible memo? I believe you also mentioned the possibility that you would need advice or assistance dealing with Congress. Is that something that should factor into the estimate?

Thanks.

Miriam

Miriam R. Nemetz
Mayer Brown LLP
1999 K Street, NW
Washington, D.C. 20006
202-263-3253 (phone)
202-263-5253 (fax)
mnemetz@mayerbrown.com<mailto:mnemetz@mayerbrown.com>

From: Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov<mailto:Keith.E.Weidner@usps.gov>>
Sent: Monday, March 30, 2020 12:32 PM
To: Nemetz, Miriam R. <MNemetz@mayerbrown.com<mailto:MNemetz@mayerbrown.com>>
Subject: Borrowing materials

EXTERNAL SENDER

CONFIDENTIAL
ATTORNEY-CLIENT PRIVILEGED

Miriam,

Attached are the materials relating to the Treasury borrowing issue we discussed. They are as follows:

5/10/19 USPS letter to Treasury (general letter on legal underpinnings of our borrowing relationship with Treasury, to try to head off the term sheet)
5/15/19 Treasury letter to USPS (response to 5/10 letter)
5/22/19 USPS internal memo to Governors (analysis for Governors as to why term sheet was illegal)
5/31/19 USPS letter to Treasury (arguing to Treasury why the term sheet was illegal, using the analysis in the 5/22 memo)
6/28/19 Treasury letter to USPS (arguing why the term sheet was legal)
8/9/19 USPS letter to Treasury (our response to Treasury)

Also attached is the term sheet that Treasury was insisting on.

Please let me know if you have any questions.

Thanks,
Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
202-577-9413 (c)

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From: Marshall, Thomas J - Washington, DC
To: Grossmann, Luke T - Washington, DC; Brennan, Megan J - Washington, DC; Corbett, Joseph - Washington, DC; Cronkhite, Isaac S - Washington, DC; Stroman, Ronald A - Washington, DC
Subject: RE: Briefing Document
Date: Wednesday, April 8, 2020 9:06:06 PM
Attachments: TP House Oversight Committee Briefing_v5.docx

(b)(5) .

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Grossmann, Luke T - Washington, DC
Sent: Wednesday, April 8, 2020 5:07 PM
To: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Cronkhite, Isaac S - Washington, DC (b)(3), 410(c)(2), (b)(6) Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6) Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: RE: Briefing Document

All: (b)(5) Thanks, - Luke

From: Grossmann, Luke T - Washington, DC
Sent: Wednesday, April 8, 2020 3:40 PM
To: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Cronkhite, Isaac S - Washington, DC (b)(3), 410(c)(2), (b)(6) Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Briefing Document

All: This is (b)(5) Thanks, - Luke

From: Grossmann, Luke T - Washington, DC
Sent: Wednesday, April 8, 2020 3:10 PM
To: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Cronkhite, Isaac S - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: Briefing Document

All:

Attached is (b)(5) .

Thanks,

- Luke

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Cc: Calamoneri, Kevin A - Washington, DC; Pangilinan, Regina K - Washington, DC
Subject: RE: Briefing Sheet
Date: Thursday, April 30, 2020 1:56:27 PM
Attachments: 2020 04 27 GC Briefing Sheet-Advance for May 7 2020 Meeting V2.docx

---

(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 30, 2020 10:03 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Pangilinan, Regina K - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Briefing Sheet

Tom, (b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 29, 2020 6:39 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: Briefing Sheet

Keith, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 29, 2020 4:47 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: Briefing Sheet

Tom,

(b)(5)

Keith

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC
Cc:	Calamoneri, Kevin A - Washington, DC
Subject:	RE: Briefing Sheet
Date:	Wednesday, April 29, 2020 6:38:47 PM
Attachments:	2020 04 27 GC Briefing Sheet-Advance for May 7 2020 Meeting.docx

Keith, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 29, 2020 4:47 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Briefing Sheet

Tom,

See attached f(b)(5)

Keith

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Calamoneri, Kevin A - Washington, DC; Torres, Adyani - Washington, DC
Cc: Weidner, Keith E - Washington, DC; Ellis, David B - Washington, DC
Subject: RE: Bullet Points for HQ Town Hall
Date: Monday, April 27, 2020 3:27:42 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Calamoneri, Kevin A - Washington, DC
Sent: Monday, April 27, 2020 2:59 PM
To: Torres, Adyani - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Bullet Points for HQ Town Hall
Importance: High

Adyani - (b)(5)

Kevin A. Calamoneri
Deputy General Counsel, Field Operations
UNITED STATES POSTAL SERVICE
475 L'Enfant Plaza SW
Washington, DC 20260-1135
Office Phone: (202) 268-3876
Cell: (b)(6), (b)(3), (b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Calamoneri, Kevin A - Washington, DC; Torres, Adyani - Washington, DC
Cc: Weidner, Keith E - Washington, DC; Ellis, David B - Washington, DC
Subject: RE: Bullet Points for HQ Town Hall
Date: Monday, April 27, 2020 3:27:45 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Calamoneri, Kevin A - Washington, DC
Sent: Monday, April 27, 2020 2:59 PM
To: Torres, Adyani - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2); Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Bullet Points for HQ Town Hall
Importance: High

Adyani – (b)(5)

Kevin A. Calamoneri
Deputy General Counsel, Field Operations
UNITED STATES POSTAL SERVICE
475 L'Enfant Plaza SW
Washington, DC 20260-1135
Office Phone: (202) 268-3876
Cell: (b)(6), (b)(3), (b)(6), (b)(3), 410(c)(2)

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Cc: Elston, Michael J - Washington, DC
Subject: RE: Call
Date: Sunday, April 26, 2020 9:53:25 AM
Attachments: Draft Op-Ed (003) (003) jm3.docx

Attached is a (b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Saturday, April 25, 2020 3:54 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Call

(b)(5)
.
Thank you.

Megan

On Apr 25, 2020, at 3:52 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:
(b)(5)

Sent from my iPhone

On Apr 25, 2020, at 3:46 PM, Brennan, Megan J - Washington, DC
(b)(6), (b)(3), 410(c)(2) > wrote:
(
Thank you.

Megan

On Apr 25, 2020, at 2:59 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) > wrote:
FYI
Sent from my iPhone

Begin forwarded message:
From: "Marshall, Thomas J - Washington, DC"
(b)(6), (b)(3), 410(c)(2)
Date: April 25, 2020 at 2:59:34 PM EDT
To: "Elston, Michael J - Washington, DC" <(b)(6), (b)(3), 410(c)(2)
Subject: Call
Mike, (b)(5)

Sent from my iPhone

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From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC; Brennan, Megan J - Washington, DC
Cc: Walker, Janice D - Washington, DC
Subject: RE: Communication Strategy (v7)
Date: Wednesday, April 15, 2020 6:34:24 PM
Attachments: DRAFT -- Covid Stimulus Communications Plan v7.docx

---

Mike, I (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Wednesday, April 15, 2020 6:10 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Communication Strategy (v7)

Megan,

Please find attached a red-lined (b)(5)

Let me know what you think.

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

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From: Marshall, Thomas J - Washington, DC
To: Grossmann, Luke T - Washington, DC; Corbett, Joseph - Washington, DC
Cc: Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: Contribution Estimates 4/26
Date: Monday, April 27, 2020 12:03:48 PM
Attachments: image001.png
image002.png

(b)(3), 410(c)(2), (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Grossmann, Luke T - Washington, DC
Sent: Monday, April 27, 2020 12:02 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

Tom:

(b)(3), 410(c)(2), (b)(5)

Thanks,

- Luke

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 27, 2020 11:57 AM
To: Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6) >;
Grossmann, Luke T - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6) ;
Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

(b)(3), 410(c)(2), (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President

AMERICAN OVERSIGHT

United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Monday, April 27, 2020 9:34 AM
To: Grossmann, Luke T - Washington, DC
(b)(3), 410(c)(2), (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) ;
Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) gov>>;
Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

(b)(3), 410(c)(2), (b)(5)

From: Grossmann, Luke T - Washington, DC
Sent: Monday, April 27, 2020 9:09 AM
To: Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: FW: Contribution Estimates 4/26

Joe - (b)(3), 410(c)(2), (b)(5)

Thanks, Luke

[cid:image001.png@01D61C8B.E6607000]

From: Clark, Megan L - Washington, DC
Sent: Monday, April 27, 2020 8:05 AM
To: Grossmann, Luke T - Washington, DC
(b)(3), 410(c)(2), (b)(6)
Cc: Mazzei, Anthony E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: FW: Contribution Estimates 4/26

[cid:image002.png@01D61C8B.E6607000]

Carl Smith
202-570-8485

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Grossmann, Luke T - Washington, DC
Subject: RE: Contribution Estimates 4/26
Date: Monday, April 27, 2020 12:32:45 PM
Attachments: image001.png
image002.png

(b)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Grossmann, Luke T - Washington, DC
Sent: Monday, April 27, 2020 12:05 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

(b)(3), 410(c)(2), (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 27, 2020 12:04 PM
(b)(3), 410(c)(2), (b)(6)
Corbett, Joseph - Washington, DC
(b)(3), 410(c)(2), (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) ;
Stroman, Ronald A - Washington, DC <(b)(3), 410(c)(2), (b)(6)
Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

(b)(3), 410(c)(2), (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Grossmann, Luke T - Washington, DC
Sent: Monday, April 27, 2020 12:02 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) ;
Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6) gov>>
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6)
Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

Tom:

(b)(3), 410(c)(2), (b)(5)

Thanks,

AMERICAN OVERSIGHT

- Luke

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 27, 2020 11:57 AM
To: Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6)
Grossmann, Luke T - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6)
Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

I fully agree. (b)(3), 410(c)(2), (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Monday, April 27, 2020 9:34 AM
To: Grossmann, Luke T - Washington, DC
(b)(3), 410(c)(2), (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) gov>>;
Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

(b)(3), 410(c)(2), (b)(5)

From: Grossmann, Luke T - Washington, DC
Sent: Monday, April 27, 2020 9:09 AM
To: Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: FW: Contribution Estimates 4/26

Joe - (b)(3), 410(c)(2)

Thanks, Luke

[cid:image001.png@01D61C8F.F2477A40]

From: Clark, Megan L - Washington, DC
Sent: Monday, April 27, 2020 8:05 AM
To: Grossmann, Luke T - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: Mazzei, Anthony E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: Contribution Estimates 4/26

AMERICAN OVERSIGHT

[cid:image002.png@01D61C8F.F2477A40]

Carl Smith
202-570-8485

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Cc: Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: Contribution Estimates 4/26
Date: Monday, April 27, 2020 11:56:34 AM
Attachments: image001.png
image002.png

(b)(3), 410(c)(2), (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Monday, April 27, 2020 9:34 AM
To: Grossmann, Luke T - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) Stroman, Ronald A - Washington, DC <(b)(3), 410(c)(2), (b)(6)
Subject: RE: Contribution Estimates 4/26

(b)(3), 410(c)(2), (b)(5)

(b)(3), 410(c)(2), (b)(5)

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From: Grossmann, Luke T - Washington, DC
Sent: Monday, April 27, 2020 9:09 AM
To: Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: FW: Contribution Estimates 4/26

Joe - (b)(3), 410(c)(2), (b)(5)

. Thanks, Luke

[cid:image001.png@01D61C8A.E3ABF3D0]

From: Clark, Megan L - Washington, DC
Sent: Monday, April 27, 2020 8:05 AM
To: Grossmann, Luke T - Washington, DC
(b)(3), 410(c)(2), (b)(6) >
Cc: Mazzei, Anthony E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: FW: Contribution Estimates 4/26

[cid:image002.png@01D61C8A.E3ABF3D0]

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Carl Smith
202-570-8485

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From: Marshall, Thomas J - Washington, DC
To: Grossmann, Luke T - Washington, DC; Weidner, Keith E - Washington, DC; Corbett, Joseph - Washington, DC
Subject: RE: COVID_Congressional_RESPONSE - 4-14-20 1030 AM.DOCX
Date: Thursday, April 16, 2020 12:42:37 PM
Attachments: LTG_COVID_Congressional_RESPONSE - 4 15 20 300 PM.DOCX

Attached is a (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 12:28 PM
To: Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: COVID_Congressional_RESPONSE - 4-14-20 1030 AM.DOCX

All, with my edits on the attached, (b)(5)

-Tom

From: Grossmann, Luke T - Washington, DC
Sent: Thursday, April 16, 2020 7:39 AM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: RE: COVID_Congressional_RESPONSE - 4-14-20 1030 AM.DOCX

All: (b)(5) Thanks, - Luke

From: Grossmann, Luke T - Washington, DC
Sent: Wednesday, April 15, 2020 3:00 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) >;
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: COVID_Congressional_RESPONSE - 4-14-20 1030 AM.DOCX

All:

(b)(5)

Thanks,

- Luke

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 15, 2020 2:30 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Grossmann,

AMERICAN OVERSIGHT

Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: COVID_Congressional_RESPONSE - 4-14-20 1030 AM.DOCX

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 15, 2020 12:01 PM
To: Corbett, Joseph - Washington, DC <(b)(6), (b)(3), 410(c)(2) >;
Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: COVID_Congressional_RESPONSE - 4-14-20 1030 AM.DOCX

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Wednesday, April 15, 2020 11:59 AM
To: Grossmann, Luke T - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Weidner, Keith E - Washington, DC
(b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) >
Cc: Corbett, Joseph - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: COVID_Congressional_RESPONSE - 4-14-20 1030 AM.DOCX

(b)(5)

AMERICAN OVERSIGHT

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From: Marshall, Thomas J - Washington, DC
To: Seaver, Kristin A - Washington, DC; Torres, Adyani - Washington, DC
Subject: RE: COVID_HQ Executives_4.28.20 DRAFT.pptx
Date: Tuesday, April 28, 2020 10:04:26 AM
Attachments: COVID_HQ Executives_4.28.20 FINAL.PPTX

Adyani, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Seaver, Kristin A - Washington, DC
Sent: Tuesday, April 28, 2020 9:01 AM
To: Torres, Adyani - Washington, DC (b)(3), 410(c)(2), (b)(6)

Subject: FW: COVID_HQ Executives_4.28.20 DRAFT.pptx

Adyani - (b)(5)

KS

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From: Marshall, Thomas J - Washington, DC
To: Seaver, Kristin A - Washington, DC; Torres, Adyani - Washington, DC
Subject: RE: COVID_HQ Executives_4.28.20 DRAFT.pptx
Date: Tuesday, April 28, 2020 10:04:31 AM
Attachments: COVID_HQ Executives_4.28.20 FINAL.PPTX

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Seaver, Kristin A - Washington, DC
Sent: Tuesday, April 28, 2020 9:01 AM
To: Torres, Adyani - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Barksdale, Gary R (b)(6), (b)(3), 410(c)(2); Bombaugh, Scott R - Merrifield, VA (b)(6), (b)(3), 410(c)(2) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Cronkhite, Isaac S - Washington, DC (b)(6), (b)(3), 410(c)(2) Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2); Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Mendonca, Pat - Washington, DC (b)(6), (b)(3), 410(c)(2); Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2); Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2); Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2); Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2); Williams Jr, David E (COO) - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: COVID_HQ Executives_4.28.20 DRAFT.pptx

Adyani - (b)(5)

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From: Marshall, Thomas J - Washington, DC
To: Belt, David C - Washington, DC; Howley, Jacob D - Washington, DC; Weidner, Keith E - Washington, DC; Brownlie, Caroline R - Washington, DC
Subject: RE: COVID-19 bill summary & TA
Date: Monday, March 23, 2020 3:42:43 PM

Thank you, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Belt, David C - Washington, DC
Sent: Monday, March 23, 2020 3:42 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2); Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2); Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: COVID-19 bill summary & TA

(b)(5) (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Monday, March 23, 2020 3:40 PM
To: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2); Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: COVID-19 bill summary & TA

(b)(5)
.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Howley, Jacob D - Washington, DC
Sent: Monday, March 23, 2020 3:39 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2); Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2); Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: COVID-19 bill summary & TA

AMERICAN OVERSIGHT

Tom et al.:
(b)(5)

Thanks.

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

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From: Marshall, Thomas J - Washington, DC
To: Ellis, David B - Washington, DC
Cc: Calamoneri, Kevin A - Washington, DC; Weidner, Keith E - Washington, DC; Elston, Michael J - Washington, DC
Subject: RE: COVID-19_OFFICER_03212020
Date: Sunday, March 22, 2020 3:39:14 PM

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From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC; Ellis, David B - Washington, DC
Cc: Calamoneri, Kevin A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: COVID-19_OFFICER_03212020
Date: Sunday, March 22, 2020 6:05:24 PM

David, (b)(5)

From: Elston, Michael J - Washington, DC
Sent: Sunday, March 22, 2020 4:20 PM
To: Ellis, David B - Washington, DC (b)(3), 410(c)(2), (b)(6) Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Cc: Calamoneri, Kevin A - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: COVID-19_OFFICER_03212020

David,

(b)(5)

Mike

From: Ellis, David B - Washington, DC
Sent: Sunday, March 22, 2020 3:40 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Calamoneri, Kevin A - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Elston, Michael J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: COVID-19_OFFICER_03212020
Importance: High

Thanks, (b)(5) .

David B. Ellis
Managing Counsel
Employment and Labor Law
United States Postal Service
475 L'Enfant Plaza, SW, Room 6436
Washington, DC 20260-1149
Phone: (202) 268-2981
Cell: (b)(6), (b)(3),
Fax: (202) 268-5402
Email: (b)(6), (b)(3), 410(c)(2)

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From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 22, 2020 3:39 PM
To: Ellis, David B - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Cc: Calamoneri, Kevin A - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Elston, Michael J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: COVID-19_OFFICER_03212020

(b)(5)
(b)(5)

From: Ellis, David B - Washington, DC
Sent: Sunday, March 22, 2020 3:15 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Cc: Calamoneri, Kevin A - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: FW: COVID-19_OFFICER_03212020
Importance: High

Tom –

I(b)(5)

(b)(5)

Thanks,

David B. Ellis
Managing Counsel
Employment and Labor Law

AMERICAN OVERSIGHT

United States Postal Service
475 L'Enfant Plaza, SW, Room 6436
Washington, DC 20260-1149
Phone: (202) 268-2981
Cell: (b)(3), 410(c)
Fax: (202) 268-5402
Email: (b)(3), 410(c)(2), (b)(6)

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From: Billingsley, Michael A - Washington, DC
Sent: Sunday, March 22, 2020 3:06 PM
To: Ellis, David B - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Kennedy, Dale E - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: RE: COVID-19_OFFICER_03212020

David / Dale -

(b)(5)

.

Thank you!

- Michael

From: Billingsley, Michael A - Washington, DC
Sent: Sunday, March 22, 2020 12:34 PM
To: Swigart, Michael A - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Hoyt, Garrett M - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: FW: COVID-19_OFFICER_03212020

(b)(5)

Thank you!

- Michael

From: Billingsley, Michael A - Washington, DC
Sent: Sunday, March 22, 2020 10:18 AM
To: Colin, Joshua D - Pittsburgh, PA (b)(3), 410(c)(2), (b)(6) >; Guilfoil, Mark A - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Storey, Simon M - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Walker,

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Janice D - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Monteith, Steven W - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Kennedy, Dale E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Bruce, Joseph R - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: RE: COVID-19_OFFICER_03212020

(b)(5)

Thank you!

- Michael

From: Seaver, Kristin A - Washington, DC
Sent: Saturday, March 21, 2020 8:30 PM
To: _HQ OFFICERS (b)(3), 410(c)(2), (b)(6) _AREA VICE PRESIDENTS (b)(3), 410(c)(2), (b)(6) >
Cc: COVID 19 Command Team (b)(3), 410(c)(2), (b)(6) >
Subject: COVID-19_OFFICER_03212020

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From: Marshall, Thomas J - Washington, DC
To: Corbett, Joseph - Washington, DC; Stroman, Ronald A - Washington, DC; Brennan, Megan J - Washington, DC
Cc: Grossmann, Luke T - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: Discuss Borrowing Arrangements for $10B w/USPS & Treasury
Date: Tuesday, April 21, 2020 4:36:53 PM
Attachments: image001.jpg

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Corbett, Joseph - Washington, DC
Sent: Tuesday, April 21, 2020 2:07 PM
To: Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Discuss Borrowing Arrangements for $10B w/USPS & Treasury

(b)(5)

Thanks, Joe

Joseph Corbett
EVP and CFO
U.S. Postal Service
(b)(6) (Mobile)
(202) 268-5272 (Office)

From: (b)(6)
Sent: Tuesday, April 21, 2020 1:40 PM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
(b)(6)
(b)(6) Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) >>; Berthold, Mark S - Washington, DC
(b)(6), (b)(3), 410(c)(2) gov>>; Schafer, Elizabeth M - Washington, DC
(b)(6), (b)(3), 410(c)(2) ;
(b)(6) ; Alesevich, Walter - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Cc: C(b)(6)
Subject: [EXTERNAL] RE: Discuss Borrowing Arrangements for $10B w/USPS & Treasury

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Joe,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

.

Regards,
Jeff

Jeff Stout
Director
Office of Federal Program Finance
202-997-2911
(b)(6)

-----Original Appointment-----
From: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Thursday, April 9, 2020 1:53 PM
To: Corbett, Joseph - Washington, DC; Stout, Jeffrey; Dalton, Ocean; Mills, Colleen; Marshall, Thomas J - Washington, DC; Berthold, Mark S - Washington, DC; Schafer, Elizabeth M - Washington, DC; Grippo, Gary; Alesevich, Walter - Washington, DC
Subject: FW: Discuss Borrowing Arrangements for $10B w/USPS & Treasury
When: Thursday, April 9, 2020 4:00 PM-5:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: https://usps.zoomgov.com/j/1608534353?pwd=RmdUMFUyZlFRVkpNcVRkVmdkVFhYdz09

-----Original Appointment-----
From: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)]
Sent: Wednesday, April 8, 2020 1:30 PM
To: Corbett, Joseph - Washington, DC; Marshall, Thomas J - Washington, DC; Berthold, Mark S - Washington, DC; Schafer, Elizabeth M - Washington, DC; Grippo, Gary; Alesevich, Walter - Washington, DC
Subject: Discuss Borrowing Arrangements for $10B w/USPS & Treasury
When: Thursday, April 9, 2020 4:00 PM-5:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: https://usps.zoomgov.com/j/1608534353?pwd=RmdUMFUyZlFRVkpNcVRkVmdkVFhYdz09

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[Image removed by sender.]<http://zoom.us/>

Hi there,

Angela Duncan is inviting you to a scheduled ZoomGov meeting.

Please note, you do NOT need a Zoom account to join the meeting.

Join Zoom Meeting<https://usps.zoomgov.com/j/1608534353?pwd=RmdUMFUyZlFRVkpNcVRkVmdkVFhYdz09>

Phone one-tap:

US: +16783173330,,1608534353#<tel:+16783173330,,1608534353> or +16692161583,,1608534353#<tel:+16692161583,,1608534353>

Meeting URL:

https://usps.zoomgov.com/j/1608534353?pwd=RmdUMFUyZlFRVkpNcVRkVmdkVFhYdz09

Meeting ID:

160 853 4353

Password:

153763

Join by Telephone

For higher quality, dial a number based on your current location.

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Dial:

US: +1 678 317 3330 or +1 669 216 1583

Meeting ID:

160 853 4353

Password:

153763

International numbers<https://usps.zoomgov.com/u/aTllilTZ>

Join from an H.323/SIP room system

H.323:

sip.zoomgov.com

Meeting ID:

160 853 4353

Password:

153763

SIP:

1608534353@sip.zoomgov.com<mailto:1608534353@sip.zoomgov.com>

Password:

153763

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From:	Marshall, Thomas J - Washington, DC
To:	Mendonca, Pat - Washington, DC
Cc:	Brennan, Megan J - Washington, DC; Williams Jr, David E (COO) - Washington, DC; Cronkhite, Isaac S - Washington, DC
Subject:	Re: Discussion with CDC and NIOSH
Date:	Tuesday, March 3, 2020 6:26:18 AM

(b)(5)

Sent from my iPhone

On Mar 3, 2020, at 6:00 AM, Mendonca, Pat - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: DRAFT - PMG May 2020 Open Session Script v3.docx
Date: Wednesday, May 6, 2020 7:41:13 PM
Attachments: DRAFT - PMG May 2020 Open Session Script v3.docx

---

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Wednesday, May 6, 2020 6:17 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: DRAFT - PMG May 2020 Open Session Script v3.docx

Tom,

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject: RE: DRAFT - PMG May 2020 Open Session Script v6.docx
Date: Thursday, May 7, 2020 4:35:19 PM
Attachments: DRAFT - PMG May 2020 Open Session Script v6.docx
DRAFT - PMG May 2020 Open Session Script v6.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Thursday, May 7, 2020 4:03 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: DRAFT - PMG May 2020 Open Session Script v6.docx

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC; Calamoneri, Kevin A - Washington, DC
Cc:	Ellis, David B - Washington, DC
Subject:	RE: Draft Executive Letter
Date:	Thursday, March 26, 2020 8:06:05 PM
Attachments:	Postal Leadership Team Letter.docx Postal Service Efforts and Implementations for COVID-19.docx

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Thursday, March 26, 2020 4:58 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) Calamoneri, Kevin A - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Ellis, David B - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: Draft Executive Letter

(b)(5)

Keith

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC
Cc:	Weidner, Keith E - Washington, DC
Subject:	RE: Draft Letter to Congressional Leadership
Date:	Friday, April 17, 2020 10:58:52 PM
Attachments:	DRAFT - BOG Letter to Congressional Leadership v1 (002) (005).docx

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 10:46 PM
To: Brennan, Megan J - Washington, DC (b)(3), (b)(6), 410(c)(2) Stroman, Ronald A - Washington, DC (b)(3), (b)(6), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: Draft Letter to Congressional Leadership

Megan, (b)(5)

-Tom

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From: Marshall, Thomas J - Washington, DC
To: Jim Morrell; Elston, Michael J - Washington, DC
Subject: RE: Draft WSJ Op-Ed from the PMG
Date: Saturday, April 25, 2020 12:30:15 PM
Attachments: Draft Op-Ed (003) (003) jm2.docx

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Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Seaver, Kristin A - Washington, DC
Subject: Re: ELT AM EXCHANGE
Date: Sunday, March 22, 2020 4:10:08 PM

(b)(5)

Sent from my iPhone

On Mar 22, 2020, at 3:51 PM, Seaver, Kristin A - Washington, DC (b)(3), 410(c)(2), (b)(6) wrote:

(b)(5)

KS

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 22, 2020 3:46 PM
To: Seaver, Kristin A - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: ELT AM EXCHANGE

(b)(5)

From: Seaver, Kristin A - Washington, DC
Sent: Sunday, March 22, 2020 12:36 PM
To: Corbett, Joseph - Washington, DC (b)(3), 410(c)(2), (b)(6) v>>; Krage Strako, Jakki - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Williams Jr, David E (COO) - Washington, DC (b)(3), 410(c)(2), (b)(6) Cronkhite, Isaac S - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) gov>>; Walker, Janice D - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Bombaugh, Scott R - Merrifield, VA (b)(3), 410(c)(2), (b)(6) Barksdale, Gary R

AMERICAN OVERSIGHT

(b)(3), 410(c)(2), (b)(6) >
Cc: Mendonca, Pat - Washington, DC (b)(3), 410(c)(2), (b)(6) >>; Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Stroman, Ronald A - Washington, DC (b)(3), 410(c)(2), (b)(6) >; COVID 19 Command Team <(b)(3), 410(c)(2), (b)(6)
Subject: ELT AM EXCHANGE

All – (b)(5)

Thanks

Kristin

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Hayden, Brady - Washington, DC; Corbett, Joseph - Washington, DC
Cc: Greene, Cara M - Washington, DC; Eppard, Dennis M - Washington, DC; Bonanno, Natalie A - Washington, DC
Subject: RE: Emailing: Draft 3.0 USPS-2020.03.31-10Q 04.16.doc
Date: Monday, April 20, 2020 9:42:44 PM
Attachments: image001.jpg
Draft 3.0 USPS-2020.03.31-10Q 04.16.doc

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Hayden, Brady - Washington, DC
Sent: Thursday, April 16, 2020 5:59 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c) >; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)
Cc: Greene, Cara M - Washington, DC (b)(6), (b)(3), gov>; Eppard, Dennis M - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Bonanno, Natalie A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Emailing: Draft 3.0 USPS-2020.03.31-10Q 04.16.doc

Tom and Joe

(b)(5)

Thanks.

P. Brady Hayden
Manager, External Reporting & Accounting Projects
(202)268.7859
(b)(6), (b) (c)
(b)(6), (b)(3), 410(c)(2)

[cid:image001.jpg@01CFDD69.62E19810]
USPS
475 L'Enfant Plaza, Room 8831
Washington, DC 20260
www.usps.com<http://www.usps.com/>

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Cc: Elston, Michael J - Washington, DC
Subject: RE: Expanded Wash Post article and print placement
Date: Saturday, April 25, 2020 11:08:45 AM

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Saturday, April 25, 2020 9:42 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Expanded Wash Post article and print placement

(b)(5)

Thank you.

Megan

On Apr 25, 2020, at 9:27 AM, Walker, Janice D - Washington, DC <(b)(6), (b)(3), 410(c)(2) > wrote:
(
b
)
(

https://www.washingtonpost.com/us-policy/2020/04/24/trump-postal-service-loan-treasury/

Trump says he will block coronavirus aid for U.S. Postal Service if it doesn't hike prices immediately
The president said the postal agency should quadruple its package delivery prices, otherwise he would block congressionally approved funding
By Lisa Rein<https://www.washingtonpost.com/people/lisa-rein/> and Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/>
April 24, 2020 at 7:22 p.m. EDT

President Trump on Friday threatened to block an emergency loan to shore up the U.S. Postal Service unless it dramatically raised shipping prices on online retailers, an unprecedented move to seize control of the agency that analysts said could plunge its finances into a deeper hole.

"The Postal Service is a joke," Trump told reporters in the Oval Office. To obtain a $10 billion line of credit Congress approved this month, "The post office should raise the price of a package by approximately four times," he said.

Trump for years has alleged the Postal Service has charged too little for packages and personally pushed the head of the agency to charge far more to ship goods for big online retailers. Several administration officials, speaking on

AMERICAN OVERSIGHT

condition of anonymity, have said Trump's criticism of Postal Service rates is rooted in a desire to hurt Amazon in particular.<https://www.washingtonpost.com/business/economy/trump-personally-pushed-postmaster-general-to-double-rates-on-amazon-other-firms/2018/05/18/2b6438d2-5931-11e8-858f-12becb4d6067_story.html?tid=lk_inline_manual_4&itid=lk_inline_manual_4> They have said that he fumes publicly and privately at Amazon's founder Jeff Bezos, who also owns The Washington Post, for news coverage that Trump believes is unfair.
But raising USPS prices so sharply may not have the impact the president desires, analysts said, as it would put postal services prices far above those of UPS and FedEx, allowing them to raise prices a little and still gain market share, they said.

"This is about as catastrophically stupid an idea that anyone could ever imagine," said Mark Cohen, director of retail studies at Columbia University Business School. "As if anyone from Amazon to the local mom and pop delivery businesses would ever put up with a rate increase like that when they have alternatives."

Jon Gold, the vice president of supply chain and customs policy at the National Retail Federation, said in a statement that higher prices would "significantly hurt rural communities and small businesses in addition to USPS."

"Retailers and consumers are heavily relying on USPS during the pandemic to deliver goods, as bricks-and-mortar stores are temporarily closed," Gold said.

Trump's proposal could hit Amazon harder than other shipping companies because it cannot as easily pass costs onto consumers. It also contracts more often with USPS for "last-mile" service — or deliveries between warehouses and homes.

But a dramatic spike in USPS package rates could push the e-commerce giant to do more last-mile shipments on its own. Amazon already delivers close to half of its own shipments. Before the pandemic, it was on pace to deliver more packages annually than either UPS or FedEx by 2022, according to Morgan Stanley.

Such a price increase would also hurt a broad swath of businesses, including brick-and-mortar retailers and other Amazon rivals, which have turned to the Postal Service to get goods to consumers after the pandemic closed down many malls and physical stores.

"Raising rates like that on the post office, which is a thinly veiled attempt to get at Bezos, will merely result in Amazon and other shippers moving their business," Cohen said. "It will kill the post office."

The Postal Service has not taken federal funding since 1970, operating instead from revenue it raises from stamp sales and other products. But it has struggled as first-class mail plummeted in the Internet era, and is burdened by a congressional requirement to pre-fund its health benefits for retired employees. The agency has stopped making those payments. As it has run up multibillion-dollar debts, Congress has debated new subsidies and business plans to lessen its financial problems — but never agreed on a solution.

Delivering packages has been a good business for the Postal Service, making up just 5 percent of the Postal Service's volume, but accounting for 30 percent of its revenue. And package volume jumped 53 percent last week, compared with the same period in 2019, as a homebound nation dives into e-commerce for groceries, prescriptions and household essentials.

But overall, the pandemic has worsened the agency's finances as catalogues, real estate ads and other business mail have spiraled down. Postal officials say revenue has plunged by almost a third, and growth in package business has not been able to compensate for the other losses.

The Postal Service repeatedly has defended its arrangement with Amazon, saying it gets fair rates for the services it provides in a highly competitive environment. But Trump has doubted those statements.

"They're handing out packages for Amazon and other Internet companies, and every time they bring a package, they lose money on it," Trump said on Friday. He also accused post office officials of being "very cozy" with big online merchants.

AMERICAN OVERSIGHT

“If they don’t raise the price of the service they give, which is a tremendous service, and they do a great job and the postal workers are fantastic — but this thing’s losing billions of dollars,” Trump said. “If they don’t raise the price I’m not signing anything, so they’ll raise the price so that they become maybe even profitable but so they lose much less money, okay? ”

His comments are drawing the Postal Service into a political showdown. The agency says revenue have dropped down by close to a third during the pandemic.

Lawmakers, postal unions and other entities that rely on the post office accused the president of exploiting the pandemic to punish his enemies.

House Speaker Nancy Pelosi (D-Calif.) said the president was trying to starve the Postal Service so he and his allies can turn it over to a private company.

“Right now, I see a big danger for our country in the form of the administration’s interest in privatizing the post office,” she told reporters. “This is just about somebody on the outside making money off the post office instead of recognizing the important role [it] plays."

Under the $2.3 trillion coronavirus stimulus relief passed last month<https://www.washingtonpost.com/business/2020/03/25/trump-senate-coronavirus-economic-stimulus-2-trillion/?tid=lk_inline_manual_7&itid=lk_inline_manual_7&tid=lk_inline_manual_38&itid=lk_inline_manual_38>, Treasury was authorized to loan $10 billion to the USPS, which says it may not be able to make payroll and continue mail service uninterrupted past September.

Treasury Secretary Steven Mnuchin rejected a bipartisan Senate proposal to give the Postal Service a bailout amid the negotiations over that legislation, a senior Trump administration official and a congressional official previously told The Post.<https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/?tid=lk_inline_manual_7&itid=lk_inline_manual_7&tid=lk_inline_manual_41&itid=lk_inline_manual_41>

Any decision on higher package rates as a condition of the Treasury loan would be up to the agency’s board of governors, which currently has five Senate-confirmed members appointed by Trump.

“If you raise prices by 400 percent, people are no longer going to be able to mail packages — or they will move to the Postal Service’s competitors,” said Art Sackler, a longtime lobbyist for mailers, postal shippers and suppliers.

After months of attack on Amazon early in his term, Trump commissioned the Treasury Department to lead a task force on the post office’s financial troubles. In a December 2018 report, the task force concluded that the agency “is on an unsustainable financial path” and recommended restructuring that included higher package prices and labor concessions that called for a shift to nonunion employees in some parts of agency operations.

Since becoming president, Trump has taken an unusual interest in the Postal Service, according to current and former aides. He has asked for detailed briefings on the agency’s finances and operations and has complained repeatedly to senior aides about its status as a financial “loser,” the aides said. Mnuchin, whose agency has provided many loans to the post office as its fortunes sank — loans with no strings attached except interest payments — took on the challenge of getting Trump what he wanted.

“[Trump] is interposing his own flawed judgment for a very complex, technical enterprise that serves at least a $2 trillion industry,” said Rep. Gerald E. Connolly (D-Va.), who chairs the House subcommittee in charge of postal oversight. “It’s one of the most important services in America. It serves every business and every household and it has a workforce of 630,000 people who put themselves at risk every day on behalf of the American population. And he’s willing to risk it all because he’s got a bugaboo in his mind that Jeff Bezos and Amazon are getting a good deal.”

Former Army secretary John McHugh, chairman of the Package Coalition advocacy group, said in a statement that Trump’s proposal would raise prices for consumers, small businesses and rural communities.

“Now, when Americans need affordable and reliable package delivery service more than ever, Congress must fight

AMERICAN OVERSIGHT

to guarantee emergency relief for the Postal Service and stop this package tax," he said.

Staff writers Philip Rucker, Damian Paletta and Erica Werner contributed to this report.

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From:	Marshall, Thomas J - Washington, DC
To:	McClease, Tiffany N - Washington, DC; Solomon, Nathan T - St Louis, MO; Bartholf, Frank M - St Louis, MO; Calamoneri, Kevin A - Washington, DC
Cc:	Ellis, David B - Washington, DC; Chounet, Kaitlyn R - Washington, DC; Colling, James C - Denver, CO
Subject:	RE: Face Coverings Reactive Statement
Date:	Wednesday, April 8, 2020 6:56:59 PM
Attachments:	Draft - USPS Face Covering Distribution Press Releasev9 - 4.7.20.docx

(b)(5)

Thanks.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: McClease, Tiffany N - Washington, DC
Sent: Wednesday, April 8, 2020 3:12 PM
To: Solomon, Nathan T - St Louis, MO (b)(3), (b)(6), 410(c)(2) ; Bartholf, Frank M - St Louis, MO (b)(3), (b)(6), 410(c)(2) ; Calamoneri, Kevin A - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2) >
Cc: Ellis, David B - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Chounet, Kaitlyn R - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Colling, James C - Denver, CO (b)(3), (b)(6), 410(c)(2)
Subject: FW: Face Coverings Reactive Statement
Importance: High

All,

(b)(5) .

Thanks,

Tiffany N. McClease
Attorney | Employment & Labor Law
United States Postal Service
475 L'Enfant Plaza SW, Room 6404
Washington, D.C. 20260
Office: 202-268-6296
Cell: (b)(3), (b)(6), 410(c)(2)

From: Ellis, David B - Washington, DC
Sent: Wednesday, April 8, 2020 1:22 PM
To: Chounet, Kaitlyn R - Washington, DC <(b)(3), (b)(6), 410(c)(2) McClease, Tiffany N - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Colling, James C - Denver, CO

AMERICAN OVERSIGHT

(b)(3), (b)(6), 410(c)(2) >; Leffler, Carol J - Denver, CO (b)(3), (b)(6), 410(c)(2)
Subject: Fwd: Face Coverings Reactive Statement

(b)(5)

Thanks,

David B. Ellis
Managing Counsel
Employment and Labor Law
United States Postal Service
475 L'Enfant Plaza, SW, Room 6436
Washington, DC 20260-1149
Phone: (202) 268-2981
Cell: (b)(3), (b)(6),
Fax: (202) 268-5402
Email: (b)(3), (b)(6), 410(c)(2)

NOTICE: This message is intended only for the use of the individual or entity to which it is addressed, and may contain information that is confidential, privileged or otherwise exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by reply email, then delete and purge this original message.

Begin forwarded message:

> **From:** "Solomon, Nathan T - St Louis, MO" (b)(3), (b)(6), 410(c)(2) >
> **Date:** April 8, 2020 at 11:57:21 AM EDT
> **To:** "Marshall, Thomas J - Washington, DC" (b)(3), (b)(6), 410(c)(2)
> **Cc:** "Calamoneri, Kevin A - Washington, DC" (b)(3), (b)(6), 410(c)(2) "Bartholf, Frank M - St Louis, MO" (b)(3), (b)(6), 410(c)(2) "Ellis, David B - Washington, DC" (b)(3), (b)(6), 410(c)(2)
> **Subject: RE: Face Coverings Reactive Statement**
>
> (b)(5)
>
> Thank you,
>
> Nate

AMERICAN OVERSIGHT

From: Solomon, Nathan T - St Louis, MO
Sent: Wednesday, April 8, 2020 11:40 AM
To: Marshall, Thomas J - Washington, DC <t(b)(3), (b)(6), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Bartholf, Frank M - St Louis, MO (b)(3), (b)(6), 410(c)(2) ; Ellis, David B - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: Face Coverings Reactive Statement

Tom,

(b)(5)

Thank you,

Nate

Nathan T. Solomon| **Attorney**
United States Postal Service Law Department
1720 Market Street, Room 2400, St. Louis, Missouri 63155-9948
T: 215.351.3818 | F: 314.345.5893| Email: (b)(3), (b)(6), 410(c)(2)

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Solomon, Nathan T - St Louis, MO
Cc: Calamoneri, Kevin A - Washington, DC; Bartholf, Frank M - St Louis, MO; Ellis, David B - Washington, DC
Subject: RE: Face Coverings Update
Date: Wednesday, April 8, 2020 8:09:09 PM

Thank you.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Solomon, Nathan T - St Louis, MO
Sent: Wednesday, April 8, 2020 7:29 PM
To: Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2)
Cc: Calamoneri, Kevin A - Washington, DC (b)(3), (b)(6), 410(c)(2) >; Bartholf, Frank M - St Louis, MO (b)(3), (b)(6), 410(c)(2) ; Ellis, David B - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: Re: Face Coverings Update

Understood. (b)(5)

Nate

> On Apr 8, 2020, at 7:21 PM, Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2) > wrote:
>
> (b)(5)
>
> Thomas J. Marshall
> General Counsel and Executive Vice President
> United States Postal Service
>
> ---
>
> **From:** Solomon, Nathan T - St Louis, MO
> **Sent:** Wednesday, April 8, 2020 7:07 PM
> **To:** Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2)
> **Cc:** Calamoneri, Kevin A - Washington, DC (b)(3), (b)(6), 410(c)(2) >; Bartholf, Frank M - St Louis, MO (b)(3), (b)(6), 410(c)(2) Ellis, David B - Washington, DC (b)(3), (b)(6), 410(c)(2)
> **Subject:** Face Coverings Update
>
> Tom,

AMERICAN OVERSIGHT

(b)(5)

Nate

Nathan T. Solomon| **Attorney**
United States Postal Service Law Department
1720 Market Street, Room 2400, St. Louis, Missouri 63155-9948
T: 215.351.3818 | F: 314.345.5893| Email: (b)(3), (b)(6), 410(c)(2)

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Solomon, Nathan T - St Louis, MO
Cc: Calamoneri, Kevin A - Washington, DC; Bartholf, Frank M - St Louis, MO; Ellis, David B - Washington, DC
Subject: RE: Face Coverings Update
Date: Wednesday, April 8, 2020 7:21:04 PM

(b)(5) .

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: Follow Up
Date: Wednesday, April 22, 2020 7:30:04 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Brennan, Megan J - Washington, DC
Sent: Wednesday, April 22, 2020 7:25 PM
To: Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2) >
Subject: Follow Up

Tom,

(b)(5)

Thanks,

Megan

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC; Brennan, Megan J - Washington, DC
Cc: Stavely, Rhonda J - Washington, DC; Latham, Sandra R - Washington, DC; Elston, Michael J - Washington, DC
Subject: RE: From Lisa Rein at the Post
Date: Wednesday, April 22, 2020 5:30:06 PM

Megan, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 22, 2020 5:19 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2); Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: From Lisa Rein at the Post

(b)(5)
Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Valentin, Maria C - Washington, DC
Cc: Calamoneri, Kevin A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: FY2020, Qtr. II Draft Contingent Liability Report
Date: Wednesday, April 1, 2020 8:41:34 PM
Attachments: FY2020, Qtr. II Draft Contingent Liability Report 3v.pdf

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Maria, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Valentin, Maria C - Washington, DC
Sent: Wednesday, March 25, 2020 6:14 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FY2020, Qtr. II Draft Contingent Liability Report
Importance: High

Tom,

(b)(5)

Thank you

Maria C. Valentin
Law Department - Integration and Support
Management Analyst
PH: 202-268-5677
Cell Phone: (b)(6), (b)
(b)(6), (b)(3), 410(c)(2) >

NOTICE: This message is intended only for the use of the individual or entity to which it is addressed, and may contain information that is confidential, privileged or otherwise exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, or the employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify the sender immediately by reply e-mail, then delete and purge this original message.

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC; Walker, Janice D - Washington, DC; Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC
Subject: RE: Hi David!! From Lisa Rein at the Post
Date: Wednesday, April 22, 2020 7:23:00 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Wednesday, April 22, 2020 7:02 PM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2); Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Hi David!! From Lisa Rein at the Post

(b)(5)

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 22, 2020 6:53 PM
To: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) ;
Stroman, Ronald A - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ,
Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Hi David!! From Lisa Rein at the Post

FYI below - (b)(5) .
(b)(5)

From: Partenheimer, David A - Washington, DC
Sent: Wednesday, April 22, 2020 6:32 PM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Hi David!! From Lisa Rein at the Post

(b)(5)

From: Rein, Lisa (b)(6)
Sent: Wednesday, April 22, 2020 6:29 PM
To: Partenheimer, David A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Hi David!! From Lisa Rein at the Post

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Have they asked to impose other terms? And what are they?
Thanks Dave

From: Partenheimer, David A - Washington, DC

AMERICAN OVERSIGHT

<(b)(6), (b)(3), 410(c)(2)
Sent: Wednesday, April 22, 2020 6:20 PM
To: Rein, Lisa <(b)(6)
Subject: RE: Hi David!! From Lisa Rein at the Post

Lisa,
We are in preliminary discussions with the Treasury Department regarding the CARES Act borrowing authority, and the Treasury Department has not asked to impose any of those conditions on that borrowing authority.
Thanks
Dave

From: Rein, Lisa [(b)(6)
Sent: Wednesday, April 22, 2020 4:55 PM
To: Partenheimer, David A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Hi David!! From Lisa Rein at the Post

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Hi David sorry it is 5 pm-not ideal for you guys
I would say as soon as you can swing it!!

From: Partenheimer, David A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Sent: Wednesday, April 22, 2020 4:54 PM
To: Rein, Lisa <(b)(6)
Subject: RE: Hi David!! From Lisa Rein at the Post

CAUTION: EXTERNAL SENDER
Got it. Do you have a specific deadline this evening?

From: Rein, Lisa [(b)(6)]
Sent: Wednesday, April 22, 2020 4:47 PM
To: Partenheimer, David A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
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HI there David.
Wanted to see if USPS could comment on what we're planning to report, which is that the Treasury Dept and Postal officials are now in talks over the terms and conditions of the CARES ACT line of credit, and that Treasury is discussing giving the Secretary have control over/have the right to impose some or all of the following terms and conditions.
Thank you so much in advance for helping with this!

1/ Postal Service would raise package rates
2/Treasury would approve big rate contracts with third -party shippers
3/Treasury would review hiring and firing of senior postal executives
4/USPS would have to negotiate tougher labor contracts.

Also these are similar demands to what Mnuchin proposed to the board of governors last fall.

AMERICAN OVERSIGHT

Thanks so much
Best, Lisa

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC; Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC; Elston, Michael J - Washington, DC
Subject: RE: Hi David!! From Lisa Rein at the Post
Date: Wednesday, April 22, 2020 7:09:10 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 22, 2020 6:53 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
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FYI (b)(5)
Thanks

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Sent: Wednesday, April 22, 2020 6:32 PM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Hi David!! From Lisa Rein at the Post

(b)(5)

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(b)(6), (b)(3), 410(c)(2)
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AMERICAN OVERSIGHT

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(b)(6), (b)(3), 410(c)(2) >
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Thank you so much in advance for helping with this!

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2/Treasury would approve big rate contracts with third -party shippers
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4/USPS would have to negotiate tougher labor contracts.

Also these are similar demands to what Mnuchin proposed to the board of governors last fall.
Thanks so much
Best, Lisa

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Grossmann, Luke T - Washington, DC; Brennan, Megan J - Washington, DC; Corbett, Joseph - Washington, DC; Stroman, Ronald A - Washington, DC; Weidner, Keith E - Washington, DC
Subject:	RE: House Senate Committee Discussion_5.11.2020.docx
Date:	Sunday, May 10, 2020 4:25:09 PM
Attachments:	House Senate Committee Discussion_5.11.2020.docx

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(b)(5)

From: Grossmann, Luke T - Washington, DC
Sent: Friday, May 8, 2020 11:49 AM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: House Senate Committee Discussion_5.11.2020.docx

Megan / Joe / Ron / Tom:

(b)(5)

- Luke

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Calamoneri, Kevin A - Washington, DC; Weidner, Keith E - Washington, DC; Ellis, David B - Washington, DC
Subject: RE: HQ Executive Town Hall
Date: Monday, April 27, 2020 12:06:08 PM

(b)(3), 410(c)(2), (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Calamoneri, Kevin A - Washington, DC
Sent: Monday, April 27, 2020 11:24 AM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Ellis, David B - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: HQ Executive Town Hall
Importance: High

Tom et. al.

(b)(3), 410(c)(2), (b)(5)

Kevin A. Calamoneri
Deputy General Counsel, Field Operations
UNITED STATES POSTAL SERVICE
475 L'Enfant Plaza SW
Washington, DC 20260-1135
Office Phone: (202) 268-3876
Cell: (b)(3), 410(c)(2), (b)(6) (b)(3), 410(c)(2), (b)(6)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Calamoneri, Kevin A - Washington, DC; Weidner, Keith E - Washington, DC; Ellis, David B - Washington, DC
Subject: RE: HQ Executive Town Hall
Date: Monday, April 27, 2020 12:06:11 PM

(b)(3), 410(c)(2), (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Calamoneri, Kevin A - Washington, DC
Sent: Monday, April 27, 2020 11:24 AM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Ellis, David B - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: HQ Executive Town Hall
Importance: High

Tom et. al.

(b)(3), 410(c)(2), (b)(5)

Kevin A. Calamoneri
Deputy General Counsel, Field Operations
UNITED STATES POSTAL SERVICE
475 L'Enfant Plaza SW
Washington, DC 20260-1135

AMERICAN OVERSIGHT

Office Phone: (202) 268-3876
Cell: (b)(3), 410(c)(2), (b)(6) c)(2), (b)

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AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Weidner, Keith E - Washington, DC; Krage Strako, Jakki - Washington, DC; Karpenko, Christopher J - Washington, DC; Foti, Thomas J - Washington, DC; Monteith, Steven W - Washington, DC
Subject:	RE: Industry Letter
Date:	Friday, March 20, 2020 7:43:36 PM

We will be done today. Just taking a moment to eat, and to deal with the Board Office.

From: Weidner, Keith E - Washington, DC
Sent: Friday, March 20, 2020 7:18 PM
To: Krage Strako, Jakki - Washington, DC <jakki.m.strako@usps.gov>; Karpenko, Christopher J - Washington, DC <christopher.j.karpenko@usps.gov>; Foti, Thomas J - Washington, DC <thomas.j.foti@usps.gov>; Monteith, Steven W - Washington, DC <steven.w.monteith@usps.gov>
Cc: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
Subject: Industry Letter
Importance: High

See attached for a draft letter. This specifically deals with the industry members being used for the WH/CDC mailers.

We are still working through some issues concerning other industry members but are working to complete a draft soon.

Keith

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Smith, Jay L - Washington, DC; Corbett, Joseph - Washington, DC; Grossmann, Luke T - Washington, DC
Cc: Krage Strako, Jakki - Washington, DC; Costello, Timothy R - South Florida District, FL; Owens, Sharon - Merrifield, VA; Bross, Adrienne; Santana Grace, Dakota; Weidner, Keith E - Washington, DC
Subject: RE: input needed - Board Memo
Date: Saturday, May 2, 2020 11:35:31 AM
Attachments: 20200501.1024_Fulfilling our Mission_Outline.docx

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(b)(5), (b)(3), 410(c)(2)

[redacted]

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Smith, Jay L - Washington, DC
Sent: Friday, May 1, 2020 10:47 AM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Costello, Timothy R - South Florida District, FL (b)(6), (b)(3), 410(c)(2) ; Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) ; Bross, Adrienne (b)(6) ; Santana Grace, Dakota (b)(6)
Subject: input needed - Board Memo
Importance: High

Joe, Tom, Luke,

(b)(5), (b)(3), 410(c)(2)

Look forward to hearing your comments,

Jay Smith
Director, Enterprise Accounts

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: input needed - Board Memo
Date: Friday, May 1, 2020 3:49:32 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Friday, May 1, 2020 2:47 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: input needed - Board Memo

(b)(5)

(b)(5), (b)(3), 410(c)(2)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Friday, May 1, 2020 11:18 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: input needed - Board Memo
Importance: High

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President

AMERICAN OVERSIGHT

United States Postal Service

From: Smith, Jay L - Washington, DC
Sent: Friday, May 1, 2020 10:47 AM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Grossmann, Luke T - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Costello, Timothy R - South Florida District, FL
(b)(6), (b)(3), 410(c)(2) ; Owens, Sharon - Merrifield, VA
(b)(6), (b)(3), 410(c)(2) Bross, Adrienne
(b)(6) Santana Grace, Dakota
(b)(6)
Subject: input needed - Board Memo
Importance: High

Joe, Tom, Luke,

(b)(5) (b)(5)

Jay Smith
Director, Enterprise Accounts

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Walker, Janice D - Washington, DC; _Executive Leadership Team; Curtis, Angela H - Eastern Area, PA; COVID 19 Command Team
Cc:	_CorpComm - Direct Reports Team; Partenheimer, David A - Washington, DC; Smith, Paul F - Eastern Area Office - Philadelphia, PA; _Exec. Leadership CoS
Subject:	RE: Kyle West"s White House Visit
Date:	Friday, May 1, 2020 6:10:55 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Friday, May 1, 2020 5:54 PM
To: _Executive Leadership Team <(b)(6), (b)(3), 410(c)(2)>; Curtis, Angela H - Eastern Area, PA (b)(6), (b)(3), 410(c)(2); COVID 19 Command Team <(b)(6), (b)(3), 410(c)(2)>
Cc: _CorpComm - Direct Reports Team (b)(6), (b)(3), 410(c)(2); Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2); Smith, Paul F - Eastern Area Office - Philadelphia, PA (b)(6), (b)(3), 410(c)(2); _Exec. Leadership CoS <(b)(6), (b)(3), 410(c)(2)
Subject: Kyle West's White House Visit

(b)(5)

https://www.c-span.org/video/?471690-1/president-trump-participates-presidential-recognition-ceremony

https://www.youtube.com/watch?v=8Mq_2rF15Qc

The unofficial transcript (b)(5) The official transcript should be available on https://www.whitehouse.gov/remarks/ by 5/2.

(b)(5)

Ladies and Gentlemen, the President of the United States.

President Trump: THANK YOU VERY MUCH. THANK YOU ALL VERY MUCH, IT'S A GREAT HONOR TO HAVE YOU. THIS AFTERNOON, WE GOING TO RECOGNIZE SEVERAL INDIVIDUALS WHO HAVE RESPONDED TO THE INVISIBLE ENEMY WITH COURAGE, DETERMINATION AND GRACE. WE HAVE ENDURED EXTRAORDINARY HARDSHIP AND LOSS AND WE MOURN WITH ONE HEART FOR EVERY LIFE THAT HAS BEEN TAKEN FROM US.

THE HEROES WE ARE TODAY. TRUE SOURCE OF INSPIRATION FOR US ALL, A GREAT INSPIRATION. THE WHOLE COUNTRY IS WATCHING.

WITH US TODAY IS KYLE WEST FROM CINCINNATI. HE IS PROUD TO BE A MAILMAN IN HIS HOMETOWN. I ACTUALLY WORKED IN CINCINNATI AND IT WAS GREAT. THE QUEEN CITY. MANY OF THE PEOPLE ON THIS ROUTE ARE OLDER AMERICANS IN A LOW INCOME AREA. AS KYLE SAYS, WE ARE NOT JUST MAILMAN, WE ARE MANY OTHER THINGS, WE ARE PART OF THE NEIGHBORHOOD. KYLE TALKS TO ROUGHLY 500 CUSTOMERS EACH DAY, BRING A CHEERFUL SMILE AND LISTENING EAR TO EVERY PARCEL OF MAIL. WHEN THE PANDEMIC HIT HE DELIVERED A NOTE TO HUNDREDS OF AMERICANS, SAYING THAT IF YOU ARE AT RISK ADDING ESSENTIAL ITEMS, THAT ME KNOW, AND I WILL HELP. THAT MEANS YOU GET IT DONE. SINCERELY, MAILMAN KYLE. SINCE THEN, KYLE HAS RECEIVED MORE THAN 400 RESPONSES

AMERICAN OVERSIGHT

AND DELIVERED VITAL GROCERIES TO HUNDREDS. YOU UPLIFT THE ENTIRE NATION. WHEN YOU COME UP AND SAY A FEW WORDS, PLEASE? [APPLAUSE]

Kyle West: THANK YOU, MR. PRESIDENT. I AM GREATLY HONORED TO BE HERE TO REPRESENT MY FELLOW POSTAL EMPLOYEES AS WE CONTINUE TO PROVIDE OUR ESSENTIAL SERVICES TO AMERICA. CUSTOMERS OFTEN TELL US THEY ARE IN DIFFICULT TIMES AND SEEING US OUT EVERY DAY GIVES US A SENSE OF NORMALCY IN THEIR LIFE. THE GRATITUDE WE RECEIVE FROM OUR CUSTOMERS IS GREATLY INSPIRING AND THANK YOU NOTES ALONG OUR ROUTES HELP US GET THROUGH. WE ARE DELIVERING A LOT OF ITEMS AT THIS TIME. THE AMOUNT OF MEDICINE HAS GREATLY INCREASED. CUSTOMERS DEPEND ON US FOR SOCIAL SECURITY AND OTHER INFORMATION, CENSUS MATERIAL, MAIL IN BALLOTS, AND ESSENTIAL ITEMS THEY ORDER ONLINE. AT THE POSTAL SERVICE, WE CONTINUE TO FOLLOW CDC GUIDELINES TO KEEP OURSELVES AND CUSTOMERS SAFE. SOCIAL DISTANCING, WEARING A FACE MASK, AND THE CLEANING OF OUR VEHICLES AND FACILITIES. I AM VERY PROUD FOR THE POSTAL SERVICE AND TO BOLDLY WORK FOR OUR COUNTRY. [APPLAUSE] THANK YOU VERY MUCH

PRES. TRUMP: THANK YOU VERY MUCH. ALSO WITH US ARE WITH GREAT REAL ESTATE AGENTS AND THERE IT WHAT CLIENT TOLD HIM THE RESTAURANT HAD BEEN HIT, THEY DECIDED THEY WANTED TO HELP AND BEGAN RAISING MONEY TO DONATE TO LOCAL HOSPITALS. WITHIN WEEKS, THEY RAISED OVER $6,000, MADE 18 DELIVERIES, AND FED OVER 500 HEALTH-CARE WORKERS. LIBBY AND RAFAEL, I WOULD LIKE TO ACKNOWLEDGE YOU BY HAVING YOU STEP FORWARD AND SAY A FEW WORDS, PLEASE. [APPLAUSE]

Rafael Mellow: THANK YOU, MR. PRESIDENT. WE ARE REAL ESTATE AGENTS IN THE D.C. AREA AND THIS MISSION CAME ABOUT AFTER RECEIVING A PHONE CALL FROM SOME OF OUR CLIENTS IN THE INDUSTRY HERE. THEY GAVE US INSIGHT ON COVID-19 AND THE IMPACT ON OUR BUSINESS AND WE FELT COMPELLED TO ACT. HE STARTED A GOFUNDME CAMPAIGN TO GIVE THEM ADDITIONAL BUSINESS, TOOK MONEY, ORDERED CATERING FROM THEIR RESTAURANTS AND DROP IT OFF WITH DIFFERENT STAFF WORKING IN HOSPITALS AROUND THE AREA. THE CAMPAIGN STARTED PICKING UP, SO WE STARTED DOING MORGAN NATIONS AND CAP DROPPING OFF. WE INCREASED OUR GOAL, KEPT DROPPING OFF AT DIFFERENT HOSPITALS AROUND THE AREA. ANOTHER COOL FACTOR WE DID WAS COMPILING VIDEOS OF OUR CONTRIBUTORS EXPRESSING GRATITUDE LIKE THOSE ARE BEING SENT ALONG THE TWO DROP-OFFS.

Libby Bish: YEAH, SO MR. PRESIDENT ADDRESSED MOST OF THIS, WE NAMED OUR CAMPAIGN, RAISED THOUSANDS OF DOLLARS, AND HELPED OVER 18 LOCAL BUSINESSES AND DELIVERED MEALS TO OVER 500 NURSES AND DOCTORS. WE PARTNERED WITH A LOCAL COMPANY THAT PRODUCES HAND SANITIZER TO INCLUDE AS AN ADDED BONUS. OUR MISSION IS SIMPLE, TO HELP LOCAL BUSINESS WHILE ENCOURAGING HEALTH-CARE WORKERS WHO ARE SELFLESSLY WORKING TO ENSURE THE HEALTH OF OUR PEOPLE. THANK YOU, MR. PRESIDENT, FOR THE HONOR TO BE HERE TODAY. [APPLAUSE]

President Trump: THANKS VERY MUCH. GREAT JOB. TALK GUY. HOW TALL ARE YOU? 6'8"? THAT'S A GOOD HEIGHT. I HAVE A SON WHO LOOKS LIKE HE'S GOING TO BE AROUND THAT NUMBER. BEARING -- BARON IS GOING TO BE UP THERE. WE ALSO HONOR TJ KIM, A HIGH SCHOOL SOPHOMORE FROM VIRGINIA. HE HOPES TO SERVE AS A PILOT IN THE NAVY. AT JUST 16 YEARS OLD, HE IS ALREADY TAKING FLIGHT CLASSES TO GET HIS PILOT'S LICENSE. WHEN HE HEARD THAT HOSPITALS NEEDED MORE PERSONAL PROTECTIVE EQUIPMENT, HE LAUNCHED HIS ADMISSION. -- MISSION. HE WORKED TO COLLECT MEDICAL SUPPLIES. WITH THE HELP OF A GOOD FLIGHT INSTRUCTOR, KNOWS HOW TO FLY, BETTER TAKE LESSONS FROM SOMEONE WHO KNOWS HOW TO FLY. HE JOINS US TODAY. MORE THAN 10,000 -- HE HAS FLOWN MORE THAN 10,000 PIECES OF EQUIPMENT AND THERE CAN BE NO BETTER PREPARATION FOR FLYING MILITARY PLANES. HE WENT TO FOR -- FOUR RURAL HOSPITALS IN VIRGINIA. IT'S A GREAT HONOR. THANK YOU.

T.J. Kim: THINK YOU, MR. PRESIDENT. I AM HUMBLED TO BE HERE TODAY. OVER A MONTH AGO, I

AMERICAN OVERSIGHT

TURNED 16 WHEN MY SCHOOL YEAR AND THE CROSS SEASON WERE OVER. ALL I HAD LEFT WAS MY FLIGHT TRAINING. EVER SINCE I WAS NINE, IT HAS BEEN MY DREAM TO ATTEND THE NAVAL ACADEMY BECOME A FIGHTER PILOT. TALKED MY DAD ABOUT WAYS I COULD CONTINUE MY TRAINING WHILE SERVING THE COMMUNITY. CAME UP WITH OPERATION SOS, MUNICH SUPPLIES OVER THE SKIES. -- MEANING SUPPLIES OVER THE SKIES. I LEARNED THERE ARE SEVERAL HOSPITALS SERVING COMMUNITIES, AND WHILE EVERY HOSPITAL IS HURTING, IT IS THE RURAL HOSPITALS THAT WERE OFTEN FORGOTTEN. I HAVE FLOWN FOUR SOS MISSIONS, I HAVE SOURCED AND DELIVERED 8000 MEDICAL GLOVES, 2000 HEAD COVERS, 4000 MASKS AS WELL AS PROTECTIVE GOWNS, AND SANITIZER, AND SPRAYS. GOT MY JOURNEY I HAVE LEARNED TO LESSONS -- THROUGHOUT MY JOURNEY, I HAVE LEARNED TWO LESS ONS. I AM BLESSED BY A COMMUNITY THAT INCLUDES MY FAMILY, MY TEACHERS, MY NEIGHBORHOOD, AND MY CHURCH. IT IS THEIR SUPPORT THAT HAS ALLOWED ME TO COMPLETE EACH MISSION SUCCESSFULLY. SECOND, I HAVE LEARNED HOW YOU ARE NEVER TOO YOUNG TO SERVE OTHERS. YOU ONCE SAID THAT AMERICA IS A PLACE WHERE ANYONE CAN RISE, AND TODAY, THERE ARE YOUTH EVERYWHERE RISING UP TO HELP. WHEN I THINK ABOUT THEM I REALIZED JUST HOW UNDESERVING I AM TO BE HERE. I AM SO HONORED BY THIS AWARD AND I DO NOT KNOW HOW TO REPAY YOU. I MAY MAKE YOU THIS PROMISE INSTEAD -- LET ME MAKE YOU THIS PROMISE INSTEAD. AS LONG AS THERE IS A NEED, I AM GOING TO DO IT. I PROMISE TO CONTINUE TO RISE AND SERVE MY IMMUNITY AND COUNTRY. -- COMMUNITY AND COUNTRY. [APPLAUSE]

President Trump: (acknowledging the flight instructor) HOW ABOUT STANDING UP? [APPLAUSE] YOU DID A GOOD JOB. THANKS. THANK YOU.

President Trump: FANTASTIC STORY. A MAN THAT I --I SPEND A LOT OF TIME IN STATEN ISLAND. FRANK FROM STATEN ISLAND, NEW YORK. VERY SPECIAL PLACE. I SPENT MANY AN HOUR AND MANY A DAY WITH MY FATHER THERE OVER THE YEARS. JUST GREAT. NEARLY TWO DECADES AGO, FRANK FOUNDED AN ORGANIZATION CALLED TALL TOWERS, TO SUPPORT FAMILY MEMBERS OF FIRST RESPONDERS. HE BEGAN THIS TO ON A LEGACY OF HIS YOUNG BROTHER, A FIREFIGHTER. STEVEN IS LOOKING DOWN RIGHT NOW AND HE SAYS, MY BROTHER IS IN THE WHITE HOUSE DOING A REAL JOB. HE IS VERY PROUD OF YOU. I KNOW HOW HARD YOU WORK. COMING FROM NEW YORK, ESPECIALLY, FRANK, I KNOW HOW HARD YOU WORK. YOU HAVE DONE A FANTASTIC JOB. WE APPRECIATE IT VERY MUCH. HE IS ONE OF THE IMMORTAL HEROES WHO GAVE HIS LIFE ON SOME NUMBER 11, 2001. AS THE VIRUS BEGAN TO SPREAD IN NEW YORK EARLY THIS YEAR, FRANK LEAPT INTO ACTION. HE HELPED RAISE MONEY TO DELIVER MORE THAN ONE MILLION PIECES OF ARSENAL PROTECTIVE EQUIPMENT -- THAT IS A LOT BEST FOR HOSPITALS IN THE CITY. HE AND HIS ARMY OF VOLUNTEERS DELIVERED FOOD TO FIREHOUSES AND POLICE STATIONS AND ALL SORTS OF PLACES ALL ACROSS NEW YORK AND NEW JERSEY. FRANK ALSO RAISED OVER $5 BILLION TO HELP PAY THE MORTGAGES OF FAMILIES UP WAS TO BEST FAMILIES' HOMES -- PAY THE MORTGAGES OF FAMILIES'HOMES. FIRST RESPONDERS AND CARE WORKERS WHO HAVE TRAGICALLY LOST THEIR LIVES IN THE FIGHT AGAINST THE VIRUS. IT IS A VICIOUS, VICIOUS ENEMY. I WANT TO THANK YOU FOR PRODUCING TO SUPPORT OUR NATION'S HEROES. AGAIN, YOUR FAMILY AND YOUR BROTHER, HE IS VERY PROUD OF YOU LOOKING DOWN. PLEASE COME UP AND SAY A FEW WORDS, FRANK. THANK YOU. [APPLAUSE]

Frank Stiller: THANK YOU, MR. PRESIDENT, FOR INVITING ME HERE TODAY AND HONOR AND LET PEOPLE KNOW THE WORK THAT THE FOUNDATION IS DOING. MY SIBLINGS AND I, WE STARTED THE FOUNDATION IN HONOR OF MY BROTHER, A NEW YORK CITY FIREFIGHTER. ON SEPTEMBER 11, 2001, HE RAN FROM THE BROKEN BATTERY TERMINAL, ALMOST TWO MILES LONG. IT IS ALMOST TWO MILES LONG, HE CAME UP AND WENT INTO THE SOUTH TOWER, THE STAIRS, AND WHILE SAVING PEOPLE'S LIVES, HE GAVE UP HIS OWN. AND THEN, WE HAVE BEEN HONORING OUR MILITARY AND FIRST RESPONDERS EVER SINCE. FOR OUR COUNTRY'S MOST CATASTROPHICALLY INJURED SERVICEMEMBERS. FOR OUR FIRST RESPONDER FAMILIES WHO DIED IN THE LINE OF DUTY AND BELIEVE YOUNG FAMILIES BEHIND. MR. PRESIDENT, WHEN YOU SAID WE ARE AT WAR WITH AN INVISIBLE ENEMY, WE COULDN'T HAVE BEEN MORE PROUD TO KNOW THAT WE ARE DOING OUR JOB AND WHAT WE ARE SUPPOSED TO BE DOING AS A LOCAL FOUNDATION, AS A NATIONAL FOUNDATION, TO MAKE SURE WE TAKE CARE OF THE FRONTLINE HEALTH-CARE WORKERS. WE FOLLOW THE TEACHINGS OF ST. FRANCIS OF ASSISI, WHO SAID,

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BROTHERS AND SISTERS, WHILE YOU ARE HERE, WHILE YOU HAVE TIME, LET US DO GOOD. TO KNOW THAT IS OUR GUIDING LIGHT FROM THE FOUNDATION. IS WHAT WE STRIVE TO DO EVERY SINGLE DAY, IS TO DO GOOD, NOT JUST THE MEMORY OF MY BROTHER, BUT ALL THOSE WHO PERISHED FROM 9/11 AND THOSE WHO PASSED EVER SINCE THAT HAVE GIVEN THEIR LIVES TO THIS COUNTRY AND THOSE FRONT-LINE HEALTH-CARE WORKERS WHO WANT TO DIE FOR YOU AND ME TODAY, WHO ARE ON THE FRONT LINES OF THE BATTLEFIELD THAT YOU OFTEN SPEAK ABOUT. WE WANT AMERICA TO MAKE A PROMISE FOR THESE GREAT AMERICANS WHO DIE FOR YOU AND ME, THAT IF THEY GO OUT AND THEY GIVE THEIR KIDS A KISS GOODBYE AND THEY DON'T COME HOME, THAT WE ARE GOING TO TAKE CARE OF THEM. I KNOW WE WILL, BECAUSE WE ARE AND ALWAYS HAVE BEEN THE GREATEST COUNTRY THAT EVER EXISTED. WHY? BECAUSE THE GOODNESS OF THE GENEROSITY OF AMERICA WILL ALWAYS TAKE CARE OF THE GREATNESS OF AMERICA. MR. PRESIDENT, THANK YOU ONCE AGAIN FOR HAVING ME HERE TODAY. GOT BLESS YOU. GOT LESS AMERICA, AND REMEMBER, WE ARE ONLY THE LAND OF THE FREE BECAUSE OF THE BRAVE. THANK YOU. [APPLAUSE]

President Trump: THANK YOU VERY MUCH, FRANK. IN THIS HOUR OF NEED, THE WORLD HAS ONCE AGAIN WITNESSED THE UNBEATABLE STRENGTH OF THE UNITED STATES OF AMERICA. ALL ACROSS OUR LAND, HEROES HAVE RACED INTO ACTION. DOCTORS AND NURSES AND DURING SLEEPLESS NIGHTS TO SAVE EVERY POSSIBLE LIFE. FARMERS, TRUCK DRIVERS AND GROCERS ARE WORKING TO KEEP OUR SHELVES STOCKED AND OUR PEOPLE FED. FAMILIES ARE HELPING PEOPLE IN NEED AND ENTIRE COMMUNITIES ARE RALLYING TOGETHER TO DEFEAT THIS UGLY, HORRIBLE PLAGUE. THE FIVE AMERICANS WE RECOGNIZE TODAY ARE THE FIRST OF A NUMBER OF INDIVIDUALS WE WILL HONOR IN THE COMING WEEKS. WE WILL BE HONORING A NUMBER OF PEOPLE. THE NATION JUST COMPLETED 30 DAYS TO SLOW THE SPREAD DURING WHICH EVERY AMERICAN WAS ASKED TO MAKE SACRIFICES TO HELP DEFEAT THE VIRUS. MODELS PREDICTED BETWEEN 1.5 MILLION AND 2.2 MILLION PEOPLE WOULD HAVE DIED IN THE UNITED STATES WITHOUT THE MITIGATION. THROUGH OUR AGGRESSIVE RESPONSE AND THE REMARKABLE COMMITMENT AND BRAVERY OF AMERICAN PEOPLE, WE HAVE SAVED THOUSANDS AND DOZENS OF LIVES. I CAN EVEN MAKE THAT, IF YOU WANT, HUNDREDS OF THOUSANDS OF LIVES. PEOPLE WERE THINKING IN TERMS OF 1.5 MILLION LIVES LOST TO 2.2 WITHOUT THE MITIGATION. AND HOPEFULLY WE ARE GOING TO COME IN BELOW THAT 100,000 LIVES LOST, WHICH IS A HORRIBLE NUMBER, NEVERTHELESS. IT'S A HORRIBLE THING. COULD HAVE BEEN STOPPED. SHOULD HAVE BEEN STOPPED AT THE SOURCE, THAT IT WASN'T. BUT IT IS A TRIBUTE TO THIS COUNTRY AND THE PEOPLE OF OUR COUNTRY, WHAT YOU HAVE BEEN ABLE TO DO AND THE AMOUNT OF LIVES THAT HAVE BEEN SAVED. BECAUSE WE FLATTENED THE CURVE, SLOWED THE SPREAD AND MASSIVELY EXPANDED OUR HEALTH-CARE CAPACITY, WE ARE IN THE PROCESS OF GRADUALLY REOPENING OUR COUNTRY. IT IS BEING DONE WITH A TREMENDOUS GUSTO AND VIGOR. WE SEE THAT ALL THE TIME, DON'T WE, FRANK? THEY WANT TO GET OUT THERE. THEY WANT THEIR COUNTRY BACK AND WE ARE GETTING IT BACK. WE ARE GETTING IT BACK SAFELY AND QUICKLY. IT IS A STRATEGY GUIDED BY SCIENCE, FACTS AND REASON. THE NEVER ENDING LOCKDOWN WOULD INFLICT COLOSSAL DAMAGE ON THE HEALTH AND LIFE SPAN OF OUR PEOPLE. PUBLIC HEALTH IS CLOSELY TIED TO ECONOMIC HEALTH. OR COUNTRY CAN LONG IGNORE THE FACTS AND THE TRUTH -- NO STATE OR COUNTRY CAN LONG IGNORE THE FACTS AND THE TRUTH. IT LOOKS LIKE WE WILL BE HAVING OUR FINISHED NUMBER, IT SHOULD BE -- THINK OF IT, WE COULD SAVE ANYWHERE FROM ONE MILLION TO EVEN A MILLION FIVE. IF YOU THINK ABOUT IT, WE COULD SAVE 2.1, 2.5 MILLION LIVES DEPENDING ON WHAT HAPPENS. WITH THIS AMAZING ENEMY, NOBODY KNOWS WHAT HAPPENS, BUT WE HAVE LEARNED A LOT IN THE LAST FEW MONTHS. THROUGHOUT OUR HISTORY, IT IS AMERICA'S LOVE AND STRENGTH NOT ITS FEARS AND DOUBTS BUT HAVE PAVED THE ROAD TO VICTORY. TOGETHER WE WILL EMERGE FROM THIS CHAPTER OF HARDSHIP AND ALL THOSE DEATHS OF SUCH GREAT SOULS AND SUCH A GREAT PEOPLE. WITH UNITY AND RESOLVE, OUR PEOPLE WILL THRIVE. OUR INDUSTRIES WILL ROAR. OUR INNOVATORS LAST ANISH. AND AMERICA WILL -- WILL ASTONISH. AND AMERICA WILL THRIVE LIKE NEVER BEFORE. LIKE NEVER BEFORE. WE BUILT THE GREATEST ECONOMY IN THE HISTORY OF THE WORLD. GREATEST STOCK MARKET, GREATEST NUMBER OF JOBS ANYWAY YOU WANT IT. GREATEST INDUSTRIES, LATEST CREATIONS -- GREATEST CREATIONS. AND ONE DAY WE HAD TO CLOSE IT DOWN. THEY SAID, SIR, WE ARE GOING TO HAVE TO CLOSE IT DOWN. WE DID THAT. EVERYBODY

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SUFFERED. BUT THEY DID AN INCREDIBLE JOB. BECAUSE OF THAT, WE SAVED MAYBE MILLIONS OF LIVES. AND I JUST WANT TO THANK EVERYBODY. THIS IS A SCORED ALL AROUND THE WORLD. 182 COUNTRIES AS OF A WEEK AGO, SO IT IS PROBABLY HIGHER. 182 COUNTRIES ARE GOING THROUGH RELATIVELY THE SAME THING. IT IS A VERY SAD, A VERY SAD CHAPTER. THERE WAS NO REASON FOR THIS. IT SHOULD HAVE BEEN STOPPED AT THE SOURCE. I WOULD LIKE TO CONGRATULATE THESE INCREDIBLE FIVE AMERICANS. I WOULD LIKE TO ASK THEM TO COME FORWARD AND RECEIVE THEIR AWARD AND THEIR RECOGNITION. THEY DESERVE IT. WE WILL BE WATCHING YOU THROUGHOUT YOUR LIFE. YOU MAY BE AROUND A LITTLE LONGER THAN ME, MR. MEHLMAN, BUT I WILL BE WATCHING YOU AS LONG AS I CAN. I WANT TO THANK YOU VERY MUCH. TO MY HOMETOWN MAYOR, THANK YOU VERY MUCH. THANK YOU, FRANK. PLEASE.

Proclamations handed out:

President Trump: SO THAT WAS GREAT. YOU REPRESENT A VERY IMPORTANT PART OF THIS COUNTRY. WE APPRECIATE IT VERY MUCH. THANK YOU VERY MUCH. HAVE A GOOD DAY. BYE. [APPLAUSE]

(b)(5)

Janice

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Walker, Janice D - Washington, DC; _Executive Leadership Team; Curtis, Angela H - Eastern Area, PA; COVID 19 Command Team
Cc:	_CorpComm - Direct Reports Team; Partenheimer, David A - Washington, DC; Smith, Paul F - Eastern Area Office - Philadelphia, PA; _Exec. Leadership CoS
Subject:	RE: Kyle West"s White House Visit
Date:	Friday, May 1, 2020 6:10:58 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Friday, May 1, 2020 5:54 PM
To: _Executive Leadership Team <(b)(5), (b)(3), 410(c)(2); Curtis, Angela H - Eastern Area, PA (b)(5), (b)(3), 410(c)(2); COVID 19 Command Team (b)(5), (b)(3), 410(c)(2)
Cc: _CorpComm - Direct Reports Team (b)(5), (b)(3), 410(c)(2)>; Partenheimer, David A - Washington, DC (b)(5), (b)(3), 410(c)(2); Smith, Paul F - Eastern Area Office - Philadelphia, PA (b)(5), (b)(3), 410(c)(2); _Exec. Leadership CoS <(b)(5), (b)(3), 410(c)(2)>
Subject: Kyle West's White House Visit

(b)(5)

https://www.c-span.org/video/?471690-1/president-trump-participates-presidential-recognition-ceremony

https://www.youtube.com/watch?v=8Mq_2rF15Qc

The unofficial transcript is attached and below. (b)(5) (b)(5) official transcript (b)(5) https://www.whitehouse.gov/remarks/ by 5/2.

(b)(5)

Ladies and Gentlemen, the President of the United States.

President Trump: THANK YOU VERY MUCH. THANK YOU ALL VERY MUCH, IT'S A GREAT HONOR TO HAVE YOU. THIS AFTERNOON, WE GOING TO RECOGNIZE SEVERAL INDIVIDUALS WHO HAVE RESPONDED TO THE INVISIBLE ENEMY WITH COURAGE, DETERMINATION AND GRACE. WE HAVE ENDURED EXTRAORDINARY HARDSHIP AND LOSS AND WE MOURN WITH ONE HEART FOR EVERY LIFE THAT HAS BEEN TAKEN FROM US.

AMERICAN OVERSIGHT

THE HEROES WE ARE TODAY. TRUE SOURCE OF INSPIRATION FOR US ALL, A GREAT INSPIRATION. THE WHOLE COUNTRY IS WATCHING.

WITH US TODAY IS KYLE WEST FROM CINCINNATI. HE IS PROUD TO BE A MAILMAN IN HIS HOMETOWN. I ACTUALLY WORKED IN CINCINNATI AND IT WAS GREAT. THE QUEEN CITY. MANY OF THE PEOPLE ON THIS ROUTE ARE OLDER AMERICANS IN A LOW INCOME AREA. AS KYLE SAYS, WE ARE NOT JUST MAILMAN, WE ARE MANY OTHER THINGS, WE ARE PART OF THE NEIGHBORHOOD. KYLE TALKS TO ROUGHLY 500 CUSTOMERS EACH DAY, BRING A CHEERFUL SMILE AND LISTENING EAR TO EVERY PARCEL OF MAIL. WHEN THE PANDEMIC HIT HE DELIVERED A NOTE TO HUNDREDS OF AMERICANS, SAYING THAT IF YOU ARE AT RISK ADDING ESSENTIAL ITEMS, THAT ME KNOW, AND I WILL HELP. THAT MEANS YOU GET IT DONE. SINCERELY, MAILMAN KYLE. SINCE THEN, KYLE HAS RECEIVED MORE THAN 400 RESPONSES AND DELIVERED VITAL GROCERIES TO HUNDREDS. YOU UPLIFT THE ENTIRE NATION. WHEN YOU COME UP AND SAY A FEW WORDS, PLEASE? [APPLAUSE]

Kyle West: THANK YOU, MR. PRESIDENT. I AM GREATLY HONORED TO BE HERE TO REPRESENT MY FELLOW POSTAL EMPLOYEES AS WE CONTINUE TO PROVIDE OUR ESSENTIAL SERVICES TO AMERICA. CUSTOMERS OFTEN TELL US THEY ARE IN DIFFICULT TIMES AND SEEING US OUT EVERY DAY GIVES US A SENSE OF NORMALCY IN THEIR LIFE. THE GRATITUDE WE RECEIVE FROM OUR CUSTOMERS IS GREATLY INSPIRING AND THANK YOU NOTES ALONG OUR ROUTES HELP US GET THROUGH. WE ARE DELIVERING A LOT OF ITEMS AT THIS TIME. THE AMOUNT OF MEDICINE HAS GREATLY INCREASED. CUSTOMERS DEPEND ON US FOR SOCIAL SECURITY AND OTHER INFORMATION, CENSUS MATERIAL, MAIL IN BALLOTS, AND ESSENTIAL ITEMS THEY ORDER ONLINE. AT THE POSTAL SERVICE, WE CONTINUE TO FOLLOW CDC GUIDELINES TO KEEP OURSELVES AND CUSTOMERS SAFE. SOCIAL DISTANCING, WEARING A FACE MASK, AND THE CLEANING OF OUR VEHICLES AND FACILITIES. I AM VERY PROUD FOR THE POSTAL SERVICE AND TO BOLDLY WORK FOR OUR COUNTRY. [APPLAUSE]
THANK YOU VERY MUCH

PRES. TRUMP: THANK YOU VERY MUCH. ALSO WITH US ARE WITH GREAT REAL ESTATE AGENTS AND THERE IT WHAT CLIENT TOLD HIM THE RESTAURANT HAD BEEN HIT, THEY DECIDED THEY WANTED TO HELP AND BEGAN RAISING MONEY TO DONATE TO LOCAL HOSPITALS. WITHIN WEEKS, THEY RAISED OVER $6,000, MADE 18 DELIVERIES, AND FED OVER 500 HEALTH-CARE WORKERS. LIBBY AND RAFAEL, I WOULD LIKE TO ACKNOWLEDGE YOU BY HAVING YOU STEP FORWARD AND SAY A FEW WORDS, PLEASE. [APPLAUSE]

Rafael Mellow: THANK YOU, MR. PRESIDENT. WE ARE REAL ESTATE AGENTS IN THE D.C. AREA AND THIS MISSION CAME ABOUT AFTER RECEIVING A PHONE CALL FROM SOME OF OUR CLIENTS IN THE INDUSTRY HERE. THEY GAVE US INSIGHT ON COVID-19 AND THE IMPACT ON OUR BUSINESS AND WE FELT COMPELLED TO ACT. HE STARTED A GOFUNDME CAMPAIGN TO GIVE THEM ADDITIONAL BUSINESS, TOOK MONEY, ORDERED CATERING FROM THEIR RESTAURANTS AND DROP IT OFF WITH DIFFERENT STAFF WORKING IN HOSPITALS AROUND THE AREA. THE CAMPAIGN STARTED PICKING UP, SO WE STARTED DOING MORGAN NATIONS AND CAP DROPPING OFF. WE INCREASED OUR GOAL, KEPT DROPPING OFF AT DIFFERENT HOSPITALS AROUND THE AREA. ANOTHER COOL FACTOR WE DID WAS COMPILING VIDEOS OF OUR CONTRIBUTORS EXPRESSING GRATITUDE LIKE THOSE ARE BEING SENT ALONG THE TWO DROP-OFFS.

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Libby Bish: YEAH, SO MR. PRESIDENT ADDRESSED MOST OF THIS, WE NAMED OUR CAMPAIGN, RAISED THOUSANDS OF DOLLARS, AND HELPED OVER 18 LOCAL BUSINESSES AND DELIVERED MEALS TO OVER 500 NURSES AND DOCTORS. WE PARTNERED WITH A LOCAL COMPANY THAT PRODUCES HAND SANITIZER TO INCLUDE AS AN ADDED BONUS. OUR MISSION IS SIMPLE, TO HELP LOCAL BUSINESS WHILE ENCOURAGING HEALTH-CARE WORKERS WHO ARE SELFLESSLY WORKING TO ENSURE THE HEALTH OF OUR PEOPLE. THANK YOU, MR. PRESIDENT, FOR THE HONOR TO BE HERE TODAY. [APPLAUSE]

President Trump: THANKS VERY MUCH. GREAT JOB. TALK GUY. HOW TALL ARE YOU? 6'8"? THAT'S A GOOD HEIGHT. I HAVE A SON WHO LOOKS LIKE HE'S GOING TO BE AROUND THAT NUMBER. BEARING -- BARON IS GOING TO BE UP THERE. WE ALSO HONOR TJ KIM, A HIGH SCHOOL SOPHOMORE FROM VIRGINIA. HE HOPES TO SERVE AS A PILOT IN THE NAVY. AT JUST 16 YEARS OLD, HE IS ALREADY TAKING FLIGHT CLASSES TO GET HIS PILOT'S LICENSE. WHEN HE HEARD THAT HOSPITALS NEEDED MORE PERSONAL PROTECTIVE EQUIPMENT, HE LAUNCHED HIS ADMISSION. -- MISSION. HE WORKED TO COLLECT MEDICAL SUPPLIES. WITH THE HELP OF A GOOD FLIGHT INSTRUCTOR, KNOWS HOW TO FLY, BETTER TAKE LESSONS FROM SOMEONE WHO KNOWS HOW TO FLY. HE JOINS US TODAY. MORE THAN 10,000 -- HE HAS FLOWN MORE THAN 10,000 PIECES OF EQUIPMENT AND THERE CAN BE NO BETTER PREPARATION FOR FLYING MILITARY PLANES. HE WENT TO FOR -- FOUR RURAL HOSPITALS IN VIRGINIA. IT'S A GREAT HONOR. THANK YOU.

T.J. Kim: THINK YOU, MR. PRESIDENT. I AM HUMBLED TO BE HERE TODAY. OVER A MONTH AGO, I TURNED 16 WHEN MY SCHOOL YEAR AND THE CROSS SEASON WERE OVER. ALL I HAD LEFT WAS MY FLIGHT TRAINING. EVER SINCE I WAS NINE, IT HAS BEEN MY DREAM TO ATTEND THE NAVAL ACADEMY BECOME A FIGHTER PILOT. TALKED MY DAD ABOUT WAYS I COULD CONTINUE MY TRAINING WHILE SERVING THE COMMUNITY. CAME UP WITH OPERATION SOS, MUNICH SUPPLIES OVER THE SKIES. -- MEANING SUPPLIES OVER THE SKIES. I LEARNED THERE ARE SEVERAL HOSPITALS SERVING COMMUNITIES, AND WHILE EVERY HOSPITAL IS HURTING, IT IS THE RURAL HOSPITALS THAT WERE OFTEN FORGOTTEN. I HAVE FLOWN FOUR SOS MISSIONS, I HAVE SOURCED AND DELIVERED 8000 MEDICAL GLOVES, 2000 HEAD COVERS, 4000 MASKS AS WELL AS PROTECTIVE GOWNS, AND SANITIZER, AND SPRAYS. GOT MY JOURNEY I HAVE LEARNED TO LESSONS -- THROUGHOUT MY JOURNEY, I HAVE LEARNED TWO LESS ONS. I AM BLESSED BY A COMMUNITY THAT INCLUDES MY FAMILY, MY TEACHERS, MY NEIGHBORHOOD, AND MY CHURCH. IT IS THEIR SUPPORT THAT HAS ALLOWED ME TO COMPLETE EACH MISSION SUCCESSFULLY. SECOND, I HAVE LEARNED HOW YOU ARE NEVER TOO YOUNG TO SERVE OTHERS. YOU ONCE SAID THAT AMERICA IS A PLACE WHERE ANYONE CAN RISE, AND TODAY, THERE ARE YOUTH EVERYWHERE RISING UP TO HELP. WHEN I THINK ABOUT THEM I REALIZED JUST HOW UNDESERVING I AM TO BE HERE. I AM SO HONORED BY THIS AWARD AND I DO NOT KNOW HOW TO REPAY YOU. I MAY MAKE YOU THIS PROMISE INSTEAD -- LET ME MAKE YOU THIS PROMISE INSTEAD. AS LONG AS THERE IS A NEED, I AM GOING TO DO IT. I PROMISE TO CONTINUE TO RISE AND SERVE MY IMMUNITY AND COUNTRY. -- COMMUNITY AND COUNTRY. [APPLAUSE]

President Trump: (acknowledging the flight instructor) HOW ABOUT STANDING UP? [APPLAUSE] YOU DID A GOOD JOB. THANKS. THANK YOU.

President Trump: FANTASTIC STORY. A MAN THAT I --I SPEND A LOT OF TIME IN STATEN ISLAND.

AMERICAN OVERSIGHT

FRANK FROM STATEN ISLAND, NEW YORK. VERY SPECIAL PLACE. I SPENT MANY AN HOUR AND MANY A DAY WITH MY FATHER THERE OVER THE YEARS. JUST GREAT. NEARLY TWO DECADES AGO, FRANK FOUNDED AN ORGANIZATION CALLED TALL TOWERS, TO SUPPORT FAMILY MEMBERS OF FIRST RESPONDERS. HE BEGAN THIS TO ON A LEGACY OF HIS YOUNG BROTHER, A FIREFIGHTER. STEVEN IS LOOKING DOWN RIGHT NOW AND HE SAYS, MY BROTHER IS IN THE WHITE HOUSE DOING A REAL JOB. HE IS VERY PROUD OF YOU. I KNOW HOW HARD YOU WORK. COMING FROM NEW YORK, ESPECIALLY, FRANK, I KNOW HOW HARD YOU WORK. YOU HAVE DONE A FANTASTIC JOB. WE APPRECIATE IT VERY MUCH. HE IS ONE OF THE IMMORTAL HEROES WHO GAVE HIS LIFE ON SOME NUMBER 11, 2001. AS THE VIRUS BEGAN TO SPREAD IN NEW YORK EARLY THIS YEAR, FRANK LEAPT INTO ACTION. HE HELPED RAISE MONEY TO DELIVER MORE THAN ONE MILLION PIECES OF ARSENAL PROTECTIVE EQUIPMENT -- THAT IS A LOT BEST FOR HOSPITALS IN THE CITY. HE AND HIS ARMY OF VOLUNTEERS DELIVERED FOOD TO FIREHOUSES AND POLICE STATIONS AND ALL SORTS OF PLACES ALL ACROSS NEW YORK AND NEW JERSEY. FRANK ALSO RAISED OVER $5 BILLION TO HELP PAY THE MORTGAGES OF FAMILIES UP WAS TO BEST FAMILIES' HOMES -- PAY THE MORTGAGES OF FAMILIES'HOMES. FIRST RESPONDERS AND CARE WORKERS WHO HAVE TRAGICALLY LOST THEIR LIVES IN THE FIGHT AGAINST THE VIRUS. IT IS A VICIOUS, VICIOUS ENEMY. I WANT TO THANK YOU FOR PRODUCING TO SUPPORT OUR NATION'S HEROES. AGAIN, YOUR FAMILY AND YOUR BROTHER, HE IS VERY PROUD OF YOU LOOKING DOWN. PLEASE COME UP AND SAY A FEW WORDS, FRANK. THANK YOU. [APPLAUSE]

Frank Stiller: THANK YOU, MR. PRESIDENT, FOR INVITING ME HERE TODAY AND HONOR AND LET PEOPLE KNOW THE WORK THAT THE FOUNDATION IS DOING. MY SIBLINGS AND I, WE STARTED THE FOUNDATION IN HONOR OF MY BROTHER, A NEW YORK CITY FIREFIGHTER. ON SEPTEMBER 11, 2001, HE RAN FROM THE BROKEN BATTERY TERMINAL, ALMOST TWO MILES LONG. IT IS ALMOST TWO MILES LONG, HE CAME UP AND WENT INTO THE SOUTH TOWER, THE STAIRS, AND WHILE SAVING PEOPLE'S LIVES, HE GAVE UP HIS OWN. AND THEN, WE HAVE BEEN HONORING OUR MILITARY AND FIRST RESPONDERS EVER SINCE. FOR OUR COUNTRY'S MOST CATASTROPHICALLY INJURED SERVICEMEMBERS. FOR OUR FIRST RESPONDER FAMILIES WHO DIED IN THE LINE OF DUTY AND BELIEVE YOUNG FAMILIES BEHIND. MR. PRESIDENT, WHEN YOU SAID WE ARE AT WAR WITH AN INVISIBLE ENEMY, WE COULDN'T HAVE BEEN MORE PROUD TO KNOW THAT WE ARE DOING OUR JOB AND WHAT WE ARE SUPPOSED TO BE DOING AS A LOCAL FOUNDATION, AS A NATIONAL FOUNDATION, TO MAKE SURE WE TAKE CARE OF THE FRONTLINE HEALTH-CARE WORKERS. WE FOLLOW THE TEACHINGS OF ST. FRANCIS OF ASSISI, WHO SAID, BROTHERS AND SISTERS, WHILE YOU ARE HERE, WHILE YOU HAVE TIME, LET US DO GOOD. TO KNOW THAT IS OUR GUIDING LIGHT FROM THE FOUNDATION. IS WHAT WE STRIVE TO DO EVERY SINGLE DAY, IS TO DO GOOD, NOT JUST THE MEMORY OF MY BROTHER, BUT ALL THOSE WHO PERISHED FROM 9/11 AND THOSE WHO PASSED EVER SINCE THAT HAVE GIVEN THEIR LIVES TO THIS COUNTRY AND THOSE FRONT-LINE HEALTH-CARE WORKERS WHO WANT TO DIE FOR YOU AND ME TODAY, WHO ARE ON THE FRONT LINES OF THE BATTLEFIELD THAT YOU OFTEN SPEAK ABOUT. WE WANT AMERICA TO MAKE A PROMISE FOR THESE GREAT AMERICANS WHO DIE FOR YOU AND ME, THAT IF THEY GO OUT AND THEY GIVE THEIR KIDS A KISS GOODBYE AND THEY DON'T COME HOME, THAT WE ARE GOING TO TAKE CARE OF THEM. I KNOW WE WILL, BECAUSE WE ARE AND ALWAYS HAVE BEEN THE GREATEST COUNTRY THAT EVER EXISTED. WHY? BECAUSE THE GOODNESS OF THE GENEROSITY OF AMERICA WILL ALWAYS TAKE CARE OF THE GREATNESS OF AMERICA. MR. PRESIDENT, THANK YOU ONCE AGAIN FOR HAVING ME HERE TODAY. GOT BLESS YOU. GOT LESS AMERICA, AND REMEMBER, WE ARE ONLY

AMERICAN OVERSIGHT

THE LAND OF THE FREE BECAUSE OF THE BRAVE. THANK YOU. [APPLAUSE]

President Trump: THANK YOU VERY MUCH, FRANK. IN THIS HOUR OF NEED, THE WORLD HAS ONCE AGAIN WITNESSED THE UNBEATABLE STRENGTH OF THE UNITED STATES OF AMERICA. ALL ACROSS OUR LAND, HEROES HAVE RACED INTO ACTION. DOCTORS AND NURSES AND DURING SLEEPLESS NIGHTS TO SAVE EVERY POSSIBLE LIFE. FARMERS, TRUCK DRIVERS AND GROCERS ARE WORKING TO KEEP OUR SHELVES STOCKED AND OUR PEOPLE FED. FAMILIES ARE HELPING PEOPLE IN NEED AND ENTIRE COMMUNITIES ARE RALLYING TOGETHER TO DEFEAT THIS UGLY, HORRIBLE PLAGUE. THE FIVE AMERICANS WE RECOGNIZE TODAY ARE THE FIRST OF A NUMBER OF INDIVIDUALS WE WILL HONOR IN THE COMING WEEKS. WE WILL BE HONORING A NUMBER OF PEOPLE. THE NATION JUST COMPLETED 30 DAYS TO SLOW THE SPREAD DURING WHICH EVERY AMERICAN WAS ASKED TO MAKE SACRIFICES TO HELP DEFEAT THE VIRUS. MODELS PREDICTED BETWEEN 1.5 MILLION AND 2.2 MILLION PEOPLE WOULD HAVE DIED IN THE UNITED STATES WITHOUT THE MITIGATION. THROUGH OUR AGGRESSIVE RESPONSE AND THE REMARKABLE COMMITMENT AND BRAVERY OF AMERICAN PEOPLE, WE HAVE SAVED THOUSANDS AND DOZENS OF LIVES. I CAN EVEN MAKE THAT, IF YOU WANT, HUNDREDS OF THOUSANDS OF LIVES. PEOPLE WERE THINKING IN TERMS OF 1.5 MILLION LIVES LOST TO 2.2 WITHOUT THE MITIGATION. AND HOPEFULLY WE ARE GOING TO COME IN BELOW THAT 100,000 LIVES LOST, WHICH IS A HORRIBLE NUMBER, NEVERTHELESS. IT'S A HORRIBLE THING. COULD HAVE BEEN STOPPED. SHOULD HAVE BEEN STOPPED AT THE SOURCE, THAT IT WASN'T. BUT IT IS A TRIBUTE TO THIS COUNTRY AND THE PEOPLE OF OUR COUNTRY, WHAT YOU HAVE BEEN ABLE TO DO AND THE AMOUNT OF LIVES THAT HAVE BEEN SAVED. BECAUSE WE FLATTENED THE CURVE, SLOWED THE SPREAD AND MASSIVELY EXPANDED OUR HEALTH-CARE CAPACITY, WE ARE IN THE PROCESS OF GRADUALLY REOPENING OUR COUNTRY. IT IS BEING DONE WITH A TREMENDOUS GUSTO AND VIGOR. WE SEE THAT ALL THE TIME, DON'T WE, FRANK? THEY WANT TO GET OUT THERE. THEY WANT THEIR COUNTRY BACK AND WE ARE GETTING IT BACK. WE ARE GETTING IT BACK SAFELY AND QUICKLY. IT IS A STRATEGY GUIDED BY SCIENCE, FACTS AND REASON. THE NEVER ENDING LOCKDOWN WOULD INFLICT COLOSSAL DAMAGE ON THE HEALTH AND LIFE SPAN OF OUR PEOPLE. PUBLIC HEALTH IS CLOSELY TIED TO ECONOMIC HEALTH. OR COUNTRY CAN LONG IGNORE THE FACTS AND THE TRUTH -- NO STATE OR COUNTRY CAN LONG IGNORE THE FACTS AND THE TRUTH. IT LOOKS LIKE WE WILL BE HAVING OUR FINISHED NUMBER, IT SHOULD BE -- THINK OF IT, WE COULD SAVE ANYWHERE FROM ONE MILLION TO EVEN A MILLION FIVE. IF YOU THINK ABOUT IT, WE COULD SAVE 2.1, 2.5 MILLION LIVES DEPENDING ON WHAT HAPPENS. WITH THIS AMAZING ENEMY, NOBODY KNOWS WHAT HAPPENS, BUT WE HAVE LEARNED A LOT IN THE LAST FEW MONTHS. THROUGHOUT OUR HISTORY, IT IS AMERICA'S LOVE AND STRENGTH NOT ITS FEARS AND DOUBTS BUT HAVE PAVED THE ROAD TO VICTORY. TOGETHER WE WILL EMERGE FROM THIS CHAPTER OF HARDSHIP AND ALL THOSE DEATHS OF SUCH GREAT SOULS AND SUCH A GREAT PEOPLE. WITH UNITY AND RESOLVE, OUR PEOPLE WILL THRIVE. OUR INDUSTRIES WILL ROAR. OUR INNOVATORS LAST ANISH. AND AMERICA WILL -- WILL ASTONISH. AND AMERICA WILL THRIVE LIKE NEVER BEFORE. LIKE NEVER BEFORE. WE BUILT THE GREATEST ECONOMY IN THE HISTORY OF THE WORLD. GREATEST STOCK MARKET, GREATEST NUMBER OF JOBS ANYWAY YOU WANT IT. GREATEST INDUSTRIES, LATEST CREATIONS -- GREATEST CREATIONS. AND ONE DAY WE HAD TO CLOSE IT DOWN. THEY SAID, SIR, WE ARE GOING TO HAVE TO CLOSE IT DOWN. WE DID THAT. EVERYBODY SUFFERED. BUT THEY DID AN INCREDIBLE JOB. BECAUSE OF THAT, WE SAVED MAYBE MILLIONS OF LIVES. AND I JUST WANT TO THANK EVERYBODY. THIS IS A SCORED ALL AROUND THE WORLD. 182 COUNTRIES AS OF A WEEK AGO, SO IT IS PROBABLY HIGHER. 182

AMERICAN OVERSIGHT

COUNTRIES ARE GOING THROUGH RELATIVELY THE SAME THING. IT IS A VERY SAD, A VERY SAD CHAPTER. THERE WAS NO REASON FOR THIS. IT SHOULD HAVE BEEN STOPPED AT THE SOURCE. I WOULD LIKE TO CONGRATULATE THESE INCREDIBLE FIVE AMERICANS. I WOULD LIKE TO ASK THEM TO COME FORWARD AND RECEIVE THEIR AWARD AND THEIR RECOGNITION. THEY DESERVE IT. WE WILL BE WATCHING YOU THROUGHOUT YOUR LIFE. YOU MAY BE AROUND A LITTLE LONGER THAN ME, MR. MEHLMAN, BUT I WILL BE WATCHING YOU AS LONG AS I CAN. I WANT TO THANK YOU VERY MUCH. TO MY HOMETOWN MAYOR, THANK YOU VERY MUCH. THANK YOU, FRANK. PLEASE.

Proclamations handed out:

President Trump: SO THAT WAS GREAT. YOU REPRESENT A VERY IMPORTANT PART OF THIS COUNTRY. WE APPRECIATE IT VERY MUCH. THANK YOU VERY MUCH. HAVE A GOOD DAY. BYE. [APPLAUSE]

(b)(5)

Janice

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Cc: Calamoneri, Kevin A - Washington, DC
Subject: RE: Legal Update
Date: Wednesday, April 29, 2020 6:33:03 PM
Attachments: 2020 04 27 GC Legal Update -Advance for May 7 2020 Meeting V1.pptx

---

Keith, I made some minor edits on slides (b)(5) e(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Wednesday, April 29, 2020 4:14 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Calamoneri, Kevin A - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: Legal Update

Tom,

See attached (b)(5)

Keith

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Alesevich, Walter - Washington, DC; Howley, Jacob D - Washington, DC; Weidner, Keith E - Washington, DC
Cc: Belt, David C - Washington, DC; Brownlie, Caroline R - Washington, DC
Subject: RE: Legislative Package
Date: Friday, April 10, 2020 9:52:57 AM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Alesevich, Walter - Washington, DC
Sent: Friday, April 10, 2020 6:45 AM
To: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Legislative Package
Importance: High

(b)(5)

--Walter

From: Howley, Jacob D - Washington, DC
Sent: Thursday, April 9, 2020 9:10 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Belt, David C - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Alesevich, Walter - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Legislative Package

Tom, Keith:
(b)(5)
hanks.

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101

AMERICAN OVERSIGHT

phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 9, 2020 7:50 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Alesevich, Walter - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Legislative Package

Keith et al., (b)(5)

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 9, 2020 5:42 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2) Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Alesevich, Walter - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Legislative Package

Tom,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Keith

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Stroman, Ronald A - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: RE: Legislative Package
Date: Monday, April 13, 2020 4:19:54 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stroman, Ronald A - Washington, DC
Sent: Monday, April 13, 2020 4:05 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Legislative Package

Tom,

(b)(5)

Ron

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 3:40 PM
To: Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Legislative Package

Ron,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Let me know if you have any comments, questions or concerns.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Stroman, Ronald A - Washington, DC
Subject: RE: Legislative Package
Date: Monday, April 13, 2020 4:54:50 PM
Attachments: USPS Phase 4 leg proposals (6) FFB repayment_V4.docx

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(b)(5) .

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Monday, April 13, 2020 4:46 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Legislative Package

(b)(5) .

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 4:29 PM
To: Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Legislative Package

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stroman, Ronald A - Washington, DC
Sent: Monday, April 13, 2020 4:20 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: RE: Legislative Package

Tom,

(b)(5)

Ron

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 3:40 PM
To: Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Legislative Package

AMERICAN OVERSIGHT

Ron,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Stroman, Ronald A - Washington, DC
Subject: RE: Legislative Package
Date: Tuesday, April 14, 2020 2:28:31 PM

Works for me.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 14, 2020 2:26 PM
To: Marshall, Thomas J - Washington, DC (b)(3), (b)(6), 410(c)(2) ; Stroman, Ronald A - Washington, DC <(b)(3), (b)(6), 410(c)(2)
Subject: RE: Legislative Package

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 4:55 PM
To: Weidner, Keith E - Washington, DC (b)(3), (b)(6), 410(c)(2) >;
Stroman, Ronald A - Washington, DC (b)(3), (b)(6), 410(c)(2) >
Subject: RE: Legislative Package

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Monday, April 13, 2020 4:46 PM
To: Marshall, Thomas J - Washington, DC <(b)(3), (b)(6), 410(c)(2) >;
Stroman, Ronald A - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: RE: Legislative Package

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 4:29 PM
To: Stroman, Ronald A - Washington, DC (b)(3), (b)(6), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC (b)(3), (b)(6), 410(c)(2)
Subject: RE: Legislative Package

AMERICAN OVERSIGHT

Okay. (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stroman, Ronald A - Washington, DC
Sent: Monday, April 13, 2020 4:20 PM
To: Marshall, Thomas J - Washington, DC <(b)(3), (b)(6), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC <(b)(3), (b)(6), 410(c)(2)
Subject: RE: Legislative Package

Tom,

(b)(5)

Ron

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 3:40 PM
To: Stroman, Ronald A - Washington, DC (b)(3), (b)(6), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC <K(b)(3), (b)(6), 410(c)(2) >
Subject: FW: Legislative Package

Ron,
(b)(5)

AMERICAN OVERSIGHT

(b)
(5)

me know if you have any comments, questions or concerns.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: Letter
Date: Friday, April 17, 2020 10:44:27 PM
Attachments: DRAFT - BOG Letter to Congressional Leadership v1 (002) (005).docx

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(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 10:38 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410c2, (b)(6)
Subject: Re: Letter

(b)(5)

Sent from my iPhone

On Apr 17, 2020, at 10:20 PM, Marshall, Thomas J - Washington, DC (b)(3), 410c2, (b)(6) wrote:

I made a couple of additional edits up front. Let me know if these also work for you.

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 9:44 PM
To: Marshall, Thomas J - Washington, DC <(b)(3), 410c2, (b)(6) >
Subject: RE: Letter

I like the edits. (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 17, 2020 9:19 PM
To: Weidner, Keith E - Washington, DC (b)(3), 410c2, (b)(6)
Subject: RE: Letter

Keith, let me know what you think of this version. Thanks.

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 6:11 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410c2, (b)(6)
Subject: Letter

New version

<DRAFT - BOG Letter to Congressional Leadership v1 (002).docx>

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC
Cc: Stroman, Ronald A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: Letter to the Hill
Date: Monday, March 23, 2020 6:55:42 PM
Attachments: DRAFT - PMG Letter to Congress re COVID-19 v8.docx

---

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Monday, March 23, 2020 6:23 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Letter to the Hill

Hi Tom,

(b)(5)

Thanks for your review.

Janice

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Corbett, Joseph - Washington, DC; Krage Strako, Jakki - Washington, DC; Walker, Janice D - Washington, DC
Cc: Seaver, Kristin A - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: Liquidity concerns--talking points
Date: Sunday, April 5, 2020 3:56:01 PM

(b)(5), (b)(3), 410(c)(2)

From: Corbett, Joseph - Washington, DC
Sent: Sunday, April 5, 2020 1:46 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Liquidity concerns--talking points

(b)(5), (b)(3), 410(c)(2)
hx

From: Krage Strako, Jakki - Washington, DC
Sent: Sunday, April 5, 2020 1:42 PM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Liquidity concerns--talking points

Thanks – (b)(5), (b)(3), 410(c)(2)

Joe and Janice – (b)(5), (b)(3), 410(c)(2)

From: Walker, Janice D - Washington, DC
Sent: Sunday, April 5, 2020 11:52 AM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Liquidity concerns--talking points

Jakki,

Thanks for sharing. (b)(5), (b)(3), 410(c)(2)
.

Thank you!

Janice

From: Krage Strako, Jakki - Washington, DC
Sent: Sunday, April 5, 2020 11:36 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) >

AMERICAN OVERSIGHT

Cc: Corbett, Joseph - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>
Subject: Re: Liquidity concerns--talking points

(b)(5), (b)(3), 410(c)(2)

(b)(5), (b)
(3), 410(c)
(2)

Sent from my iPhone

On Apr 3, 2020, at 6:33 PM, Walker, Janice D - Washington, DC
(b)(6), (b)(3), 410(c)(2) >> wrote:

Hi Jakki and Joe,

AMERICAN OVERSIGHT

(b)(5), (b)(3), 410(c)(2)

Thank you!

Janice

From: Krage Strako, Jakki - Washington, DC
Sent: Friday, April 3, 2020 1:39 PM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Walker, Janice D - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: Liquidity concerns--talking points

(b)(5), (b)(3), 410(c)(2)

From: Corbett, Joseph - Washington, DC
Sent: Friday, April 3, 2020 11:26 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Krage Strako, Jakki - Washington, DC <j(b)(6), (b)(3), 410(c)(2)
Cc: Chang, Leider - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Liquidity concerns--talking points

(b)(5), (b)(3), 410(c)(2)

oe

AMERICAN OVERSIGHT

From: Walker, Janice D - Washington, DC
Sent: Friday, April 3, 2020 10:49 AM
To: Corbett, Joseph - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>
Cc: Chang, Leider - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Liquidity concerns

Thanks Joe.

From: Corbett, Joseph - Washington, DC
Sent: Friday, April 3, 2020 10:48 AM
To: Krage Strako, Jakki - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Chang, Leider - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Liquidity concerns

(b)(5), (b)(3), 410(c)(2)

Thx, Joe

From: Krage Strako, Jakki - Washington, DC
Sent: Friday, April 3, 2020 10:24 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Corbett, Joseph - Washington, DC <J(b)(6), (b)(3), 410(c)(2) Chang, Leider - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Liquidity concerns

Janice
(b)(5), (b)(3), 410(c)(2)

Joe
(b)(5), (b)(3), 410(c)(2)

DeliveringDuringCrisis4320.docx>
<USPS Statement on Congressional Stimulus Package32720v2.docx>

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

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Non-responsive record

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Rosato, John F - Washington, DC
Cc: Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject: RE: Main Takeaways from S&IC Meeting
Date: Monday, April 6, 2020 8:06:11 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rosato, John F - Washington, DC
Sent: Monday, April 6, 2020 8:01 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Cc: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Elston, Michael J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: Re: Main Takeaways from S&IC Meeting

Tom,

(b)(5)

All the best,
John
Sent from my iPhone

On Apr 6, 2020, at 7:45 PM, Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >> wrote:

John, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Rosato, John F - Washington, DC
Sent: Monday, April 6, 2020 6:28 PM
To: Brennan, Megan J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Cc: Elston, Michael J - Washington, DC (b)(3), 410(c)(2), (b)(6) >;
Marshall, Thomas J - Washington, DC <(b)(3), 410(c)(2), (b)(6) >

AMERICAN OVERSIGHT

Subject: RE: Main Takeaways from S&IC Meeting

Megan,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

All the best,
John

From: Rosato, John F - Washington, DC
Sent: Monday, April 06, 2020 2:08 PM
To: Brennan, Megan J - Washington, DC <(b)(3), 410(c)(2), (b)(6) >>
Cc: Elston, Michael J - Washington, DC <(b)(3), 410(c)(2), (b)(6) >;
Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >>
Subject: RE: Main Takeaways from S&IC Meeting

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Monday, April 06, 2020 2:01 PM
To: Rosato, John F - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Elston, Michael J - Washington, DC (b)(3), 410(c)(2), (b)(6) ;
Marshall, Thomas J - Washington, DC <(b)(3), 410(c)(2), (b)(6) >
Subject: Re: Main Takeaways from S&IC Meeting

John,

(b)(5)
Thanks,

Megan

On Apr 6, 2020, at 1:49 PM, Rosato, John F - Washington, DC
(b)(3), 410(c)(2), (b)(6) > wrote:
Megan,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

All the best,
John

John F. Rosato
Assistant Secretary of the Board of Governors and Counselor
United States Postal Service
(202) 268-2990 (office)
(b)(3), 410(c) (cell)

CONFIDENTIALITY NOTICE: THIS E-MAIL MESSAGE (AND ANY ATTACHMENTS TRANSMITTED WITH IT) MAY INCLUDE CONFIDENTIAL INFORMATION SUBJECT TO THE ATTORNEY-CLIENT AND DELIBERATIVE PROCESS PRIVILEGES, AND MAY ALSO HAVE BEEN PREPARED IN ANTICIPATION OF LITIGATION. THIS DOCUMENT SHOULD NOT BE DISCLOSED TO ANYONE OUTSIDE THE POSTAL SERVICE AND ITS USE WITHIN THE POSTAL SERVICE SHOULD BE LIMITED TO THOSE WITH A NEED TO REVIEW THE E-MAIL (AND ATTACHMENTS) IN RELATION TO THE SUBJECT MATTER OR CASE DISCUSSED HEREIN.

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: Mnuchin Phone Call
Date: Thursday, April 2, 2020 9:19:23 PM
Attachments: BOG TPs Treasury.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 2, 2020 5:16 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: Mnuchin Phone Call

Tom, (b)(5)

Keith

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Cc: Selde, Jennifer L - Washington, DC; Elston, Michael J - Washington, DC
Subject: Re: Mnuchin Phone Call
Date: Saturday, April 4, 2020 2:26:57 PM

(b)(5)

Let us know if you have any question or concerns about these items.

-Tom.

Sent from my iPhone

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: Mnuchin Phone Call
Date: Saturday, April 4, 2020 4:11:34 PM

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Saturday, April 4, 2020 1:29 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: Re: Mnuchin Phone Call

(b)(5) .
Thank you.

Megan

On Apr 4, 2020, at 12:57 PM, Marshall, Thomas J - Washington, DC <(b)(3), 410(c)(2), (b)(6) >> wrote:

Just as an fyi, (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 4, 2020 11:35 AM
To: Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Mnuchin Phone Call

Keith, (b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 3, 2020 4:22 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: RE: Mnuchin Phone Call

Tom, (b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 2, 2020 9:19 PM
To: Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: RE: Mnuchin Phone Call

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 2, 2020 5:16 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Mnuchin Phone Call

Tom, (b)(5)

Keith

Duplicate

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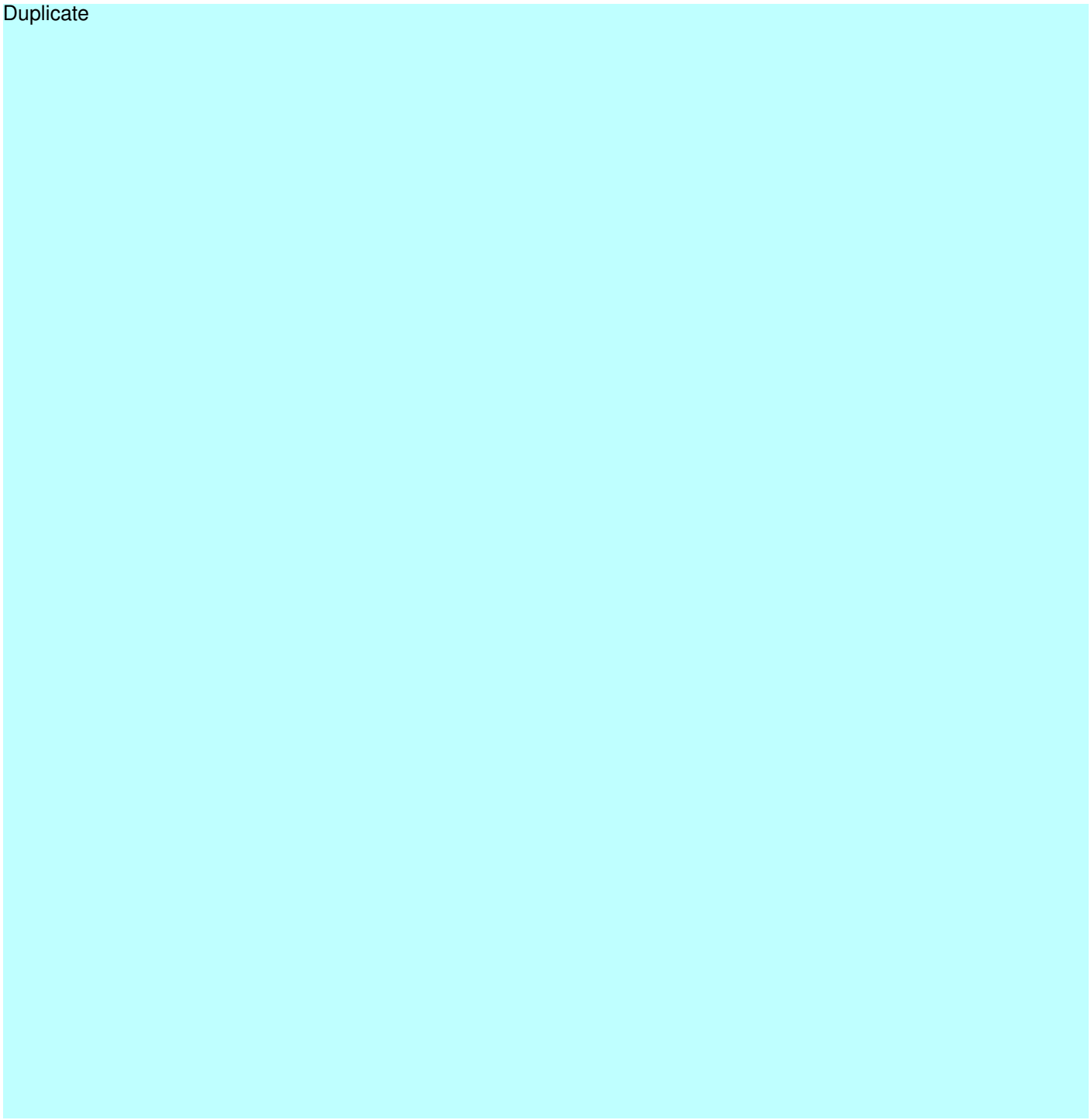

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC; Weidner, Keith E - Washington, DC
Cc: Selde, Jennifer L - Washington, DC
Subject: RE: Mnuchin Phone Call
Date: Saturday, April 4, 2020 8:19:35 PM

Sounds good. Talk to you tomorrow.

From: Elston, Michael J - Washington, DC
Sent: Saturday, April 4, 2020 7:18 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Selde, Jennifer L - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Mnuchin Phone Call

Thank you both very much. (b)(5)

Mike

From: Marshall, Thomas J - Washington, DC
Sent: Saturday, April 4, 2020 2:27 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Selde, Jennifer L - Washington, DC (b)(6), (b)(3), 410(c)(2) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Mnuchin Phone Call

(b)(5)

Let us know if you have any question or concerns about these items.

-Tom.
Sent from my iPhone

On Apr 4, 2020, at 1:53 PM, Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>> wrote:

Jennifer,

Per Mike's request we have developed draft talking points for the BOG Office's consideration, regarding the third (b)(5)

I am also happy to discuss at any time. I am available by email or by calling my cell at (b)(6)

AMERICAN OVERSIGHT

Thanks,
Keith

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 2, 2020 2:21 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Mnuchin Phone Call

Keith, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Thursday, April 2, 2020 12:41 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Mnuchin Phone Call

Thank you! Letter attached.

Keith, Jennifer's phone number is (b)(6), (b)(3),

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 2, 2020 12:38 PM
To: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Mnuchin Phone Call

Mike, (b)(5)
Thanks.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Thursday, April 2, 2020 10:02 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Mnuchin Phone Call

Tom,

(b)(5)

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(b)(5)

Thanks,
Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

<2020-03-31 Chairman Duncan to Sec. Mnuchin.pdf>
<BOG TPs Treasury_draft 4.4.2019.docx>

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From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC; Brennan, Megan J - Washington, DC
Subject: RE: National Area Update Message
Date: Tuesday, April 28, 2020 10:09:52 AM
Attachments: Draft Op-Ed (003) (003) jm3.docx

Janice, (b)(5), (b)(3), 410(c)(2)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Walker, Janice D - Washington, DC
Sent: Tuesday, April 28, 2020 10:06 AM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: National Area Update Message

(b)(5), (b)(3), 410(c)(2)

Thanks.

-----Original Message-----
From: Brennan, Megan J - Washington, DC
Sent: Tuesday, April 28, 2020 9:43 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: National Area Update Message

Janice,

(b)(5), (b)(3), 410(c)(2)

Thanks,

Megan

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Non-responsive record

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Non-responsive record

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: Re: (b)(5) comments
Date: Wednesday, April 29, 2020 8:17:20 PM

(b)(5)

Sent from my iPhone

On Apr 29, 2020, at 8:15 PM, Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)

Megan

On Apr 29, 2020, at 8:14 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

Sent from my iPhone

On Apr 29, 2020, at 8:02 PM, Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

(b)(5)

Megan

Begin forwarded message:

From: "Walker, Janice D - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Date: April 29, 2020 at 7:30:58 PM EDT
To: _Executive Leadership Team (b)(6), (b)(3), 410(c)(2)
Cc: "Adams, Jeffery A - Washington, DC" <(b)(6), (b)(3), 410(c)(2)
"Partenheimer, David A - Washington, DC" (b)(6), (b)(3), 410(c)(2), "Sucich, Nicholas J - Washington, DC" (b)(6), (b)(3), 410(c)(2) >
Subject: (b)(5) comments

(b)(5) .

Trump Says Internet Retailers That Use 'Laughing Stock' Post Office Must Pay More
By Reuters
April 29, 2020Updated 7:07 p.m. ET
WASHINGTON — President Donald Trump lambasted internet retailers again on Wednesday for taking advantage of the U.S. Postal Service and said those firms needed to pay more for package delivery.
"We want our post office to be successful. We don't want it to be a laughing stock and a stupidly run organization

AMERICAN OVERSIGHT

the way it's been for so many decades now. It's ridiculous," Trump said during an event at the White House.
"We want to stabilize the post office, and the way you do that is these companies are going to have to pay more," Trump said of internet retailers. "The companies are going to have to pay a percentage of that ... loss."
Trump threatened last week to block federal aid for the Postal Service unless it raises shipping rates for online companies like Amazon.com<http://Amazon.com> Inc, prompting criticism that the move would hurt consumers relying more than usual on packages during the coronavirus outbreak.
The Postal Service, which employs more than 600,000 people, has said that it may not be able to continue service past September without help, as the pandemic batters the U.S. economy.
Trump has long been critical of Amazon in particular. He did not mention the company by name on Wednesday, but his pique with the online retailer was clear.
"We're making a lot of people rich and a lot of companies rich by subsidizing these companies. On top of that, they don't pay the same taxes as a retail store. It's very unfair to the retailers," Trump said.
Amazon founder and Chief Executive Jeff Bezos is the richest man in the world, according to Forbes. Bezos owns the Washington Post newspaper, whose coverage of the Trump administration has angered the president.
The Package Coalition, whose members include Amazon, eBay Inc and others, has said that raising prices to deliver packages would mean Americans would pay higher prices.
The president, a Republican who is running for re-election in November, made clear he wanted to protect postal workers
"We want to take care of our taxpayers and we want to take care of, very, very importantly, the people that work at the post office."
(Reporting by Jeff Mason; Editing by Peter Cooney)
There was a live roundtable<https://twitter.com/WhiteHouse/status/1255592338908344320>:

<image001.png>

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: Re: (b)(5) comments
Date: Wednesday, April 29, 2020 8:14:10 PM
Attachments: image001.png

(b)(5)

Sent from my iPhone

On Apr 29, 2020, at 8:02 PM, Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

Tom,

(b)(5)

Megan

Begin forwarded message:

From: "Walker, Janice D - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Date: April 29, 2020 at 7:30:58 PM EDT
To: _Executive Leadership Team
<_(b)(6), (b)(3), 410(c)(2)
Cc: "Adams, Jeffery A - Washington, DC" (b)(6), (b)(3), 410(c)(2)
"Partenheimer, David A - Washington, DC"
(b)(6), (b)(3), 410(c)(2), "Sucich, Nicholas J - Washington, DC" <(b)(6), (b)(3), 410(c)(2)
Subject: (b)(5) comments

(b)(5) .

Trump Says Internet Retailers That Use 'Laughing Stock' Post Office Must Pay More
By Reuters
April 29, 2020Updated 7:07 p.m. ET
WASHINGTON — President Donald Trump lambasted internet retailers again on Wednesday for taking advantage of the U.S. Postal Service and said those firms needed to pay more for package delivery.
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"We want to stabilize the post office, and the way you do that is these companies are going to have to pay more," Trump said of internet retailers. "The companies are going to have to pay a percentage of that ... loss."
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AMERICAN OVERSIGHT

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"We want to take care of our taxpayers and we want to take care of, very, very importantly, the people that work at the post office."
(Reporting by Jeff Mason; Editing by Peter Cooney)
There was a live roundtable<https://twitter.com/WhiteHouse/status/1255592338908344320>:

<image001.png>

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: (b)(3), Assignment
Date: Thursday, April 23, 2020 8:06:20 PM
Attachments: image001.png
image002.jpg
image003.jpg
image004.jpg
image005.jpg
(b)(3), 410(c)(2)

Keith, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 23, 2020 6:18 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: (b)(3), Assignment

From: Passantino, Stefan (59582) (b)(6)
Sent: Thursday, April 23, 2020 5:05 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: (b)(3), Assignment

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
(b)(5)

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

[image]

Michael Best & Friedrich LLP

[image]<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0> [image]
<https://t.xink.io/Tracking/Index/IgACAHkXAQCw2VQA0>

From: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Wednesday, April 22, 2020 3:02 PM
To: Passantino, Stefan (59582) (b)(6)
Subject: RE: (b)(3), Assignment

Stefan,

AMERICAN OVERSIGHT

(b)(5)

Thanks,
Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
(b)(6), (b)(3),

From: Passantino, Stefan (59582) [(b)(6)
Sent: Wednesday, April 22, 2020 10:36 AM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: (b)(3), Assignment

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Can I call you at 1:00? It shouldn't take too long.

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

[image]

Michael Best & Friedrich LLP

[image]<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0> [image]
<https://t.xink.io/Tracking/Index/IgACAHkXAQCw2VQA0>

From: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Sent: Wednesday, April 22, 2020 9:39 AM
To: Passantino, Stefan (59582) (b)(6)
Subject: RE: (b)(3), Assignment

I am available this afternoon. Anytime after 1:00.

Keith

From: Passantino, Stefan (59582) (b)(6)
Sent: Wednesday, April 22, 2020 9:36 AM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: [EXTERNAL] RE: (b)(3), Assignment

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Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

[image]

Michael Best & Friedrich LLP

[image]<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0> [image]
<https://t.xink.io/Tracking/Index/IgACAHkXAQCw2VQA0>

From: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Sent: Wednesday, April 22, 2020 9:23 AM
To: Passantino, Stefan (59582) (b)(6)
Subject: RE: (b)(3), Assignment

Hello Stefan,

(b)(5)

Thanks,
Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
(b)(6)

From: Weidner, Keith E - Washington, DC
Sent: Thursday, April 16, 2020 6:03 PM
To: 'Passantino, Stefan (59582)' (b)(6) >
Subject: (b)(3), Assignment

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ATTORNEY-CLIENT PRIVILEGED

Stefan,

(b)(5)

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(b)(5)

Thanks,
Keith

Keith Weidner
Deputy General Counsel, Headquarters
475 L'Enfant Plaza S.W.
Room 6002
Washington, D.C. 20260
202-268-6252 (w)
(b)(6)

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From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Re: (b)(3), Assignment
Date: Wednesday, April 22, 2020 1:00:06 PM
Attachments: image001.png
image008.jpg
image009.jpg
image002.jpg
image003.jpg

(b)(5)

Sent from my iPhone

On Apr 22, 2020, at 12:08 PM, Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

As a FYI, (b)(5)

Keith

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Duplicate

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Duplicate

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From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC
Cc: Brennan, Megan J - Washington, DC
Subject: RE: NY Times editorial: What"s an essential service in a pandemic? The Post Office
Date: Wednesday, April 15, 2020 9:23:24 AM

Thank you.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Wednesday, April 15, 2020 8:56 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3) >
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), >
Subject: RE: NY Times editorial: What's an essential service in a pandemic? The Post Office

(b)(5)

Thanks.

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, April 15, 2020 8:53 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Brennan, Megan J - Washington, DC < (b)(6), (b)(3), 410(c)(2)
Subject: RE: NY Times editorial: What's an essential service in a pandemic? The Post Office

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Tuesday, April 14, 2020 9:38 PM
To: _Executive Leadership Team < (b)(6), (b)(3), 410(c)(2)
Subject: NY Times editorial: What's an essential service in a pandemic? The Post Office

(b
)

https://www.nytimes.com/2020/04/14/opinion/usps-coronavirus.html
What's an Essential Service in a Pandemic? The Post Office
From the census to the November election, the Postal Service is critical to American democracy.
By The Editorial Board<https://www.nytimes.com/interactive/opinion/editorialboard.html>
* April 14, 2020, 8:24 p.m. ET
America's favorite government agency<https://news.gallup.com/poll/257510/postal-service-americans-favorite-federal-agency.aspx> is on the brink of collapse, and Washington policymakers appear too mired in politics to save it.
Like so many businesses, the United States Postal Service has been hit hard by the coronavirus. Mail volume is down nearly a third<https://www.nytimes.com/2020/04/09/us/politics/coronavirus-is-threatening-one-of-governments-steadiest-services-the-mail.html> over this time last year and continues to fall. The Postal Service is predicting $13 billion in lost revenue this fiscal year as a direct result of the pandemic. In an April 9 telebriefing<https://federalnewsnetwork.com/agency-oversight/2020/04/postmaster-general-usps-will-run-out-of-cash-this-fiscal-year-without-more-pandemic-funding/> to the House Oversight and Reform Committee, the postmaster general, Megan Brennan, warned that without financial assistance the agency could run out of money by the end of September.
The Postal Service cannot be allowed to crumble in the midst of a national emergency. Though organized as a self-sustaining quasi-governmental enterprise, run without taxpayer funding, it is not just another business. Even in an increasingly wired world, the agency's mandate of "universal service" provides a lifeline to remote areas. As this pandemic rages, its 600,000-plus employees are working to ensure that Americans receive their prescriptions and protective equipment and other essential items, no matter where they live. Nearly 500 postal workers have tested positive for the virus, with hundreds more suspected of having it, according to The Washington Post<https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/>.
This year, the Postal Service is also playing an expanded role in sustaining democracy. In the new world of social distancing, mail-in and absentee voting are crucial to ensuring that Americans do not have to risk their lives to cast their votes. If the Postal Service collapses, it will take with it the infrastructure needed for millions of Americans to participate in the most fundamental act of self-government.
Now layer onto this the millions of census forms delivered<https://2020census.gov/en/important-dates.html> to American households through the mail last month, many of which will be filled out and returned the same way.
With all that in mind, one might expect Congress and the White House to be scrambling to throw this vital public institution a lifeline. But, unlike other essential businesses - not to mention favored industries - the Postal Service, in its distress, is facing staunch political resistance that threatens to let it sink.
Part of the problem is longstanding disagreement over the agency's structure and mission. For years, conservatives have been pushing to privatize the service. A more recent threat arises from President Trump's personal hostility toward the agency, stemming in part from his contention that it gives sweetheart delivery rates to Amazon, the e-commerce giant led by Jeff Bezos, whom Mr. Trump considers a political enemy. The president has accused Amazon of fleecing<https://www.nytimes.com/2018/12/04/us/politics/trump-amazon-post-office.html> the Postal Service and argued that if the agency is having money troubles it should simply raise the rates it charges companies like Amazon and - poof - problem solved. "Should be charging MUCH MORE! <https://twitter.com/realDonaldTrump/status/946728546633953285?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E946728546633953285&ref_url=https%3A%2F%2Fwww.usatoday.com%2Fstory%2Fmoney%2F2017%2F12%2F29%2Ftrump-says-u-s-postal-service-should-charge-amazon-much-more-shipping%2F989942001%2F>" he was tweeting in 2017.
But the president's own task force<https://www.nytimes.com/2018/12/04/us/politics/trump-amazon-post-office.html> determined<https://home.treasury.gov/system/files/136/USPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf> that package delivery is profitable for the agency, and others have warned that a significant increase in shipping rates could<https://www.barrons.com/articles/trump-blasts-amazon-for-uspss-losses-blame-congress-instead-51586387726> in fact drive private companies to pursue alternatives<https://nymag.com/intelligencer/2019/12/if-trump-is-re-elected-he-will-come-for-your-amazon-prime.html>.
The mail service's troubles did not begin with the coronavirus. For decades, the agency has suffered a decline in its core business. The volume of first-class mail has dropped from a peak<https://about.usps.com/who-we-are/postal-history/first-class-mail-since-1926.htm> of 103.6 billion pieces in 2001 to 54.9 last year. To help make up the gap, the agency has shifted aggressively into the package delivery business, contracting with private companies, including FedEx, UPS and, yes, Amazon.

On various occasions<https://www.nytimes.com/2011/11/25/opinion/overhauling-the-post-office-for-the-21st-century.html>, the agency has attempted<https://www.nytimes.com/2012/05/19/opinion/nocera-free-the-post-office.html> to rein in costs by closing offices or cutting service. That's when lawmakers tend to step in, deciding that its mission is too vital to tinker with. In 2013, when the Postal Service announced<https://www.nytimes.com/2013/04/11/us/postal-service-halts-push-to-limit-saturday-service.html> that it would do away with most Saturday delivery, Congress bucked<https://www.nytimes.com/2013/04/12/opinion/retreat-at-the-post-office.html>, inserting a provision into that year's budget to block the move.
Lawmakers know that voters cherish mail service. The Postal Service consistently enjoys the top job rating of any federal agency, according to research by Gallup<https://news.gallup.com/poll/257510/postal-service-americans-favorite-federal-agency.aspx>.
Compounding its current problems, the service is saddled with financial obligations not imposed on other enterprises<https://www.nytimes.com/2012/07/31/opinion/nocera-its-d-day-for-the-post-office.html>, private or public. In 2006, Congress passed a bill requiring the agency to set aside around $5.5 billion per year to prepay health care benefits for future retirees. This has put the Postal Service at a competitive disadvantage. Absent this burden, the agency would have turned a profit in each of the past six years, according to a report by the Institute for Policy Studies<https://ips-dc.org/how-congress-manufactured-a-postal-crisis-and-how-to-fix-it/>. There have been multiple attempts<https://www.govexec.com/pay-benefits/2020/02/house-votes-end-controversial-usps-payments-future-retirees-health-care/162912/> by Congress to repeal this mandate.

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In its most recent update<https://www.gao.gov/key_issues/us_postal_service_financial_viability/issue_summary> on the agency, the Government Accountability Office painted a bleak picture: "U.S.P.S.'s overall financial condition is deteriorating and unsustainable. U.S.P.S. has lost $69 billion over the past 11 fiscal years - including $3.9 billion in fiscal year 2018. U.S.P.S.'s total unfunded liabilities and debt ($143 billion at the end of fiscal year 2018) have grown to double its annual revenue."

In pandemic terms, the Postal Service has several pre-existing conditions that make it vulnerable.

Last month, lawmakers sought to include a $13 billion grant for the agency in the $2 trillion coronavirus relief law. The effort was blocked by Treasury Secretary Steven Mnuchin, who warned that it would derail negotiations. Mr. Trump had threatened to reject the bill if it included a postal bailout, according to<https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/> reporting by The Washington Post. Lawmakers settled for a $10 billion loan - from the Treasury Department. Mr. Mnuchin has warned that any attempt to insert a postal bailout into the next relief package would be a non-starter.

Long term, the Postal Service will need to restructure its debt obligations, among other significant reforms. Short term, Congress must find a way to shore up the agency on behalf of millions of constituents who depend on it. Last Thursday, Ms. Brennan asked lawmakers for $89 billion in assistance. This would include $25 billion in grants to cover losses from the pandemic, $25 billion for infrastructure modernization, $14 billion in debt payments related to retirement benefits and $25 billion in unrestricted borrowing authority, according to The Times<https://www.nytimes.com/2020/04/09/us/politics/coronavirus-is-threatening-one-of-governments-steadiest-services-the-mail.html>.

This request seems overly ambitious. But it at least provides a starting point for debate about how Congress can - and must - keep postal carriers on their appointed rounds. This essential institution should not be held hostage to political grudges. Now more than ever, Americans need something they can rely on.

A version of this article appears in print on April 15, 2020, Section A, Page 22 of the New York edition with the headline: The Post Office Is Essential. Help It..

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From: Marshall, Thomas J - Washington, DC
To: Bloom, Ron; John Barger
Cc: Brennan, Megan J - Washington, DC; Connolly, Michael J - Washington, DC
Subject: RE: NY Times story
Date: Thursday, April 9, 2020 5:24:54 PM
Attachments: image001.png

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Bloom, Ron (b)(6) (b)
Sent: Thursday, April 9, 2020 4:44 PM
To: Marshall, Thomas J - Washington, DC (b)(6) (b)(3) 410(e)(2)
Cc: Brennan, Megan J - Washington, DC (b)(6) ; Connolly, Michael J - Washington, DC (b)(6)
Subject: [EXTERNAL] RE: NY Times story

(b)(5)

Ron

Bloom

Managing Partner

|

Vice Chairman

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M (b)

(b)(5)

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From: Marshall, Thomas J - Washington, DC (b)(6) (b)(3)
Sent: Thursday, April 9, 2020 3:44 PM
To: Bloom, Ron (b)(6) (b)(3) >; John Barger (b)(6) (b)(3) 410(e)(2) >; (b)(6) (b)(3) 410(e) >>
Cc: Brennan, Megan J - Washington, DC (b)(6) (b)(3) ; Connolly, Michael J - Washington, DC (b)(6) (b)(3)
Subject: RE: NY Times story

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 9, 2020 3:00 PM
To: 'Bloom, Ron' (b)(6) (b)(3) >; 'John Barger (b)(6) (b)(3) 410(e) (b)(6) (b)(3) 410(e)(2) >
Cc: Brennan, Megan J - Washington, DC (b)(6) (b)(3) ; 'Connolly, Michael J - Washington, DC' (b)(6) (b)(3)
Subject: NY Times story

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

Coronavirus Is Threatening One of Government's Most Ubiquitous Services: The Mail.
The Postal Service needs billions to continue funding its operations and make other payments, the agency told lawmakers.
By Nicholas Fandos<https://can01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.nytimes.com%2Fby%2Fnicholas-fandos&data=02%7C01%7Cron.bloom%40brookfield.com%7C706a68983b9248bf455208d7dcbe524e%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C1%7C637220582335128217&sdata=6jsMqH0NLZSZ9BK4zNUvTuJrtSasi%2FZZ4qk0MswwNaM%3D&reserved=0> and Jim Tankersley<https://can01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.nytimes.com%2Fby%2Fjim-tankersley&data=02%7C01%7Cron.bloom%40brookfield.com%7C706a68983b9248bf455208d7dcbe524e%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C1%7C637220582335138212&sdata=v9Gp4rY4vL83X8L88%2Bg1QxFO8SBhlIB3LWjjD3shJneo%3D&reserved=0>
April 9, 2020, 2:16 p.m. ET

WASHINGTON — The coronavirus pandemic is ravaging the United States Postal Service, with mail volume down by nearly a third already compared to same time last year and dropping quickly, as businesses drastically cut back on solicitations, advertisements and all kinds of letters that make up the bulk of mail service's bottom line.
The falloff comes even as package delivery has surged — but not by nearly enough to offset the losses from mail volume.
The result, the Postal Service told Congress on Thursday, is a multibillion-dollar financial shortfall that could cause one of the government's oldest and most reliable entities to run out of cash by the end of September and throw regular delivery into doubt at a time when Americans may still be trapped at home.
Megan J. Brennan, the postmaster general, told lawmakers on the House Oversight and Reform Committee on Thursday that the agency believed it would need $25 billion in federal grants to cover lost revenue from the pandemic, plus an additional $25 billion to update aging infrastructure. Another $14 billion is needed to pay off long-term debt related to the Postal Service's retirement benefits program along with $25 billion in unrestricted borrowing authority to weather the rapidly unfolding crisis, she said, according to officials familiar with the information she shared privately, who described it on condition of anonymity.
Even with an increase in online shopping and package delivery to Americans cooped up at home, the agency could see a 50-percent reduction in total mail volume by the end of June, compared to the same period last year, Ms. Brennan told the lawmakers. Postal officials fear a sizable portion of that lost mail may never return.
In total, the Postal Service anticipates losing $13 billion in revenue this fiscal year because of the pandemic and another $54 billion in losses over 10 years.
"They are chilling numbers," said Representative Gerald E. Connolly, Democrat of Virginia, who leads the House subcommittee responsible for the Postal Service. "The reaction of a lot of my colleagues — their jaws were dropping. It is one thing to say the Postal Service is suffering. It is another to hear these specifics."
As Congress spends trillions of dollars to try to save private businesses with loans and grants, the Postal Service has emerged as an unusual sticking point, bogged down by a long-running debate over its future. The agency does not normally use taxpayer money, but has struggled in recent years under mounting debt.
House Democrats are ready to give the Postal Service most of what it is asking for. But President Trump has so far rejected direct relief, repeatedly saying the Postal Service could solve its own woes simply by raising prices on packages delivered for big online retailers like Amazon.
Steven Mnuchin, the Treasury secretary, squashed a bipartisan attempt to send the agency emergency funds last month, insisting instead that his department be given new authority to lend up to $10 billion to the Postal Service on terms it helps set, other officials familiar with the negotiations said.
Ms. Brennan told lawmakers on Thursday that the agency was already in talks with the Treasury about the potential loan, but its revenue predictions suggest that money would not be enough if the crisis continues.
For now, the mail service, which operates under government-mandated service requirements, has continued uninterrupted. Even as scores of its more than 600,000 person work force have fallen ill and some have died, mail sorters and carriers have continued to walk their routes in every corner of the country,<https://can01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.nytimes.com%2F2020%2F03%2F23%2Fus%2Fcoronavirus-post-office-workers.html&data=02%7C01%7Cron.bloom%40brookfield.com%7C706a68983b9248bf455208d7dcbe524e%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C1%7C637220582335138212&sdata=ga7mEN7z9SvYGnL5ljSTIwwVmOk6FMscx2P%2BBCUPI7U%3D&reserved=0> in many cases the only physical lifeline Americans now have to the outside world. They deliver medicines, election ballots, coronavirus test kits and packages ordered online.
But the administration's position has fanned fears among some lawmakers, postal union representatives and others who rely on the service that Trump administration officials are willing to let the postal network essentially go bankrupt to force its leaders to accept an overhaul to the postal business model that many conservatives have long sought — one that could limit delivery service and aid commercial competitors like FedEx and UPS.
In a statement to The New York Times, Ms. Brennan said the Postal Service was "at a critical juncture," quickly losing revenue because demand for its most profitable postal products was "plummeting as a result of the pandemic."
"At a time when America needs the Postal Service more than ever, the reason we are so needed is having a devastating effect on our business," she said. "The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover."
She called on Congress to "shore up the finances of the Postal Service, and enable us to continue to fulfill our indispensable role during the pandemic, and to play an effective role in the nation's economic recovery."
Negotiators on Capitol Hill had reached a tentative deal last month to provide the Postal Service around $13 billion dollars in direct relief as part of the $2 trillion CARES Act. The figure would have been far below a proposal by House Democrats, but it had the buy-in of a key Republican negotiator: Senator Ron Johnson of Wisconsin, the chairman of the Senate Homeland Security and Governmental Affairs Committee, according to the officials familiar with the talks, where were not authorized to publicly discuss them.
But Mr. Mnuchin said the administration would not have it. The Treasury secretary told lawmakers that a direct infusion of cash was a non-starter, and advocated instead for creating the $10 billion in new lending authority. Department officials did not respond to a request to comment Thursday on postal issues.
Mr. Connolly said Thursday that he would recommend House leadership promptly back the new, higher figures presented by the Postal Service.
"We weren't shooting for the moon. We weren't solving all the problems. We were just trying to get them through," Mr. Connolly said. "The question is, will the Republicans join us?
Some Republican lawmakers remain open to direct cash payments, as well, under certain circumstances. Historically, the Postal Service has counted on strong support from Republicans representing rural districts, where their service is a lifeline to homes and small businesses. But it is unclear if they would allocate the funds without imposing reform requirements on the agency or if they are willing to overpower Mr. Mnuchin and the White House.
An independent executive agency, the Postal Service has not taken federal funding in decades, running instead off revenue raised from stamps and other postal products. But since the 2008 financial crisis, it has struggled to stay in the black, weighed down largely by a congressional mandate to pre-fund its retirement benefits programs.
The agency has stopped making those payments in recent years, running up billions of dollars in debt, while its mail delivery business has otherwise remained profitable. Lawmakers in both parties have proposed overhauls to the service along the way, but none have stuck.
The postal unions and Democrats fear that the Trump administration is now trying to take advantage of the coronavirus crisis to push through a long-sought overhaul<https://can01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.nytimes.com%2F2018%2F12%2F04%2Fus%2Fpolitics%2Ftrump-amazon-post-office.html&data=02%7C01%7Cron.bloom%40brookfield.com%7C706a68983b9248bf455208d7dcbe524e%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C1%7C637220582335148206&sdata=GJ0SEPtxjP8eR2lfw4vHCwoil20lwfE%2F4cIrgVZizi8%3D&reserved=0> of the Postal Service that would benefit private package carriers and eliminate certain costly rural delivery routes.
Mr. Trump has frequently criticized the service for not charging higher prices to deliver packages for large online retailers like Amazon — a company he has sometimes singled out<https://can01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.nytimes.com%2F2018%2F04%2F12%2Fus%2Fpolitics%2Ftrump-postal-service-amazon.html%3Faction%3Dclick%26module%3DRelatedCoverage%26pgtype%3DArticle%26region%3DFooter&data=02%7C01%7Cron.bloom%40brookfield.com%7C706a68983b9248bf455208d7dcbe524e%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C1%7C637220582335158200&sdata=xV7vY3TkCwblnswE9Lw U28UyydiFvlG69FGasBXoXP0%3D&reserved=0> in his Twitter tirades on postal issues. Aides have said the president's criticisms often followed critical stories about his administration published by the Washington Post, which is owned by Amazon founder Jeff Bezos.
He repeated the criticism this week, as he appeared to reject calls for a cash bailout. Asked about Mr. Connolly's proposal, he said the congressman should focus instead on raising package delivery prices.
"Tell your Democrat friend that he ought to focus on that, because if he focused on that, he could truly save the Post Office," the president said.
Mr. Trump ordered a review of the Postal Service and its pricing policies in 2018. His administration published the review<https://can01.safelinks.protection.outlook.com/?url=https%3A%2F%2Fhome.treasury.gov%2Fsystem%2Ffiles%2F136%2FUSPS_A_Sustainable_Path_Forward_report_12-04-2018.pdf&data=02%7C01%7Cron.bloom%40brookfield.com%7C706a68983b9248bf455208d7dcbe524e%7Cdaf884b0be164f2a8bbbdc6099a56844%7C0%7C1%7C637220582335158200&sdata=mNkOZd2pSEDDFhIFSTPRJtMOh0QlCGxBtOmnAHGtkk%3D&reserved=0> in December of that year. Its recommendations included steps that could reduce the frequency of mail delivery and increases in the prices of sending some packages. Online retailers criticized the recommendations, which they said could particularly hurt rural customers.
The report did not spur any action in Congress last year. But a longtime congressional advocate of changes to the service, Mark Meadows of North Carolina, recently took over as Mr. Trump's chief of staff. Critics of the report fear the White House could be trying to use the pandemic as another opening.
"At the end of the day, they have an agenda," said Mark Dimondstein, the president of the American Postal Workers Union, which represents 200,000 postal workers. "Raise prices, reduce worker benefits, and reduce services, make it appear more profitable and set it up for sale."
"The Covid crisis should not be used to achieve political aims," he added.
A lobbying group on postal issues that includes Amazon and other online retailers, the Package Coalition, raised concerns this week that the strings Treasury officials might attach to postal loans could raise prices during a pandemic that has made Americans more dependent on package delivery.
"The Treasury has the Postal Service over a $10-billion barrel, and the Postal Service is on the brink of bankruptcy," said the coalition's chairman, the former Army secretary John M. McHugh. "What do you do? We're worried they'll accept the terms."

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: Package Coalition
Date: Tuesday, March 31, 2020 9:42:41 PM
Attachments: Legislative Strategy Talking Points 3-30-2020.docx

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(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Tuesday, March 31, 2020 8:51 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Package Coalition

(b)(5)

Thanks Tom.

Megan

On Mar 31, 2020, at 8:44 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Tuesday, March 31, 2020 8:43 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Re: Package Coalition

(b)(5)

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Thanks,

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Megan

On Mar 31, 2020, at 8:02 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Tuesday, March 31, 2020 7:59 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Package Coalition

Tom,

(b)(5)

Thanks,

Megan

On Mar 31, 2020, at 7:54 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Scanlon, Michael F. (b)(6)
Sent: Tuesday, March 31, 2020 5:56 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: John McHugh (b)(6)
Scanlon, Michael F.
(b)(6)
Subject: [EXTERNAL] Package Coalition

Tom:

AMERICAN OVERSIGHT

(b)(5)

Regards,

[K&L Gates LLP]<http://www.klgates.com/>

Michael F. Scanlon
Practice Area Leader - Policy & Regulatory
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<Package Coalition Letter to Secretary Mnuchin.pdf>

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: PMG Open Session Script
Date: Monday, May 4, 2020 4:20:27 PM
Attachments: DRAFT - PMG May 2020 Open Session Script v3.docx

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 4, 2020 3:58 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: PMG Open Session Script

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 4, 2020 3:57 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
'Lindeberg, Fred (WAS-WSW)' (b)(6)
Subject: FW: PMG Open Session Script

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Lindeberg, Fred (WAS-WSW) (b)(6)
Sent: Saturday, May 2, 2020 2:28 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] PMG Open Session Script

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(b)(5)

_ _ _
Fred Lindeberg
Senior Vice President - Management Supervisor
Powell Tate | Weber Shandwick

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Cc: Weidner, Keith E - Washington, DC
Subject: RE: (b)(5)
Date: Friday, May 8, 2020 1:08:30 PM
Attachments: (b)(5)

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Thursday, May 7, 2020 6:24 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fwd: (b)(5)

Thanks,

Megan

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: PostCom response letter
Date: Tuesday, April 21, 2020 1:09:15 PM
Attachments: MikePlunkettletter_V2.doc

(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 21, 2020 11:40 AM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: PostCom response letter

See attached revisions, (b)(5)

Keith

From: Owens, Sharon - Merrifield, VA
Sent: Tuesday, April 21, 2020 11:38 AM
To: Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Monteith, Steven W - Washington, DC (b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >; de Torok, Judy A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: PostCom response letter

(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Tuesday, April 21, 2020 11:00 AM
To: Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2)
Subject: RE: PostCom response letter

(b)(5)

AMERICAN OVERSIGHT

From: Owens, Sharon - Merrifield, VA
Sent: Tuesday, April 21, 2020 10:24 AM
To: de Torok, Judy A - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: PostCom response letter

(b)(5)

From: de Torok, Judy A - Washington, DC
Sent: Tuesday, April 21, 2020 10:18 AM
To: Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) >>; Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Monteith, Steven W - Washington, DC <(b)(6), (b)(3), 410(c)(2) >>; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: PostCom response letter

Sharon, Keith: (b)(5)

From: Owens, Sharon - Merrifield, VA
Sent: Monday, April 20, 2020 7:09 PM
To: de Torok, Judy A - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: PostCom response letter

(b)(5)

From: Krage Strako, Jakki - Washington, DC
Sent: Monday, April 20, 2020 7:08 PM
To: Owens, Sharon - Merrifield, VA (b)(6), (b)(3), 410(c)(2) >>; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Foti, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >>; Monteith, Steven W - Washington, DC (b)(6), (b)(3), 410(c)(2) >>; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>; Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: PostCom response letter

(b)(5)

AMERICAN OVERSIGHT

From: Owens, Sharon - Merrifield, VA
Sent: Monday, April 20, 2020 1:56 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) gov>>; Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Monteith, Steven W - Washington, DC <(b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: PostCom response letter

Keith, (b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Monday, April 20, 2020 1:51 PM
To: Owens, Sharon - Merrifield, VA <(b)(6), (b)(3), 410(c)(2) >
Subject: RE: PostCom response letter

Sharon,

(b)(5)

Keith

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC; Cooper, Richard T - Washington, DC
Subject: RE: PostCom response letter
Date: Monday, April 20, 2020 12:43:46 PM
Attachments: MikePlunkettletter.doc

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Monday, April 20, 2020 12:03 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Cooper, Richard T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: PostCom response letter

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 19, 2020 4:05 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Cooper, Richard T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: PostCom response letter

(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Friday, April 17, 2020 5:25 PM
To: Cooper, Richard T - Washington, DC (b)(6), (b)(3), 410(c)(2) >>;
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: PostCom response letter

(b)(5)

Keith

From: Cooper, Richard T - Washington, DC
Sent: Friday, April 17, 2020 5:21 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: PostCom response letter

Tom: (b)(5)

AMERICAN OVERSIGHT

Rick Cooper
Managing Counsel,
Corporate & Postal Business Law

-------- Original message --------
From: "Latham, Sandra R - Washington, DC" (b)(6), (b)(3), 410(c)(2) >>
Date: 4/17/20 5:02 PM (GMT-05:00)
To: "Owens, Sharon - Merrifield, (b)(6), (b)(3), 410(c)(2)
Cc: "Duncan, Angela K - Washington, DC" (b)(6), (b)(3), 410(c)(2) >,
"Cooper, Richard T - Washington, DC" (b)(6), (b)(3), 410(c)(2) gov>>,
"Stavely, Rhonda J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: FW: PostCom response letter

Sharon,

(b)(5)

give me a call if you want to discuss.

Thanks,
Sandy

From: Owens, Sharon - Merrifield, VA
Sent: Friday, April 17, 2020 3:00 PM
To: Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: PostCom response letter

(b)(5)

From: Owens, Sharon - Merrifield, VA
Sent: Friday, April 17, 2020 1:00 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) >;
Cooper, Richard T - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: PostCom response letter

(b)(5)

From: Owens, Sharon - Merrifield, VA
Sent: Friday, April 17, 2020 12:58 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Stavely,
Rhonda J - Washington, DC <(b)(6), (b)(3), 410(c)(2) Latham, Sandra R -
Washington, DC (b)(6), (b)(3), 410(c)(2) >; Duncan, Angela K -
Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: McCollum, Paula M - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Mason, Chanel L - Washington, DC

AMERICAN OVERSIGHT

(b)(6), (b)(3), 410(c)(2) >>; Corbett, Joseph - Washington, DC
(b)(6), (b)(3), 410(c)(2) Martin, Billie - Washington, DC
(b)(6), (b)(3), 410(c)(2) >>
Subject: RE: PostCom response letter

Attached is (b)(5)

From: Krage Strako, Jakki - Washington, DC
Sent: Friday, April 17, 2020 12:14 PM
To: Stavely, Rhonda J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: McCollum, Paula M - Washington, DC
(b)(6), (b)(3), 410(c)(2) ; Owens, Sharon - Merrifield, VA
(b)(6), (b)(3), 410(c)(2) >; Mason, Chanel L - Washington, DC
(b)(6), (b)(3), 410(c)(2) >>; Corbett, Joseph - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: PostCom response letter

Rhonda
(b)(5)

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Howley, Jacob D - Washington, DC; Weidner, Keith E - Washington, DC; Brownlie, Caroline R - Washington, DC; Belt, David C - Washington, DC
Subject:	RE: PRC denies motion to suspend 10-year review
Date:	Thursday, April 2, 2020 2:09:55 PM
Attachments:	PRC response to Industry Letter to USPS re Coronavirus.pdf

Thanks, (b)(5)

.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Howley, Jacob D - Washington, DC
Sent: Thursday, April 2, 2020 1:53 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2); Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2); Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2); Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: PRC denies motion to suspend 10-year review

Tom et al.:
(b)(5)

Thanks.

Jacob Howley (he/him)
Attorney, Legal Policy & Legislative Advice
U.S. Postal Service Law Department
475 L'Enfant Plaza, Room 6019
Washington, DC 20260-1101
phone: +1 / 202 268 8917
fax: +1 / 202 268 5628

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

Non-responsive record

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Non-responsive record

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Non-responsive record

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Bonanno, Natalie A - Washington, DC
Subject: RE: question about an edit to Form 10-Q
Date: Friday, April 24, 2020 4:44:04 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Bonanno, Natalie A - Washington, DC
Sent: Friday, April 24, 2020 3:42 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: question about an edit to Form 10-Q

Hi Tom:

(b)(5)

Thanks so much.

Sincerely,

Natalie

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: Questions: Letter for mail industry to use to seek state exception to operate.
Date: Sunday, March 22, 2020 4:00:13 PM
Attachments: Industry Essential Letter v3.doc

(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Sunday, March 22, 2020 3:52 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
Subject: RE: Questions: Letter for mail industry to use to seek state exception to operate.

Tom, (b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 22, 2020 3:35 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: Questions: Letter for mail industry to use to seek state exception to operate.

I(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Sunday, March 22, 2020 3:07 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: FW: Questions: Letter for mail industry to use to seek state exception to operate.

Tom, (b)(5)

From: de Torok, Judy A - Washington, DC

AMERICAN OVERSIGHT

Sent: Sunday, March 22, 2020 2:21 PM
To: Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) gov>>
Cc: Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Kennedy, Dale
E - Washington, DC (b)(6), (b)(3), 410(c)(2) Monteith, Steven W -
Washington, DC (b)(6), (b)(3), 410(c)(2) >; de Torok, Judy A -
Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: FW: Questions: Letter for mail industry to use to seek state exception to operate.

Jakki, Keith: (b)(5)

AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

Duplicate

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: Re: Questions: Letter for mail industry to use to seek state exception to operate.
Date: Sunday, March 22, 2020 4:21:15 PM

(b)(5)

Sent from my iPhone

On Mar 22, 2020, at 4:20 PM, Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) > wrote:

Tom, (b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 22, 2020 4:00 PM
To: Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Questions: Letter for mail industry to use to seek state exception to operate.

(b)(5) .

From: Weidner, Keith E - Washington, DC
Sent: Sunday, March 22, 2020 3:52 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: RE: Questions: Letter for mail industry to use to seek state exception to operate.

Tom, (b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 22, 2020 3:35 PM
To: Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: RE: Questions: Letter for mail industry to use to seek state exception to operate.

(b)(5)

From: Weidner, Keith E - Washington, DC
Sent: Sunday, March 22, 2020 3:07 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: FW: Questions: Letter for mail industry to use to seek state exception to operate.

Tom, (b)(5)

AMERICAN OVERSIGHT

(b)(5)

Let me know your thoughts

From: de Torok, Judy A - Washington, DC
Sent: Sunday, March 22, 2020 2:21 PM
To: Krage Strako, Jakki - Washington, DC (b)(3), 410(c)(2), (b)(6) ;
Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Cc: Foti, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Kennedy, Dale E - Washington, DC (b)(3), 410(c)(2), (b)(6) >; Monteith, Steven W - Washington, DC (b)(3), 410(c)(2), (b)(6) ; de Torok, Judy A - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: FW: Questions: Letter for mail industry to use to seek state exception to operate.

Jakki, Keith: (b)(5)

AMERICAN OVERSIGHT

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Rosato, John F - Washington, DC
Subject: RE: Quick Question (Ops Meeting)
Date: Thursday, April 30, 2020 1:26:51 PM

(b)(5)

-----Original Message-----
From: Rosato, John F - Washington, DC
Sent: Thursday, April 30, 2020 1:23 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Quick Question (Ops Meeting)

(b)(5)

Sent from my iPhone

> On Apr 30, 2020, at 1:18 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:
(
b
)
(
>
> -----Original Message-----
> From: Rosato, John F - Washington, DC
> Sent: Thursday, April 30, 2020 1:12 PM
> To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
> Subject: Quick Question (Ops Meeting)
>
> (b)(5)
>
> Sent from my iPhone

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC; Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC
Subject: RE: Republican Outreach Document
Date: Thursday, April 23, 2020 7:26:45 PM
Attachments: BoG Republican Outreach Strategy.docx

(b)(5) edits on the attached.

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Thursday, April 23, 2020 6:12 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Republican Outreach Document

Megan, Ron and Tom,

(b)(5)

Mike

From: Rosato, John F - Washington, DC
Sent: Thursday, April 23, 2020 4:57 PM
To: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Selde, Jennifer L - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: ACTION ITEM: Summary of S&IC Meeting

Michael,

(b)(5)

All the best,
John

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Meyers, Sheila T - Washington, DC; Corbett, Joseph - Washington, DC
Cc: Duncan, Angela K - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: Request for Data from House and Senate Committee Democrats
Date: Tuesday, April 14, 2020 6:38:58 PM
Attachments: 2020-04-03.CBM GEC SFL Lawrence Carper Peters to Brennan USPS re Coronav....pdf

---

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Meyers, Sheila T - Washington, DC
Sent: Tuesday, April 14, 2020 4:03 PM
To: Corbett, Joseph - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Duncan, Angela K - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Meyers, Sheila T - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Request for Data from House and Senate Committee Democrats

Joe,

(b)(5)

Thank you,

Sheila T. Meyers
Manager, Government Liaison
U.S. Postal Service *
202.268.2353 '
202.268.3775 6
(b)(6), (b)(3), 410(c)(2) *

From: Stroman, Ronald A - Washington, DC
Sent: Monday, April 6, 2020 11:55 AM
To: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) ;
Corbett, Joseph - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall,
Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Request for Data from House and Senate Committee Democrats

Megan,

(b)(5)

AMERICAN OVERSIGHT

Thanks
Ron

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Lewis, Michael A - Washington, DC
Cc: Weidner, Keith E - Washington, DC; Dym, Lori J - Washington, DC; Rho, Richard Y - Washington, DC
Subject: RE: (b)(3), 410(c)(2), (b)(5)
Date: Sunday, May 10, 2020 7:54:38 PM

(b)(3),

From: Lewis, Michael A - Washington, DC
Sent: Sunday, May 10, 2020 7:08 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Cc: Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) Dym, Lori J - Washington, DC (b)(3), 410(c)(2), (b) ; Rho, Richard Y - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: FW: (b)(3), 410(c)(2), (b)(5)
Importance: High

Tom:

(b)(3), 410(c)(2), (b)(5)

From: Kallat, Prashanth - Washington, DC
Sent: Sunday, May 10, 2020 6:14 PM
To: Lewis, Michael A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: (b)(3), 410(c)(2), (b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Weidner, Keith E - Washington, DC
Subject: RE: Requested Discussions
Date: Monday, May 11, 2020 5:11:13 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Weidner, Keith E - Washington, DC
Sent: Monday, May 11, 2020 4:55 PM
To: Marshall, Thomas J - Washington, DC (b)(3)/410(c)(2), (b)(6)
Subject: RE: Requested Discussions

(b)(5)

Keith

From: Marshall, Thomas J - Washington, DC
Sent: Wednesday, May 6, 2020 12:57 PM
To: Weidner, Keith E - Washington, DC (b)(3)/410(c)(2), (b)(6)
Subject: FW: Requested Discussions

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Monday, May 4, 2020 5:01 PM
To: Marshall, Thomas J - Washington, DC (b)(3)/410(c)(2), (b)(6)
Subject: FW: Requested Discussions

(b)(5)

Megan

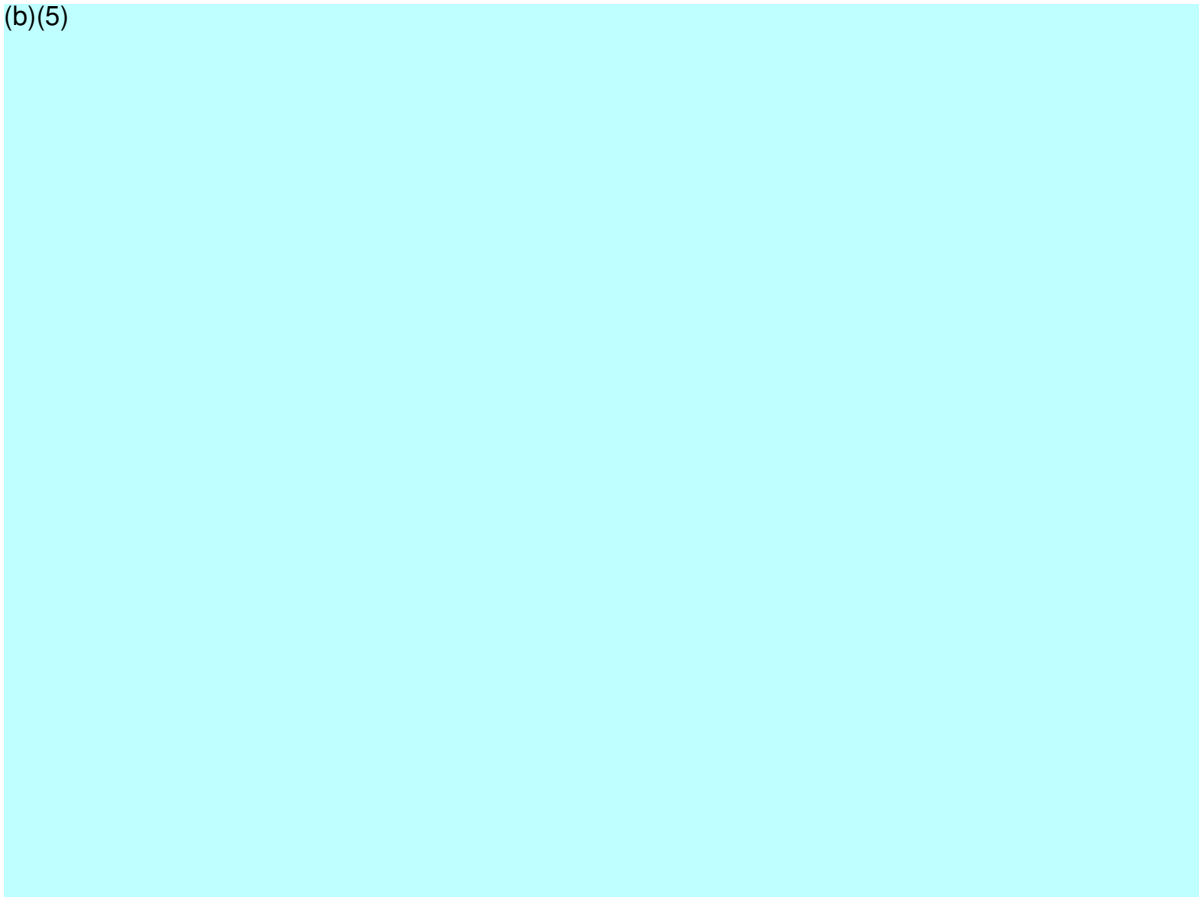
From: Louis DeJoy [(b)(6)]
Sent: Monday, May 4, 2020 4:59 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3)/410(c)(2)
Subject: [EXTERNAL] Requested Discussions

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

(b)(5)

AMERICAN OVERSIGHT

(b)(5)



Louis

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC; Walker, Janice D - Washington, DC
Cc: Brennan, Megan J - Washington, DC
Subject: RE: Response to WSJ Opinion Piece
Date: Thursday, May 7, 2020 8:06:25 PM
Attachments: Board of Gov WSJ response.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Elston, Michael J - Washington, DC
Sent: Thursday, May 7, 2020 7:34 PM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Response to WSJ Opinion Piece

(b)(5)

Mike

From: Walker, Janice D - Washington, DC
Sent: Thursday, May 7, 2020 7:32 PM
To: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Response to WSJ Opinion Piece

Mike,

(b)(5)

Thanks!
Sent from my iPhone

On May 7, 2020, at 7:22 PM, Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

Janice,

(b)(5)

Mike

Michael J. Elston

AMERICAN OVERSIGHT

Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

(b)(5)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: retail letter
Date: Thursday, March 26, 2020 8:44:20 PM
Attachments: Postal Leadership Team Letter.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Thursday, March 26, 2020 8:36 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: retail letter

(b)(5)

Megan

On Mar 26, 2020, at 8:33 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:
(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Thursday, March 26, 2020 8:30 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: retail letter

(b)(5)
Thanks,

Megan

On Mar 26, 2020, at 7:28 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:
(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

<Retail_kw.docx>

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC; Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject: RE: Reuters seeks comment re: Washington Post article
Date: Thursday, April 23, 2020 7:16:50 PM

(b)(5)

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Thursday, April 23, 2020 5:25 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Reuters seeks comment re: Washington Post article

Megan,

(b)(5)

Thank you.
From: Bartz, Diane (Reuters) (b)(6)
Sent: Thursday, April 23, 2020 5:14 PM
To: Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2) Coleman, David P - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Johnson, Martha S - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] Reuters seeks comment re: Washington Post article

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Hello!
I'm seeking comment on a Washington Post article which says that Treasury is seeking to use a $10 billion loan to the postal service as a way to force changes. It is this piece:
https://www.washingtonpost.com/business/2020/04/23/10-billion-treasury-loan-usps/
I'm at (b)(6) . Please reach out by telephone or email.
Bests,
Diane Bartz

Diane Bartz

AMERICAN OVERSIGHT

Correspondent
Thomson Reuters
Phone: 1-202-898-8313
Signal: 202 538 5719
Tweeting at http://twitter.com/dibartz<https://urldefense.proofpoint.com/v2/url?u=http-3A__twitter.com_dibartz&d=DwMF-g&c=4ZIZThykDLcoWk-GVjSLmy8-1Cr1I4FWIvbLFebwKgY&r=T-Jm_QfCgSILYBoMiCV9VhoPyZslBW2W8dHFpQBSnAQ&m=Z-KkYKNO7pJrz0yaDSp9vn475JyZ3wL1ScPR-qkd-q4&s=okBgWvdJ53rdmSOAsikJwiwEwppH9_Qc4Q8rQ0fvO28&e=>
Read many of my stories at: http://blogs.reuters.com/diane-bartz/

Diane.Bartz@thomsonreuters.com<mailto:Diane.Bartz@thomsonreuters.com>
thomsonreuters.com

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From: Marshall, Thomas J - Washington, DC
To: M. -Mike- Duncan Robert
Subject: RE: Senate Update (3/22/20) // CARES TEXT (attached)
Date: Sunday, March 22, 2020 2:03:21 PM
Attachments: image001.jpg

(b)(6) .

From: M. -Mike- Duncan Robert [(b)(6)
Sent: Sunday, March 22, 2020 1:16 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] RE: Senate Update (3/22/20) // CARES TEXT (attached)

Thanks Tom

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From: Marshall, Thomas J - Washington, DC
To: Brownlie, Caroline R - Washington, DC; Weidner, Keith E - Washington, DC; Belt, David C - Washington, DC; Howley, Jacob D - Washington, DC
Subject: RE: Senate Update (3/22/20) // CARES TEXT (attached)
Date: Sunday, March 22, 2020 2:06:41 PM

(b)(6)

From: Brownlie, Caroline R - Washington, DC
Sent: Sunday, March 22, 2020 1:58 PM
To: Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Senate Update (3/22/20) // CARES TEXT (attached)

(b)(5) (b)(6)
.

From: Weidner, Keith E - Washington, DC
Sent: Sunday, March 22, 2020 1:47 PM
To: Belt, David C - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Howley, Jacob D - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: Senate Update (3/22/20) // CARES TEXT (attached)

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From: Belt, David C - Washington, DC
Sent: Sunday, March 22, 2020 1:33 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Howley, Jacob D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Senate Update (3/22/20) // CARES TEXT (attached)

(b)(5)

From: Marshall, Thomas J - Washington, DC

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From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC; M. -Mike- Duncan Robert; Smith, Kevin R - Washington, DC
Subject: RE: Senate Update (3/22/20) // CARES TEXT (attached)
Date: Sunday, March 22, 2020 2:56:18 PM
Attachments: image001.jpg

(b)(5)

From: Elston, Michael J - Washington, DC
Sent: Sunday, March 22, 2020 2:22 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; M. -Mike- Duncan Robert (b)(6) >; Smith, Kevin R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Senate Update (3/22/20) // CARES TEXT (attached)

Tom,

(b)(5)

Michael

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, March 22, 2020 1:56 PM
To: M. -Mike- Duncan Robert (b)(6) >; Smith, Kevin R - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Senate Update (3/22/20) // CARES TEXT (attached)

I(b)(5)

-Tom

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: Summary of Treasury Secretary Call
Date: Wednesday, April 8, 2020 8:44:20 AM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Wednesday, April 8, 2020 8:44 AM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Fwd: Summary of Treasury Secretary Call

(b)(5)
Thanks,

Megan

Begin forwarded message:
From: "Elston, Michael J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Date: April 8, 2020 at 8:29:43 AM EDT
To: "Elston, Michael J - Washington, DC" (b)(6), (b)(3), 410(c)(2)
Subject: Summary of Treasury Secretary Call
Members of the Board of Governors:

Please find attached a (b)(5)

Michael

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Stroman, Ronald A - Washington, DC; Brennan, Megan J - Washington, DC
Subject:	RE: Talking Points for Connolly Call
Date:	Thursday, April 2, 2020 7:20:00 PM
Attachments:	Talking Points for Call with Congressman Connolly.docx

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stroman, Ronald A - Washington, DC
Sent: Thursday, April 2, 2020 12:18 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Talking Points for Connolly Call

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: Task Force memo
Date: Monday, May 11, 2020 12:57:18 PM
Attachments: 2019 02 15 Marshall to Laughton re Legal Analysis of White House Task Fo....pdf

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 11, 2020 12:52 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3)/410c2
Subject: RE: Task Force memo

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 11, 2020 12:47 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3)/410c2
Subject: FW: Task Force memo

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, December 18, 2018 1:27 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3)/410c2
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3)/410c2
Stroman, Ronald A - Washington, DC (b)(6), (b)(3)/410c2
Subject: FW: Task Force memo

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PRIVILEGED AND CONFIDENTIAL

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[redacted]

[redacted]

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: Task Force memo
Date: Monday, May 11, 2020 12:51:53 PM
Attachments: 2019-01 Task Force Recommendations Tables (1).docx

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(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, May 11, 2020 12:47 PM
To: Brennan, Megan J - Washington, DC (b)(3), (b)(6)/410c2
Subject: FW: Task Force memo

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, December 18, 2018 1:27 PM
To: Elston, Michael J - Washington, DC (b)(3), (b)(6)/410c2
Cc: Brennan, Megan J - Washington, DC (b)(3), (b)(6)/410c2
Stroman, Ronald A - Washington, DC (b)(3), (b)(6)/410c2
Subject: FW: Task Force memo

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

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Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Dym, Lori J - Washington, DC; Weidner, Keith E - Washington, DC
Subject: RE: Today's WH briefing
Date: Tuesday, April 7, 2020 6:32:15 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

-----Original Message-----
From: Dym, Lori J - Washington, DC
Sent: Tuesday, April 7, 2020 6:23 PM
To: Weidner, Keith E - Washington, DC (b)(3), 410(c)(2), (b)(6) Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: Today's WH briefing

(b)(5)

Sent from my iPhone

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Cc: Corbett, Joseph - Washington, DC
Subject: Re: Treasury FOIA Request Consultation
Date: Wednesday, April 29, 2020 8:15:31 PM

(b)(5)

Sent from my iPhone

On Apr 29, 2020, at 7:59 PM, Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)

Megan

On Apr 29, 2020, at 7:00 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stevenson, Ruth B - Washington, DC
Sent: Wednesday, April 29, 2020 6:57 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Hofer, Joshua - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Bonanno, Natalie A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Treasury FOIA Request Consultation

Tom,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Thanks,

Ruth B. Stevenson
Attorney, Federal Compliance
USPS Law Department
475 L'Enfant Plaza, SW
Room 6205
Washington, DC 20260
Office: (202) 268-6627
Mobile: (b)(6), (b)(3), 410(c)(2) 2) >

<2017-11-016 Consultation Document.pdf>

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Stevenson, Ruth B - Washington, DC
Cc: Hofer, Joshua - Washington, DC; Bonanno, Natalie A - Washington, DC
Subject: RE: Treasury FOIA Request Consultation
Date: Wednesday, April 29, 2020 6:59:38 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stevenson, Ruth B - Washington, DC
Sent: Wednesday, April 29, 2020 6:57 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Hofer, Joshua - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Bonanno, Natalie A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Treasury FOIA Request Consultation

Tom,

(b)(5)

AMERICAN OVERSIGHT

Ruth B. Stevenson
Attorney, Federal Compliance
USPS Law Department
475 L'Enfant Plaza, SW
Room 6205
Washington, DC 20260
Office: (202) 268-6627
Mobile: (b)(6), (b)(3),
(b)(6), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Alesevich, Walter - Washington, DC; Corbett, Joseph - Washington, DC; Schafer, Elizabeth M - Washington, DC; Berthold, Mark S - Washington, DC
Subject: RE: TREASURY--USPS--CARES ACT BORROWING---4-9-20
Date: Thursday, April 9, 2020 5:40:17 PM

Thanks Walter. I(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Alverno, Anthony F - Washington, DC; Weidner, Keith E - Washington, DC; Cooper, Richard T - Washington, DC; Cheema, Nabeel R - Washington, DC
Cc: Brownlie, Caroline R - Washington, DC
Subject: RE: Trump says he will block coronavirus aid for U.S. Postal Service if it doesn't hike prices immediately - The Washington Post
Date: Friday, April 24, 2020 4:38:27 PM

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From:	Marshall, Thomas J - Washington, DC
To:	Alverno, Anthony F - Washington, DC; Weidner, Keith E - Washington, DC; Cooper, Richard T - Washington, DC; Cheema, Nabeel R - Washington, DC
Cc:	Brownlie, Caroline R - Washington, DC
Subject:	RE: Trump says he will block coronavirus aid for U.S. Postal Service if it doesn't hike prices immediately - The Washington Post
Date:	Friday, April 24, 2020 4:38:29 PM

(b)(5)

https://www.cnn.com/us/live-news/us-coronavirus-update-04-24-20/index.html

Reporter: "Do you have any money for the Postal Service?" (We are still trying to track down the outlet)

Sec. Mnuchin :"I can comment on that. So we authorized in the last CARES Act over $10B on a loan. My team has worked very actively on that with the Postal Service, if they need the money, and we are dealing with that."

Pres. Trump: "The Postal Service is a joke. Because they are handing out packages for Amazon and other Internet companies and every time they bring a package, they lose money on it. So Amazon and other Internet delivery companies are dropping off all of, well not all of, a big portion of their packages or whatever else into a Post Office. And the Post Office is supposed to deliver their packages and they lose a lot of money.

The Post Office should raise the price of a package by approximately four times because they don't raise them. For some reason, these people have been in there a long time, but for some reason they are cozy with some of these companies, and they don't raise the price of a package. If they raise the price of a package, like they should, four or five times that's what it should be. Or let Amazon build their own post office, which would be an impossible thing to do because the Post Office is massive and it serves every little piece of the country.

The Post Office, if they raise the price of a package by approximately four times, it will be a whole new ballgame. But they don't want to raise because they don't want to insult Amazon and they don't want to insult other companies, perhaps, that they like. The Post Office should raise the price of packages to the companies, not to the people, but to the companies. If they did that, it would be a whole different story. Do you agree with that, Steve?"

Mnuchin: "I do, and we are actually going to put certain criteria for a postal reform program as part of the loan. We are looking forward to the Board [of Governors] recruiting a new Postmaster General and doing postal reform."

Trump: "I will go a step further: if they don't raise the price of the service they give, which is a tremendous service and they do a great job. Postal workers are fantastic, but this thing is losing billions of dollars. It has for years because they don't want to insult, for whatever reason

AMERICAN OVERSIGHT

you can imagine, they don't want to insult Amazon and these other groups. If they don't raise the price, I'm not signing anything. So they'll raise the price and maybe become maybe even profitable, but so they lose much less money, ok? If they don't do it, I'm not signing anything. I'm also not authorizing you to do anything, Steve."

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 24, 2020 4:24 PM
To: Alverno, Anthony F - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Cooper, Richard T - Washington, DC (b)(6), (b)(3), 410(c)(2) Cheema, Nabeel R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Trump says he will block coronavirus aid for U.S. Postal Service if it doesn't hike prices immediately - The Washington Post

(b)(5)

Donald J. Trump
@realDonaldTrump

I will never let our Post Office fail. It has been mismanaged for years, especially since the advent of the internet and modern-day

4/24/20, 3:08 PM

AMERICAN OVERSIGHT

technology. The people that work there are great, and we're going to keep them happy, healthy, and well!

Download the Twitter app

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Alverno, Anthony F - Washington, DC
Sent: Friday, April 24, 2020 3:27 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Cooper, Richard T - Washington, DC (b)(6), (b)(3), 410(c)(2) Cheema, Nabeel R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Brownlie, Caroline R - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Trump says he will block coronavirus aid for U.S. Postal Service if it doesn't hike prices immediately - The Washington Post

(b)(5)

https://www.washingtonpost.com/us-policy/2020/04/24/trump-postal-service-loan-treasury/

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

Non-responsive record

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Passantino, Stefan (59582); (b)(6) ; (b)(6) ; John Barger (b)(6) ; Weidner, Keith E - Washington, DC
Subject: RE: USPS IP Issue
Date: Friday, April 10, 2020 4:00:01 PM
Attachments: image001.png

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: USPS IP Issue
Date: Saturday, April 11, 2020 4:30:19 PM

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Saturday, April 11, 2020 4:21 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: USPS IP Issue

(b)(5)

Thank you.

Megan

On Apr 11, 2020, at 3:50 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

(b)(5)

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Passantino, Stefan (59582); Weidner, Keith E - Washington, DC
Subject: RE: USPS IP Issue
Date: Monday, April 13, 2020 4:41:07 PM
Attachments: image001.png
image002.png

Thanks Stefan. (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Passantino, Stefan (59582)
Cc: Weidner, Keith E - Washington, DC
Subject: RE: USPS IP Issue
Date: Monday, April 13, 2020 4:57:23 PM

Thanks Stefan, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Hunnicutt, Rachel K - Washington, DC; Weidner, Keith E - Washington, DC; Dym, Lori J - Washington, DC
Subject: RE: USPS IP Issue
Date: Monday, April 13, 2020 8:07:48 PM
Attachments: image001.png
image002.png

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Hunnicutt, Rachel K - Washington, DC
Sent: Monday, April 13, 2020 7:45 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Dym, Lori J - Washington, DC (b)(6), (b)(3), 410(c)
Subject: RE: USPS IP Issue

(b)(5) (b)(6) .

Rachel K. Hunnicutt
Procurement and Property Law
United States Postal Service
(202) 268-7855

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 7:44 PM
To: Hunnicutt, Rachel K - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Weidner, Keith E - Washington, DC
(b)(6), (b)(3), 410(c)(2) Dym, Lori J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS IP Issue

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 7:43 PM
To: Hunnicutt, Rachel K - Washington, DC
(b)(6), (b)(3), 410(c)(2) , Keith E - Washington, DC
<(b)(6), (b)(3), 410(c)(2) >; Dym, Lori J - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS IP Issue

Rachel, (b)(5)
(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Hunnicutt, Rachel K - Washington, DC
Sent: Monday, April 13, 2020 7:12 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >;
Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) >>; Dym,
Lori J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: RE: USPS IP Issue

Tom:

(b)(5)

Rachel K. Hunnicutt
Procurement and Property Law
United States Postal Service
(202) 268-7855

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 6:57 PM
To: Hunnicutt, Rachel K - Washington, DC
(b)(6), (b)(3), 410(c)(2) >; Weidner, Keith E - Washington, DC
<(b)(6), (b)(3), 410(c)(2) >>; Dym, Lori J - Washington, DC
(b)(6), (b)(3), 410(c)(2) >
Subject: RE: USPS IP Issue

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Hunnicutt, Rachel K - Washington, DC
Sent: Monday, April 13, 2020 5:47 PM
To: Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Dym, Lori J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS IP Issue

Keith and Tom:

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

Rachel K. Hunnicutt
Procurement and Property Law
United States Postal Service
(202) 268-7855

From: Weidner, Keith E - Washington, DC
Sent: Monday, April 13, 2020 5:11 PM
To: Hunnicutt, Rachel K - Washington, DC
<(b)(6), (b)(3), 410(c)(2) >>; Dym, Lori J - Washington, DC
(b)(6), (b)(3), 410(c)(2) >
Cc: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: FW: USPS IP Issue

FYI—(b)(5)

Keith

From: Passantino, Stefan (59582) [(b)(6), (b)(3), 410(c)(2)
Sent: Monday, April 13, 2020 2:27 PM
To: Marshall, Thomas J - Washington, DC <thomas.(b)(6), (b)(3), 410(c)(2) ;
Weidner, Keith E - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: [EXTERNAL] RE: USPS IP Issue

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.

(b)(5)

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

[image]

Michael Best & Friedrich LLP

Click to visit our COVID-19 Resource Center<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0> & CARES Act Relief Resource Center<https://t.xink.io/Tracking/Index/IgACAHkXAQCw2VQA0> with the latest updates on business & legal implications related to the coronavirus.

AMERICAN OVERSIGHT

From: Passantino, Stefan (59582)
Sent: Friday, April 10, 2020 3:44 PM
To: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) ;
(b)(6), (b)(3), 410(c)(2) ;
(b)(6), (b)(3), 410(c)(2) John Barger
(b)(6), (b)(3), 410(c)(2) com>)
(b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E -
Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS IP Issue

(b)(5)

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com <http://www.michaelbest.com>

[image]

Michael Best & Friedrich LLP

Click to visit our COVID-19 Resource Center<https://t.xink.io/Tracking/Index/f-IBAHkXAQCw2VQA0> & CARES Act Relief Resource Center<https://t.xink.io/Tracking/Index/IgACAHkXAQCw2VQA0> with the latest updates on business & legal implications related to the coronavirus.

-----Original Appointment-----
From: Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Sent: Friday, April 10, 2020 2:34 PM
To: Elston, Michael J - Washington, DC; Marshall, Thomas J - Washington, DC;
(b)(6), (b)(3), 410(c)(2)
John Barger
(b)(6), (b)(3), 410(c)(2) com>); R.J. Winans; Passantino, Stefan
(59582)
Subject: USPS IP Issue
When: Friday, April 10, 2020 3:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Webex Conference Call

Michael Elston invites you to join an online meeting using WebEx.
Please note, you do NOT need a WebEx account to join the meeting.
Meeting Number: 744 210 026
Meeting Password: This meeting does not require a password.

To join this meeting (Now from mobile devices!)
---
1. Go to https://uspsmeetings.webex.com/uspsmeetings/j.php?MTID=m7af566db481018926c63fa478a218937
2. If requested, enter your name and email address.
3. If a password is required, enter the meeting password: This meeting does not require a password.
4. Click "Join".
5. Follow the instructions that appear on your screen.

Teleconference information

Provide your phone number when you join the meeting to receive a call back. Alternatively, you can call:
Call-in number: 1-678-3172063 (US)
Call-in toll-free number: 1-855-8607461 (US)

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Show global numbers: https://www.tcconline.com/offSite/OffSiteController.jpf?cc=6550811594
Conference Code: 655 081 1594
https://www.webex.com
CCP:+16783172063x6550811594#
IMPORTANT NOTICE: This Webex service includes a feature that allows audio and any documents and other materials exchanged or viewed during the session to be recorded. By joining this session, you automatically consent to such recordings. If you do not consent to the recording, discuss your concerns with the meeting host prior to the start of the recording or do not join the session. Please note that any such recordings may be subject to discovery in the event of litigation.

Email Disclaimer
****
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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC
Subject: RE: USPS IP Issue
Date: Tuesday, April 14, 2020 6:19:51 PM
Attachments: image001.png

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Brennan, Megan J - Washington, DC
Sent: Tuesday, April 14, 2020 4:44 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: USPS IP Issue

Tom,

(b)(5)

Thank you.

Megan

From: Marshall, Thomas J - Washington, DC
Sent: Tuesday, April 14, 2020 8:08 AM
To: Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >;
Elston, Michael J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: FW: USPS IP Issue

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 7:58 PM
To: (b)(6) 'John Barger'
(b)(6) com>>
Cc: Weidner, Keith E - Washington, DC <K(b)(6), (b)(3), 410(c)(2) >>
Subject: RE: USPS IP Issue

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

AMERICAN OVERSIGHT

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 7:29 PM
To: (b)(6) 'John Barger'
(b)(6)
Subject: USPS IP Issue

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

(b)(5)

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Passantino, Stefan (59582); (b)(6) ; (b)(6) ; John Barger (b)(6) ; Weidner, Keith E - Washington, DC
Subject: RE: USPS IP Issue
Date: Friday, April 10, 2020 3:48:33 PM
Attachments: image001.png

Thanks Stefan. (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Passantino, Stefan (59582); Weidner, Keith E - Washington, DC
Cc: Olson, Joseph L (13465)
Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials
Date: Friday, April 3, 2020 1:14:16 PM
Attachments: image001.png

Stefan, (b)(5)

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 2, 2020 9:21 PM
To: 'Passantino, Stefan (59582)' (b)(6) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Olson, Joseph L (13465) (b)(6)
Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials

Stefan, (b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Passantino, Stefan (59582) [(b)(6)
Sent: Thursday, April 2, 2020 2:59 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Olson, Joseph L (13465) <(b)(6) >>
Subject: [EXTERNAL] USPS--Attorney/Client, Deliberative and Predecisional Materials

Tom, Keith, (b)(5)

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
E (b)(6)
T 202.747.9582 | M (b)(6) | F 202.347.1819

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials
Date: Friday, April 3, 2020 5:11:22 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC
Subject: Re: USPS--Attorney/Client, Deliberative and Predecisional Materials
Date: Friday, April 3, 2020 5:15:59 PM

(b)(5)

Sent from my iPhone

On Apr 3, 2020, at 5:07 PM, Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Friday, April 3, 2020 3:29 PM
To: John Barger ((b)(6) Bloom, Ron (b)(6)
Cc: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: USPS--Attorney/Client, Deliberative and Predecisional Materials

ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Governors,

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC; Brennan, Megan J - Washington, DC
Subject: RE: Vote by Mail
Date: Tuesday, April 14, 2020 6:58:01 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Tuesday, April 14, 2020 5:45 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Vote by Mail

Hi Megan,

(b)(5)

Thanks.

-----Original Message-----
From: Brennan, Megan J - Washington, DC
Sent: Tuesday, April 14, 2020 12:08 PM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: Vote by Mail

(b)(5)

Thanks,

AMERICAN OVERSIGHT

Megan

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AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: RE: Washington Post article on stimulus money and USPS
Date: Sunday, April 12, 2020 4:47:00 PM

We should probably talk before the discussion you reference below. I am thinking it might make sense for me to talk separately to Governor Barger to dill him in on some of our concerns privately, and to get his thoughts about what he is comfortable with us sharing with the consultants. I think we need to fill them in a bit more about what happened with the NPA, and the recent inquiries we have received from Joe Davidson and others, since to me the consultants are operating from a view of the universe that is not tethered to what we know to be the reality.

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 12, 2020 12:38 PM
To: Brennan, Megan J - Washington, DC <megan.j.brennan@usps.gov>
Subject: RE: Washington Post article on stimulus money and USPS

Happy to join.

From: Brennan, Megan J - Washington, DC
Sent: Sunday, April 12, 2020 12:38 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov<mailto:thomas.j.marshall@usps.gov>>
Subject: Re: Washington Post article on stimulus money and USPS

Absolutely. It is on my list. Let's take it directly to the source rather than entertaining a radio tour or pitching to cable news outlets. Window dressing.

I'd like you to join my discussion with Janice, Fred, Jim Morrell & Elston tomorrow - to be scheduled.
Thanks,

Megan

On Apr 12, 2020, at 12:34 PM, Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov<mailto:thomas.j.marshall@usps.gov>> wrote:
Reinforces (yet again) the need for the Governors to have a candid conversation with the Secretary. We should bring this up at the 5:15 tomorrow.

From: Brennan, Megan J - Washington, DC
Sent: Sunday, April 12, 2020 12:26 PM
To: Walker, Janice D - Washington, DC <Janice.D.Walker2@usps.gov<mailto:Janice.D.Walker2@usps.gov>>
Cc: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov<mailto:thomas.j.marshall@usps.gov>>
Subject: Re: Washington Post article on stimulus money and USPS

"Multiple congressional sources" not an Administration official?
Thanks,

Megan

On Apr 12, 2020, at 11:23 AM, Walker, Janice D - Washington, DC <Janice.D.Walker2@usps.gov<mailto:Janice.D.Walker2@usps.gov>> wrote:
FYI below. Thanks.

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 10:44 AM
To: Walker, Janice D - Washington, DC <Janice.D.Walker2@usps.gov<mailto:Janice.D.Walker2@usps.gov>>
Subject: Re: Washington Post article on stimulus money and USPS

AMERICAN OVERSIGHT

Thanks Janice
Sent from my iPhone

On Apr 12, 2020, at 10:35 AM, Walker, Janice D - Washington, DC
<Janice.D.Walker2@usps.gov<mailto:Janice.D.Walker2@usps.gov>> wrote:
Ron,
His reply was "I would say, multiple congressional sources told me this was the case. Sorry I can't be more helpful."

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 8:12 AM
To: Walker, Janice D - Washington, DC <Janice.D.Walker2@usps.gov<mailto:Janice.D.Walker2@usps.gov>>
Subject: Re: Washington Post article on stimulus money and USPS

It could also be the senior Administration official referred to in the article.

Thanks for checking.

Happy Easter!
Ron
Sent from my iPhone

On Apr 12, 2020, at 8:03 AM, Walker, Janice D - Washington, DC
<Janice.D.Walker2@usps.gov<mailto:Janice.D.Walker2@usps.gov>> wrote:
Hi Ron,

We can check. I am wondering if it's the same committee aid.

Happy Easter!

Janice

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 7:09 AM
To: Walker, Janice D - Washington, DC <Janice.D.Walker2@usps.gov<mailto:Janice.D.Walker2@usps.gov>>
Subject: Re: Washington Post article on stimulus money and USPS

Janice,
Will the reporter tell you the basis of his statement that "Mnuchin has signaled any postal relief in a Phase IV stimulus package under negotiation would amount to a poison pill."?

Thanks
Sent from my iPhone

On Apr 11, 2020, at 3:06 PM, Walker, Janice D - Washington, DC
<Janice.D.Walker2@usps.gov<mailto:Janice.D.Walker2@usps.gov>> wrote:
https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/

White House rejects bailout for U.S. Postal Service battered by coronavirus
The pandemic has pushed USPS to the brink, but Trump and Mnuchin shot down emergency aid
By Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/>
April 11, 2020 at 11:41 a.m. EDT

Through rain, sleet, hail, and even a pandemic, mail carriers serve every address in the United States, but the coronavirus<https://www.washingtonpost.com/health/2020/02/28/what-you-need-know-about-coronavirus/?tid=lk_inline_manual_2&itid=lk_inline_manual_2> crisis is shaking the foundation of the U.S. Postal Service in

AMERICAN OVERSIGHT

new and dire ways.

The Postal Service's decades-long financial troubles have worsened dramatically as the volume of the kind of mail that pays the agency's bills — first-class and marketing mail — withers during the pandemic. The USPS needs an infusion of money, and President Trump has blocked potential emergency funding for the agency that employs around 600,000 workers, repeating instead the false claim that higher rates for Internet shipping companies Amazon, FedEx and UPS would right the service's budget.

Trump threatened to veto the $2.2 trillion Coronavirus Aid, Relief, and Economic Security, or Cares, Act if the legislation contained any money directed to bail out the postal agency, according to a senior Trump Administration official and congressional official.

"We told them very clearly that the president was not going to sign the bill if [money for the Postal Service] was in it," the Trump Administration official said. "I don't know if we used the v-bomb, but the president was not going to sign it, and we told them that."

Instead, Sens. Gary Peters (D-Mich.) and Ron Johnson (R-Wis.) added a last minute $10 billion Treasury Department loan to the Cares Act to keep the agency on firmer ground through the spring of 2020, according to a Democratic committee aide.

Lawmakers originally agreed to a $13 billion direct grant the Postal Service would not have to repay. That effort was blocked by Treasury Secretary Steven Mnuchin who warned such a move could blow up the relief bill. A committee aide said Mnuchin told lawmakers during negotiations: "You can have a loan or you can have nothing at all."

Only the $10 billion loan to the Postal Service made it into law, over Mnuchin's objections.

Without the loan, which awaits approval by the Treasury Department, USPS would be "financially illiquid" by Sept. 30, according to estimates provided to lawmakers. Advocates for the Postal Service worry the agency is in a vulnerable position. As its main funding source dwindles, the Postal Service could be seen as ripe for a makeover; conservatives have long talked about privatizing the mail delivery in the United States.

The Postal Service projects it will lose $2 billion each month through the coronavirus recession while postal workers maintain the nationwide service of delivering essential mail and parcels, such as prescriptions, food and household necessities.

That work often comes at great personal risk. Nearly 500 postal workers have tested positive for the coronavirus and 462 others are presumptive positives, USPS leaders told lawmakers. Nineteen have died; more than 6,000 are in self-quarantine because of exposure.

While the Trump Administration and Mnuchin pushed through private-sector bailouts in the Cares Act — $350 billion to the Small Business Administration loan program, $29 billion to passenger airlines and air cargo carriers, and economic incentives for the construction, energy and life sciences industries, among others — Mnuchin has signaled any postal relief funds in a "Phase IV" stimulus package under negotiation would amount to a poison pill.

Postmaster General Megan Brennan asked lawmakers Thursday for another $50 billion — $25 billion to offset lost revenue from declining mail volume due to the coronavirus and $25 billion for "modernization" — plus another $25 billion Treasury loan and a mechanism to pay down $14 billion in existing public debt.

House Democrats, led by Virginia Rep. Gerald E. Connolly, cautioned that without the funding, the Postal Service may not make it past September without missing payrolls or service interruptions. Senate Republicans insist the $10 billion loan from the Cares Act provided sufficient short-term liquidity, the staffer said, and the Senate would not vote to extend more money to an agency unlikely to make good on its borrowing.

"I'm so frustrated at how difficult it has been for a long time to galvanize attention and action around an essential service," Connolly said in a phone interview. "And maybe the pandemic forces us all to refocus on this service and how essential it is and how we need to fix it while we can before it gets into critical condition."

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Trump has long been antagonistic of the post office, calling it once in a tweet Amazon's "delivery boy<https://twitter.com/realdonaldtrump/status/981168344924536832?lang=en>." The Postal Service often serves as a vendor for Amazon, UPS, FedEx and other shipping companies, delivering the "last mile" service to often rural and remote areas. It is a crucial service for the Postal Service, for which package delivery is a growing part of its business.

Much of Trump's invective on the Postal Service is aimed at Amazon's founder and chief executive Jeff Bezos, who owns The Washington Post. Trump has advocated for increasing the prices on Amazon deliveries, against the recommendation of shipping experts and the agency's own Board of Governors, a majority of whom Trump appointed.

"They should raise, they have to raise the prices to these companies that walk in and drop thousands of packages on the floor of the post office and say, 'Deliver it,'" Trump said at a news conference Wednesday. "And they make money, but the post office gets killed. Okay? So they ought to do that, and we are looking into it, and we've been pushing them now for over a year."

Raising rates too much would lead private-sector competitors to develop their own cheaper methods to deliver packages, said Lori Rectanus, director of physical infrastructure at the Government Accountability Office. Even if a rate increase generates revenue, that money would be marginal to the total U.S. Postal Service debt, almost all of which comes from a congressional requirement to prepay pension and retiree health care costs for all employees, even those who haven't yet retired.

Under normal market conditions, the Postal Service nearly breaks even, save for the pension account debt, despite cratering volume on deliveries in recent years. In 2010, USPS delivered 77.6 billion items of first-class mail. In 2019, it delivered only 54.9 billion first-class items. The service handled 3.1 billion packages in 2010 and 6.2 billion in 2019, although processing packages doesn't earn the agency as much revenue as first-class mail delivery.

The coronavirus has completely upended consumer behavior and the quantity of items in the mail. Volume in the first week of March declined 30 percent, postal agency officials told lawmakers. At the end of June, the agency projects volume to be down 50 percent, and it could lose $23 billion over the next 18 months.

"We are at a critical juncture in the life of the Postal Service," Brennan, the postmaster general, said in a statement. "At a time when America needs the Postal Service more than ever, the reason we are so needed is having a devastating effect on our business."

The Postal Service has faced financial troubles for more than a decade, as digital communication morphed and took off, giving lawmakers many opportunities to debate its future. The Postal Service is so foundational to the country it's enumerated in the Constitution.

The agency's troubles have renewed conservative conversations about structural changes that would force the Postal Service to act more like a corporation, with steps such as eliminating the prepaid pension requirement and easing its universal service obligation to deliver to every address in the United States, including ones so remote.

"If we're concerned about the Postal Service and its workers," said Romina Boccia, an economist at the right-leaning Heritage Foundation, "the best thing we can do is to free up the Postal Service to operate like a business so they can try to get back into the black."

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC
Subject: Re: Washington Post article on stimulus money and USPS
Date: Sunday, April 12, 2020 7:37:31 PM

(b)(5)

Sent from my iPhone

On Apr 12, 2020, at 7:23 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:

(b)(5)

Sent from my iPhone

On Apr 12, 2020, at 7:11 PM, Brennan, Megan J - Washington, DC <(b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

Thank you.

Megan

On Apr 12, 2020, at 5:45 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)

Sent from my iPhone

On Apr 12, 2020, at 5:13 PM, Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

Thank you.

Megan

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On Apr 12, 2020, at 4:47 PM, Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) wrote:

(b)(5)

From: Marshall, Thomas J - Washington, DC
Sent: Sunday, April 12, 2020 12:38 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Washington Post article on stimulus money and USPS

(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Sunday, April 12, 2020 12:38 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Re: Washington Post article on stimulus money and USPS

(b)(5)

Megan

On Apr 12, 2020, at 12:34 PM, Marshall, Thomas J - Washington, DC
(b)(6), (b)(3), 410(c)(2) > wrote:
(b)(5)

From: Brennan, Megan J - Washington, DC
Sent: Sunday, April 12, 2020 12:26 PM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: Re: Washington Post article on stimulus money and USPS

(b)(5)
Thanks,

Megan

On Apr 12, 2020, at 11:23 AM, Walker, Janice D - Washington, DC
(b)(6), (b)(3), 410(c)(2) wrote:
(b)(5)

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 10:44 AM
To: Walker, Janice D - Washington, DC <(b)(6), (b)(3), 410(c)(2)
Subject: Re: Washington Post article on stimulus money and USPS

(b)(5)
Sent from my iPhone

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On Apr 12, 2020, at 10:35 AM, Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:
Ron,
(b)(5)

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 8:12 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: Re: Washington Post article on stimulus money and USPS

(b)(5)

Thanks for checking.

Happy Easter!
Ron
Sent from my iPhone

On Apr 12, 2020, at 8:03 AM, Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) > wrote:
Hi Ron,

(b)(5)

Happy Easter!

Janice

From: Stroman, Ronald A - Washington, DC
Sent: Sunday, April 12, 2020 7:09 AM
To: Walker, Janice D - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: Re: Washington Post article on stimulus money and USPS

Janice,
(b)(5)

Thanks
Sent from my iPhone

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https://www.washingtonpost.com/business/2020/04/11/post-office-bailout-trump/

White House rejects bailout for U.S. Postal Service battered by coronavirus
The pandemic has pushed USPS to the brink, but Trump and Mnuchin shot down emergency aid
By Jacob Bogage<https://www.washingtonpost.com/people/jacob-bogage/>
April 11, 2020 at 11:41 a.m. EDT

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The Postal Service's decades-long financial troubles have worsened dramatically as the volume of the kind of mail that pays the agency's bills — first-class and marketing mail — withers during the pandemic. The USPS needs an

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"We told them very clearly that the president was not going to sign the bill if [money for the Postal Service] was in it," the Trump Administration official said. "I don't know if we used the v-bomb, but the president was not going to sign it, and we told them that."

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Lawmakers originally agreed to a $13 billion direct grant the Postal Service would not have to repay. That effort was blocked by Treasury Secretary Steven Mnuchin who warned such a move could blow up the relief bill. A committee aide said Mnuchin told lawmakers during negotiations: "You can have a loan or you can have nothing at all."

Only the $10 billion loan to the Postal Service made it into law, over Mnuchin's objections.

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"We are at a critical juncture in the life of the Postal Service," Brennan, the postmaster general, said in a statement. "At a time when America needs the Postal Service more than ever, the reason we are so needed is having a devastating effect on our business."

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From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC
Subject: RE: Washington Post reporter inquiry
Date: Thursday, March 26, 2020 5:45:53 PM

(b)(5)
(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Thursday, March 26, 2020 5:41 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: Washington Post reporter inquiry

((b

From: Partenheimer, David A - Washington, DC
Sent: Thursday, March 26, 2020 5:40 PM
To: Walker, Janice D - Washington, DC <(b)(6), (b)(3), 410(c)(2) ;
Adams, Jeffery A - Washington, DC <(b)(6), (b)(3), 410(c)(2) >
Subject: FW: Washington Post reporter inquiry

(b)(5)

From: Lee, Michelle [(b)(6)
Sent: Thursday, March 26, 2020 5:34 PM
To: Partenheimer, David A - Washington, DC
(b)(6), (b)(3), 410(c)(2)
Subject: [EXTERNAL] Re: Washington Post reporter inquiry

Dave -- The statement does not address any of the questions I asked five hours ago, and it includes no statistics even though you said you were trying to confirm a number. Are you no longer providing the figures that you were planning on providing? Why is the USPS withholding statistics regarding these mailers from being released? How many postcards are being sent and how much is it costing the U.S. government? When you say the USPS "utilized the unrivaled reach of our network," does that mean USPS offered to the CDC to provide these mailers, or was it asked to do so by the CDC or the White House?

Thank you,
Michelle

From: Partenheimer, David A - Washington, DC
(b)(3), 410(c)(2), (b)(6)
Sent: Thursday, March 26, 2020 5:29 PM
To: Lee, Michelle <(b)(6)
Subject: RE: Washington Post reporter inquiry

Michelle, the Postal Service is fully committed to continuing to fulfill our role as a provider of essential government services, and to assisting the Administration in whatever way we can during this national emergency. In this instance we utilized the unrivaled reach of our network, which is a vital part of the nation's critical infrastructure, to

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help the Administrations and the Centers for Disease Control and Prevention to provide important information concerning the COVID-19 virus to every American household.

Best,

Dave

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From:	Marshall, Thomas J - Washington, DC
To:	Walker, Janice D - Washington, DC; Brennan, Megan J - Washington, DC; Elston, Michael J - Washington, DC; Ellis, David B - Washington, DC; Monteith, Steven W - Washington, DC; Krage Strako, Jakki - Washington, DC; Stroman, Ronald A - Washington, DC; Calamoneri, Kevin A - Washington, DC; Karpenko, Christopher J - Washington, DC
Cc:	Latham, Sandra R - Washington, DC; Seaver, Kristin A - Washington, DC; Mendonca, Pat - Washington, DC; Adams, Jeffery A - Washington, DC; Partenheimer, David A - Washington, DC
Subject:	RE: Washington Post reporter inquiry--deadline today
Date:	Thursday, March 26, 2020 6:07:40 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Walker, Janice D - Washington, DC
Sent: Thursday, March 26, 2020 5:59 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Monteith, Steven W - Washington, DC <s(b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Karpenko, Christopher J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Cc: Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Mendonca, Pat - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Adams, Jeffery A - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: RE: Washington Post reporter inquiry--deadline today

(b)(5)

From: Walker, Janice D - Washington, DC
Sent: Thursday, March 26, 2020 5:32 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Monteith, Steven W - Washington, DC (b)(6), (b)(3), 410(c)(2) Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) , Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Karpenko, Christopher J - Washington, DC

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(b)(6), (b)(3), 410(c)(2)

Cc: Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) Mendonca, Pat - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Partenheimer, David A - Washington, DC <(b)(6), (b)(3), 410(c)(2)

Subject: RE: Washington Post reporter inquiry--deadline today

(b)(5)

"The Postal Service is fully committed to continuing to fulfill our role as a provider of essential government services, and to assisting the Administration in whatever way we can during this national emergency. In this instance we utilized the unrivaled reach of our network, which is a vital part of the nation's critical infrastructure, to help the Administrations and the Centers for Disease Control and Prevention to provide important information concerning the COVID-19 virus to every American household."

From: Walker, Janice D - Washington, DC

Sent: Thursday, March 26, 2020 4:32 PM

To: Karpenko, Christopher J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2) Monteith, Steven W - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) Stroman, Ronald A - Washington, DC <(b)(6), (b)(3), 410(c)(2) Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2)

Cc: Latham, Sandra R - Washington, DC <(b)(6), (b)(3), 410(c)(2) ; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Mendonca, Pat - Washington, DC (b)(6), (b)(3), 410(c)(2) Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2)

Subject: RE: Washington Post reporter inquiry--deadline today

Megan, please see below. (b)(5) Thank you.

(b)(5)

(b)(5)

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(b)(5)

Elston, Michael J - Washington, DC
Sent: Thursday, March 26, 2020 3:12 PM
To: Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Monteith, Steven W - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Karpenko, Christopher J - Washington, DC (b)(6), (b)(3), 410(c)(2) Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2) Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Calamoneri, Kevin A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Latham, Sandra R - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Seaver, Kristin A - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Mendonca, Pat - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: Washington Post reporter inquiry--deadline today

Janice,

(b)(5)

:
One more question - did USPS pay for this out of its budget? If not, which agency is reimbursing USPS? Thanks.

> I'm a reporter at The Washington Post working on a story today about the attached coronavirus mailer. I understand it was USPS's decision to help spread this information to Americans. Is that correct? How many households is it going to and for how long? What's the rough estimate of the cost of sending this out? Has USPS approached any other health agency about sending out this mailer -- if so, which ones? I'm on deadline today and my cell is (b)(6) .
>
> Thank you,
> Michelle

Michelle Ye Hee Lee

AMERICAN OVERSIGHT

Reporter, The Washington Post
202-334-5516 office
(b)(6) cell

Twitter: @myhlee

<IMG_1217.jpg>
<IMG_1216.jpg>

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From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC
Subject: RE: Washington Post reporter inquiry--deadline today
Date: Thursday, March 26, 2020 1:27:13 PM

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Elston, Michael J - Washington, DC; Brennan, Megan J - Washington, DC
Subject: RE: (b)(5), (b)(3), 410(c)(2)
Date: Monday, April 13, 2020 5:40:48 PM

(b)(5), (b)(3), 410(c)(2)

From: Elston, Michael J - Washington, DC
Sent: Monday, April 13, 2020 5:37 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(5), (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

From: Marshall, Thomas J - Washington, DC
Sent: Monday, April 13, 2020 5:36 PM
To: Elston, Michael J - Washington, DC (b)(6), (b)(3), 410(c)(2) ;
Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: RE: (b)(5), (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

From: Elston, Michael J - Washington, DC
Sent: Monday, April 13, 2020 5:33 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) >;
Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >
Subject: (b)(5), (b)(3), 410(c)(2)

(b)(5), (b)(3), 410(c)(2)

Mike

Michael J. Elston
Secretary of the Board of Governors
United States Postal Service
(202) 268-4800

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From: Marshall, Thomas J - Washington, DC
To: Stroman, Ronald A - Washington, DC; Brennan, Megan J - Washington, DC
Subject: RE: WSJ Opinion Piece
Date: Wednesday, May 6, 2020 3:11:18 PM

(b)(5), (b)(3), 410c2

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Stroman, Ronald A - Washington, DC
Sent: Wednesday, May 6, 2020 2:10 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410c2 ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410c2
Subject: FW: WSJ Opinion Piece

Megan,

(b)(5), (b)(3), 410c2

Ron

https://www.wsj.com/articles/phase-out-dont-bail-out-the-post-office-11588719001

Phase Out, Don't Bail Out, the Post Office | Opinion
The Wall Street Journal - by Gary MacDougal
Mr. MacDougal has been a partner of McKinsey & Co., a CEO of Mark Controls Corp. and a director of UPS.

Nostalgia shouldn't keep alive an agency that is obsolete.

A small blessing of the lockdown is that we've been spared the usual task of throwing half or more of the day's mail into the trash. As advertising dries up, the junk simply doesn't get sent.

Meanwhile in Washington, there are calls to bail out the post office. "We cannot allow Donald Trump to use this horrific pandemic as an opportunity to bankrupt and privatize the Postal Service," said Sen. Bernie Sanders in announcing an April 21 virtual town hall with postal-union leaders. Postmaster General Megan Brennan asked taxpayers for $75 billion. Mr. Trump declined to support such funds in the last stimulus, which included only a loan. But the president insists the USPS raise prices on packages it delivers for Amazon-never mind that package delivery is an intensely price-competitive business, and UPS, FedEx and Amazon itself stand ready to take the business if the USPS is no longer the low bidder.

The post office has made some changes in recent years. Its package business is more competitive with UPS and FedEx and it cooperates with them by assuming some "last mile" deliveries in unprofitable remote areas it is required by law to serve. But first-class mail, the USPS's core business, has been dwindling for years thanks to email and online bill paying. The bottom line: 13 straight years of losses, almost $9 billion in fiscal 2019.

The responsible course is to set the Postal Service on a careful path to liquidation. This can be done in a way that wisely uses USPS assets, such as the 31,000 post offices, most of which are on valuable property in commercial

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areas, to wind the business down.

Crucially important would be dealing humanely with the workforce of 600,000-offering early retirement for senior employees and assistance for remaining employees in finding a new job. An experienced outplacement firm could connect employees with new opportunities. In some cases the USPS could pay moving expenses to those who have to relocate to take a new job.

Amazon, FedEx, DHL and UPS would all need to add employees to accommodate the delivery volume now handled by the post office. The government can help with their training. Many would seize the opportunity to advance their careers. Postal-union leaders, junk-mail purveyors and their political allies would complain loudly and keep demanding taxpayer dollars.

The combination of UPS, FedEx, DHL, Amazon and countless local delivery companies would pick up the slack left by the wind-down of the post office. Smaller delivery companies may find an opportunity to expand to handle last-mile delivery in remote areas. If that isn't enough, Amazon and others could charge more for deliveries to extremely remote locations.

Yes, there is nostalgia. I worked as a temporary Christmas mailman when I was in college, and the post office is one of the few government functions mentioned in (though not mandated by) the Constitution. But then many of us look back fondly at iconic businesses like Kodak and Sears, both now shadows of their former selves. Should the taxpayers have bailed them out, too?

Mr. MacDougal has been a partner of McKinsey & Co., a CEO of Mark Controls Corp. and a director of UPS.

From: (b)(6)
Sent: Wednesday, May 6, 2020 1:22 PM
To: Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410c2
Subject: [EXTERNAL] WSJ Opinion Piece

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Ron,
(b)(3), 410c2

Best Regards,
Mike Kiely

Michael Kiely
UPS - Senior Vice President
U.S. Government Affairs
(b)(6)
m (b)(6)
w 202.675.3345

AMERICAN OVERSIGHT

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From: Marshall, Thomas J - Washington, DC
To: Walker, Janice D - Washington, DC; Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC
Cc: Partenheimer, David A - Washington, DC
Subject: RE: WSJ story on GAO report
Date: Thursday, May 7, 2020 12:51:00 PM

(b)(5)

From: Walker, Janice D - Washington, DC
Sent: Thursday, May 7, 2020 12:08 PM
To: Brennan, Megan J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Stroman, Ronald A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Partenheimer, David A - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: WSJ story on GAO report

(b)(5)

From: Partenheimer, David A - Washington, DC
Sent: Thursday, May 7, 2020 11:51 AM
To: Walker, Janice D - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Adams, Jeffery A - Washington, DC (b)(6), (b)(3), 410(c)(2) Reid-DeMeo, Darleen A - Washington, DC (b)(6), (b)(3), 410(c)(2) Sucich, Nicholas J - Washington, DC (b)(6), (b)(3), 410(c)(2) Levin, Mary B - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Hallums, Kimberly D - Washington, DC
(b)(6), (b)(3), 410(c)(2) (b)
Subject: WSJ story on GAO report

(b)(5)

https://www.wsj.com/articles/postal-service-is-in-financial-peril-government-watchdog-report-says-11588865412

Postal Service Is in Financial Peril, Government Watchdog Report Says
GAO says Congress should determine the level of service the nation requires as the coronavirus pandemic hits USPS's business and determine whether the agency should be financially self-sustaining

U.S. Postal Service officials say the coronavirus pandemic has quickly worsened the agency's financial problems.

By
Paul Ziobro
May 7, 2020 11:30 am ET

A government watchdog called on Congress to address longstanding structural and financial problems plaguing the U.S. Postal Service, as the political debate intensifies over future federal aid to the service.
"Absent congressional action on critical foundational elements of the USPS business model, USPS's mission and financial solvency are increasingly in peril," according to a report from the nonpartisan Government Accountability Office.
The report said that before any postal-reform efforts take place, Congress should determine the level of service the nation requires; whether the agency, which currently isn't funded by tax dollars, should be financially self-sustaining; and what the best structure should be to achieve that. House Democrats plan to include aid for the Postal Service <https://www.wsj.com/articles/house-democrats-close-in-on-new-stimulus-proposal-11588851736?mod=article_inline> in their next coronavirus stimulus package, but it isn't known whether Republicans will support

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that proposal.

The Postal Service didn't immediately respond to a request for comment on the GAO report.
As with many entities, the Postal Service is currently navigating the coronavirus pandemic<https://www.wsj.com/livecoverage/coronavirus-2020-05-07?mod=article_inline>, which officials say has quickly worsened the agency's financial problems. Postal Service executives have asked Congress for $75 billion in grants and loans to help ride out the economic downturn.
That request comes on top of a $10 billion Treasury loan and increased borrowing limit included under the $2 trillion Cares Act <https://www.wsj.com/articles/whats-in-the-2-trillion-senate-coronavirus-bill-11585185450?mod=article_inline> passed in March. But President Trump has said he wouldn't authorize the loan unless the Postal Service raised rates on packages. Mr. Trump has complained that the last-mile service it provides to shippers such as Amazon is underpriced and causes the agency to lose money.

Mr. Trump will soon have a supporter in a key Postal Service leadership role. The Postal Service's governance board said Wednesday it would tap Louis DeJoy, the chief executive of a North Carolina consulting and project-management firm, to be the next postmaster general<https://www.wsj.com/articles/north-carolina-businessman-tapped-to-head-the-postal-service-11588818025?mod=article_inline>. Mr. DeJoy has donated more than $360,000 to Trump Victory, a joint fundraising committee for the Trump campaign and the Republican National Committee, so far this year, according to Federal Election Commission records.

The Postal Service projects that mailing volume could decline by up to 50% in the fiscal quarter that ends in June.
Meanwhile, The Package Coalition, a two-year-old advocacy group funded by e-commerce companies including Amazon, pharmacies such as CVS and small businesses, is spending $2.4 million on ads to promote the Postal Service and argue against a package-rate increase.
The ads will run for about two weeks and are aimed at driving up opposition to the increase. The coalition said it is aiming the campaign at Mr. Trump and his supporters. Ads began airing Wednesday night on Fox News's "Hannity" show and will be in rotation on Fox News and Fox Business. There is also a 60-second spot that will air during Rush Limbaugh's radio show.
In communications with large shippers, current Postmaster General Megan Brennan, who is retiring, has laid out the dire picture facing the Postal Service. In the first five weeks after the pandemic brought lockdowns across the U.S., the agency's revenue fell $666 million short of projected estimates, according to people familiar with the matter.
The agency projects that mailing volume could decline by up to 50% in the fiscal quarter that ends in June and fall even further in the next period, these people said.
Republicans say the GAO report proves that the Postal Service needs reforms.
"This report reiterates what many of us have known for a long time: The Postal Service's business model is failing, and simply throwing more of taxpayer's hard-earned money at them won't fix their problems," said Ohio Rep. Jim Jordan, the top Republican on the House Oversight Committee.
GOP Sen. Ron Johnson, chairman of the Homeland Security and Governmental Affairs committee, said in a letter to Ms. Brennan on Wednesday that Postal Service revenues were down just 5.9% from March 16 through April 19 and that revenue for April was close to the levels from last year.
He called on the agency to provide weekly revenue reports. "The significant difference between USPS's worst-case scenario projections and reality illustrates why it is critical that USPS be fully transparent with, and provide weekly data to, policy makers," the Wisconsin Republican said.
Postal Service officials are scheduled to provide an update on its latest quarterly financials on Friday.
-Julie Bykowicz contributed to this article.

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From:	Pangilinan, Regina K - Washington, DC on behalf of Marshall, Thomas J - Washington, DC
To:	_Executive Leadership Team
Cc:	_Exec. Leadership Secretaries; _Exec. Leadership CoS; Bonanno, Natalie A - Washington, DC; Hayden, Brady - Washington, DC; Hofer, Joshua - Washington, DC; Marshall, Thomas J - Washington, DC
Subject:	Second Quarterly Report on Form 10Q for FY20
Date:	Tuesday, April 21, 2020 6:24:07 PM
Attachments:	2020 04 21 Marshall to ELT re Second Quarterly Report on Form 10-Q for FY20.pdf Draft 4.0 USPS-2020.03.31-10Q 04.21.doc Draft 4.0 USPS-2020.03.31-10Q 04.21.pdf

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Good Afternoon,

(b)(5)

Thank you.

Regina K. Pangilinan
Office of the General Counsel
and Executive Vice President
United States Postal Service
475 L'Enfant Plaza, SW, Rm 6100
Washington, DC 20260-1100
202-268-2951
(b)(6), (b)(3), 410(c)(2)

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From:	Marshall, Thomas J - Washington, DC
To:	Robert "Mike" Duncan; David C. Williams; John M. Barger; Ron Bloom; Roman Martinez IV
Cc:	Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Corbett, Joseph - Washington, DC; Elston, Michael J - Washington, DC
Subject:	Treasury Borrowing Pursuant to the CARES Act
Date:	Tuesday, April 14, 2020 6:02:38 PM
Attachments:	2020 04 14 Marshall to Governors re Additional Borrowing Authority Under....pdf

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From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC
Subject:	USPS Response to GAO DRAFT REPORT: USPS Business Model Transformation (GAO-20-385) Due by 4/17/2020
Date:	Friday, April 17, 2020 12:31:45 PM
Attachments:	2020-04 GAO business model report response V2.docx GAO Sustainable Business Model Comments_Final.docx
Importance:	High

(b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

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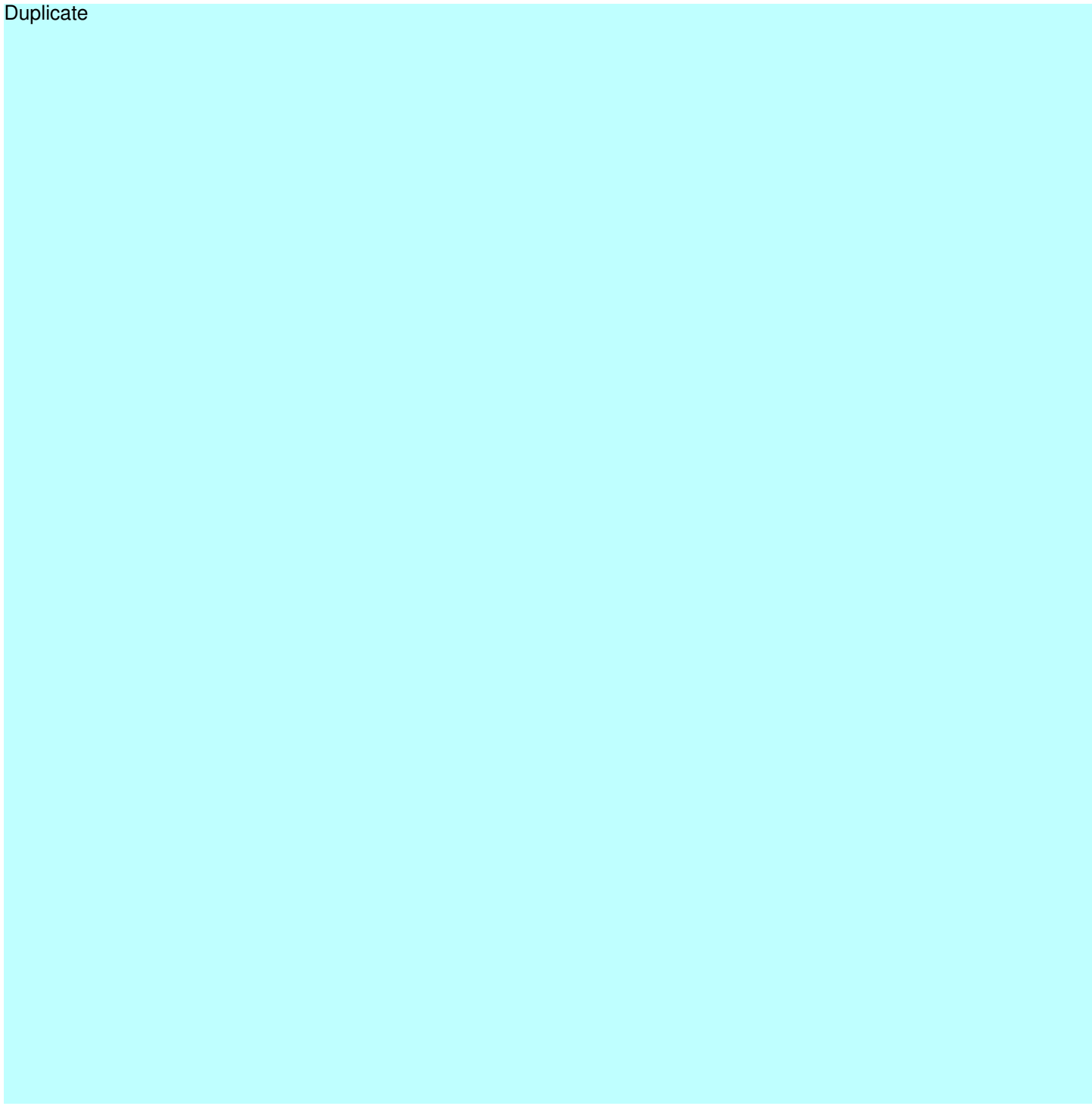

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Elston, Michael J - Washington, DC
Cc:	Brennan, Megan J - Washington, DC
Subject:	Various Iterations of the Letter to Congressional Leadership and the Op-Ed
Date:	Tuesday, April 21, 2020 7:38:01 PM
Attachments:	DRAFT - BOG Letter to Congressional Leadership v1 (002) (005).docx DRAFT - Govs Letter to Congressional Leadership v1.docx DRAFT - PMG Letter to Congressional Leadership v1 (002) (005).docx DRAFT - Govs Letter to Congressional Leadership v1.docx DRAFT - White Paper to Congressional Leadership v1 (002) (005) (002).docx Draft Op-Ed (003).docx Draft Op-Ed (003).docx

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ATTORNEY-CLIENT COMMUNICATION
PRIVILEGED AND CONFIDENTIAL

Mike, (b)(5)

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Seaver, Kristin A - Washington, DC
Subject: Vision 2020: The Law Department in 10 years
Date: Sunday, May 3, 2020 5:40:22 PM
Attachments: 2020 (6).doc

(b)(5), (b)(3), 410(c)(2)

. (b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Seaver, Kristin A - Washington, DC
Subject: Vision 2020: The Law Department in 10 years
Date: Sunday, May 3, 2020 5:40:25 PM
Attachments: 2020 (6).doc

(b)(5), (b)(3), 410(c)(2)

AMERICAN OVERSIGHT

From:	Marshall, Thomas J - Washington, DC
To:	Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC; Elston, Michael J - Washington, DC
Cc:	Weidner, Keith E - Washington, DC
Subject:	WSJ Op-Ed
Date:	Monday, April 20, 2020 4:55:39 PM
Attachments:	Draft Op-Ed (003).docx

(b)(5)

-Tom

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

AMERICAN OVERSIGHT

2020 General Election: Presidential and Congressional

List of when absentee ballots can first be mailed out for the General Election

Order: Earliest Date Absentee Ballots can be mailed out

Prepared by: The Hohlt Group

As of 5/8/2020 at 3:03PM

- An individual can request an absentee ballot today in 30 states.
- Voting starts in North Carolina in 119 days!
- By the end of September or in 145 days voting will have started in 27 states including Georgia, Kentucky, Wisconsin, Minnesota, Michigan, Texas, Florida.

# of states that being voting in Sept: 27 Oct: 21 TBD: PA, RI Date Varies by County: TN

Total: All 50 states & the District of Columbia

Source: Secretary of State offices & State Board of Elections

Note: Dates are subject to change due to CO-VID 19

State	First day absentees are mailed out	Earliest Absentee Request Date (non-military)	How to Access Absentee Ballot Request
North Carolina	Sept 4	Jan 1	Online, in-person, phone
Indiana	Sept 14	June 16	Online, in-person, phone
Georgia	Sept 15	May 7	Online, in person, phone
Kentucky	Sept 17	June 24	Online, in-person, phone
Wisconsin	Sept 17	Jan 1	Online, in-person, email
Arkansas	Sept 18	Jan 1	Online, in person, phone
DC	Sept 18	Jan 1	Online, in person, phone
Idaho	Sept 18	Jan 1	Online, in-person, phone
Minnesota	Sept 18	May 14	Online, in- person, phone
South Dakota	Sept 18	Jan 1	Online, in- person, phone
West Virginia	Sept 18	Aug 11	Online, in- person, phone
Wyoming	Sept 18	Jan 1	Phone, in-person, online,

AMERICAN OVERSIGHT

			email	
Alabama		Sept 19	Jan 1	Online, in person, phone
Louisiana		Sept 19	Aug 21	Online, in-person, phone
Michigan	Sept 19	Jan 1	Online, in- person, phone	
New Jersey	Sept 19	Jan 1	Online, in- person, phone	
South Carolina	Sept 19	Jan 1	Online, in- person, phone	
Texas	Sept 19	Jan 1	Online, in- person, phone	
Vermont	Sept 19	Jan 1	Online, in- person, phone	
Virginia	Sept 19	Jan 1	Online, in- person, phone	
Mississippi	Sept 21	Sept 4	Online, in- person, phone	
Delaware		Sept 22	Jan 1	Online, in person, phone
Missouri	Sept 22	Jan 1	Online, in- person, phone	
Florida		Sept 24	Sept 19	Online, in person, phone

State	**First day absentees are mailed out**	**Earliest Absentee Request Date (non-military)**	**How to Access Absentee Ballot Request**
Illinois	Sept 24	Aug 5	Online, in-person, phone
North Dakota	Sept 24	Jan 1	Online, in- person, phone
Nebraska	Sept 28	July 6	Online, in- person, phone
Colorado	Oct 2	Colorado election conducted by all mail ballots. No need for residents to request absentee ballots.	Online, in person, phone
Connecticut	Oct 3	Jan 1	Online, in person, phone
Maine	Oct 4	Aug 3	Online, in-person, phone
New Hampshire	Oct 4	Jan 1	Online, in- person, phone
New York	Oct 4	Jan 1	Online, in- person, phone
Oklahoma	Oct 4	Jan 1	Online, in- person, phone
California	Oct 5	Jan 1	Online, in person,

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				phone
Iowa		Oct 5	July 6	Online, in-person, phone
Ohio	Oct 6	Jan 1	Online, in- person, phone	
Arizona		Oct 7	Aug 2	Online, in person, phone
Alaska		Oct 9	Jan 1	Online, in person, phone
Montana	Oct 9	Jan 1	Online, in- person, phone	
New Mexico	Oct 12	June 3	Online, in- person, phone	
Maryland	Oct 13	Jan 1	Online, in- person, phone	
Massachusetts	Oct 13	Jan 1	Online, in- person, phone	
Utah	Oct 13	Utah election conducted by all mail ballots. No need for residents to request absentee ballots.	Online, in- person, phone	
Kansas		Oct. 14	Aug 5	Online, in-person, phone
Nevada	Oct 14	Jan 1	Online, in- person, phone	
Oregon	Oct 14	Oregon election conducted by all mail ballots. No need for residents to request absentee ballots.	Online, in- person, phone	
Hawaii		Oct 16	Jan 1	Online, in-person, phone
Washington	Oct 16	Washington election conducted by all mail ballots. No need for residents to request absentee ballots.	Online, in- person, phone	
Tennessee	Varies by county-as soon as ballots are printed they can begin to send	Aug 5	Online, in- person, phone	
Pennsylvania	TBD, as of 5/8	June 3	Online or in-person	
Rhode Island	TBD, as of 5/8	TBD, as of 5/8	Online, in- person, phone	

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JUNE Primary Elections 2020: Presidential and Congressional

Order: Closest Absentee Ballot Request Date to Primary Election 2020

As of 5/7/2020

Source: National Conference of State legislatures

States/Territories	Last day absentees can be requested	Date of Primary	Date absentee ballots must be received in person or postmarked by	Type of Primary
North Dakota	No deadline, at voters discretion	June 9	**Hand delivered:** day before election **By Mail**: postmarked day before election	Cong
Delaware	Day before the election	June 2	Election Day (when polls close)	Pres
Montana	Day before election	June 2	Election Day (when polls close)	Pres, Cong
South Dakota	Day before election	June 2	Election Day (when polls close)	Pres, Cong
South Carolina	Four days before election	June 9	Election Day (when polls close)	Cong
Georgia	Friday before the election	June 9	Election Day (when polls close)	Pres, Cong
New Mexico	Thursday before election	June 2	Election Day (when polls close)	Pres, Cong
Oklahoma	Wednesday before election	June 30	**Hand delivered:** day before election **By Mail:** Election day	Cong
West Virginia	Six days before the election	June 9	**Hand delivered:** day before election **By Mail:** Postmarked day before election	Pres, Cong
D.C.	Week before election	June 2	Election Day (when polls close)	Pres
Maryland	Week before election	June 2	Election Day (when polls close)	Pres, Cong
Pennsylvania	Week before election	June 2	Election Day (when polls close)	Pres, Cong
Nevada	Week before the election	June 9	Election day (when polls close)	Cong
Kentucky	Week before the election	June 23	Election Day (when polls close)	Pres, Cong
Virginia	Week before the election	June 23	Election Day (when polls close)	Cong
Iowa	11 days before election	June 2	**Hand delivered:** Election Day **By mail:** postmarked day before	Cong
States/Territories	**Last day**		**Date absentee ballots**	**Type of**

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	absentees can be requested	Date of Primary	must be received in person or postmarked by	Primary
Indiana	12 days before election	June 2	Election Day (when polls close)	Pres, Cong
Rhode Island	21 days before election	June 2	Election Day (when polls close)	Pres
Puerto Rico (Republican Primary)	**By email/fax:** April 24 **By mail:** Postmarked by May 9	June 7	Election Day	Pres
Utah	All mail election; no requests needed	June 30	**Hand delivered:** Election Day **By mail:** postmarked day before election	Cong
Colorado	All mail election; no requests needed	June 30	Election Day	Cong

AMERICAN OVERSIGHT

2020 General Election: Presidential and Congressional

List of when absentee ballots can first be mailed out for the General Election

Order: Alphabetical by State

Prepared by: The Hohlt Group

As of 5/8/2020 at 8:30AM

- An individual can request an absentee ballot today in 30 states.
- Voting starts in North Carolina in 119 days!
- By the end of September or in 145 days voting will have started in 27 states including Georgia, Kentucky, Wisconsin, Minnesota, Michigan, Texas, Florida.

# of states that being voting in Sept: 27 Oct: 21 TBD: PA, RI Date Varies by County: TN

Total: All 50 states & the District of Columbia

Source: Secretary of State offices & State Board of Elections

Note: Dates are subject to change due to CO-VID 19

State	First day absentees are mailed out	Earliest Absentee Request Date (non-military)	How to Access Absentee Ballot Request
Alabama	Sept 19	Jan 1	Online, in person, phone
Alaska	Oct 9	Jan 1	Online, in person, phone
Arizona	Oct 7	Aug 2	Online, in person, phone
Arkansas	Sept 18	Jan 1	Online, in person, phone
California	Oct 5	Jan 1	Online, in person, phone
Colorado	Oct 2	Colorado election conducted by all mail ballots. No need for residents to request absentee ballots.	Online, in person, phone
Connecticut	Oct 3	Jan 1	Online, in person, phone
Delaware	Sept 22	Jan 1	Online, in person, phone
DC	Sept 18	Jan 1	Online, in person,

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			phone
Georgia		Sept 15	May 7	Online, in person, phone
Florida		Sept 24	Sept 19	Online, in person, phone
Hawaii		Oct 16	Jan 1	Online, in-person, phone
Idaho		Sept 18	Jan 1	Online, in-person, phone
Illinois		Sept 24	Aug 5	Online, in-person, phone
Indiana		Sept 14	June 16	Online, in-person, phone
Iowa		Oct 5	July 6	Online, in-person, phone
Kansas		Oct. 14	Aug 5	Online, in-person, phone
Kentucky		Sept 17	June 24	Online, in-person, phone
Louisiana		Sept 19	Aug 21	Online, in-person, phone
Maine		Oct 4	Aug 3	Online, in-person, phone
Maryland	Oct 13	Jan 1	Online, in- person, phone	

State	First day absentees are mailed out	Earliest Absentee Request Date (non-military)	How to Access Absentee Ballot Request
Massachusetts	Oct 13	Jan 1	Online, in- person, phone
Michigan	Sept 19	Jan 1	Online, in- person, phone
Minnesota	Sept 18	May 14	Online, in- person, phone
Mississippi	Sept 21	Sept 4	Online, in- person, phone
Missouri	Sept 22	Jan 1	Online, in- person, phone
Montana	Oct 9	Jan 1	Online, in- person, phone
Nebraska	Sept 28	July 6	Online, in- person, phone
Nevada	Oct 14	Jan 1	Online, in- person, phone
New Hampshire	Oct 4	Jan 1	Online, in- person, phone

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New Jersey	Sept 19	Jan 1	Online, in- person, phone
New Mexico	Oct 12	June 3	Online, in- person, phone
New York	Oct 4	Jan 1	Online, in- person, phone
North Carolina	Sept 4	Jan 1	Online, in- person, phone
North Dakota	Sept 24	Jan 1	Online, in- person, phone
Ohio	Oct 6	Jan 1	Online, in- person, phone
Oklahoma	Oct 4	Jan 1	Online, in- person, phone
Oregon	Oct 14	Oregon election conducted by all mail ballots. No need for residents to request absentee ballots.	Online, in- person, phone
Pennsylvania	TBD, as of 5/8	June 3	Online or in-person
Rhode Island	TBD, as of 5/8	TBD, as of 5/8	Online, in- person, phone
South Carolina	Sept 19	Jan 1	Online, in- person, phone
South Dakota	Sept 18	Jan 1	Online, in- person, phone
Tennessee	Varies by county-as soon as ballots are printed they can begin to send	Aug 5	Online, in- person, phone
Texas	Sept 19	Jan 1	Online, in- person, phone
Utah	Oct 13	Utah election conducted by all mail ballots. No need for residents to request absentee ballots.	Online, in- person, phone
Vermont	Sept 19	Jan 1	Online, in- person, phone
Virginia	Sept 19	Jan 1	Online, in- person, phone
Washington	Oct 16	Washington election conducted by all mail ballots. No need for residents to request absentee ballots.	Online, in- person, phone
West Virginia	Sept 18	Aug 11	Online, in- person, phone
Wisconsin	Sept 17	Jan 1	Online, in-person, email
Wyoming	Sept 18	Jan 1	Phone, in-person, online, email

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POSTAL REGULATORY COMMISSION
901 New York Avenue, NW
Suite 200
Washington, D.C. 20268-0001

FORM 8-K

CURRENT REPORT
Pursuant To Section 13 or 15(d) of
The Securities Exchange Act of 1934
and Section 3654 of
The Postal Accountability and Enhancement Act of 2006

Date of Report (Date of earliest event reported): August 5, 2009

United States Postal Service

(Exact name of registrant as specified in its charter)

n/a	**n/a**	41-076000
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

475 L'Enfant Plaza, SW **Washington, D.C.**	20260
(Address of principal executive offices)	(Zip Code)

202-268-2000
(Registrant's telephone number, including area code)

n/a
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 5.02 Departure of Directors or Certain Officers; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

(b) United States Postal Service Governor Katherine C. Tobin will resign her position as a member of the Postal Service Board of Governors effective August 30, 2009. Governor Tobin has accepted a position as Deputy Assistant Secretary for Performance Improvement within the U.S. Department of Education.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit 99.1 Press release issued on August 5, 2009, regarding the resignation of Governor Tobin

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USPS-20-1215-A-002913

Signatures

Pursuant to the requirements of the Postal Accountability and Enhancement Act of 2006, the Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service
(Registrant)

By: _____
(Signature)
Vincent H. DeVito
Vice President, Controller

Date: August 5, , 2009

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Exhibit 99.1
(See attached)

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UNITED STATES POSTAL SERVICE®

POSTAL NEWS

FOR IMMEDIATE RELEASE
Aug. 5, 2009

Contact: Yvonne Yoerger
(O) 202-268-8596
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usps.com/news
Release No. 09-067

Postal Service Governor Appointed to New Position

Governor Katherine Tobin to Leave Board at End of Month

WASHINGTON —U.S. Postal Service Governor Katherine Tobin has been appointed Deputy Assistant Secretary for Performance Improvement in the Department of Education's Office of Management and will be leaving the postal governing board effective Aug. 30.

"Katherine has served on the board with great distinction and been a wonderful colleague. We will miss her." said Board of Governors Chairman Carolyn Gallagher, noting that Tobin chaired the Audit and Finance Committee through fiscally challenging times.

With passage of the Postal Accountability and Enhancement Act in 2006 just months after she joined the board, Tobin quickly became well-versed in Sarbanes-Oxley Act compliance, pension liabilities and other complex financial issues. "She addressed all issues with dedication, thoughtful analysis and a steady grasp," said Gallagher.

Postmaster General John Potter said that the three years Tobin has served on the board have been some of the most eventful years in Postal Service history. "Governor Tobin has made her three years count," said Potter. "She made all her decisions based on solid fact and a thorough understanding of the subject, filtered through her business experience and her education in policy analysis."

Tobin has extensive experience in education at the university and college level and is a trained social scientist. She worked as a manager and social scientist in the private sector and created and ran her own company for four years. Tobin earned a Ph.D. and Master of Arts degree from Stanford University's School of Education. She earned a Master of Arts in teaching from the University of Massachusetts' School of Education, and a Bachelor of Arts in English with honors from Skidmore College.

She was appointed to the Board of Governors in August 2006 for a term ending in December 2012. Governors are appointed by the president with the advice and consent of the Senate. The board includes nine governors. More information is available at:
http://www.usps.com/communications/newsroom/bog.htm

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Please Note: For broadcast quality video and audio, photo stills and other media resources, visit the USPS Newsroom at *www.usps.com/news*.

An independent federal agency, the U.S. Postal Service is the only delivery service that reaches every address in the nation, 149 million residences, businesses and Post Office Boxes, six days a week. It has 34,000 retail locations and relies on the sale of postage, products and services, not tax dollars, to pay for operating expenses. Named the Most Trusted Government Agency five consecutive years by the Ponemon Institute, the Postal Service has annual revenue of $75 billion and delivers nearly half the world's mail.

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Wood, Alden <Alden.Wood@treasury.gov>	Organizer
Fisher, Daniel L. EOP/WHO <Daniel.L.Fisher@who.eop.gov>	Required

Friday, January 05, 2018

Time All Day
Subject OOO
Show Time As Free

Time 10:30 AM – 11:00 AM
Subject Meeting with Megan Brennan, Postmaster General and Chief Executive Officer
Location Secretary's Small Conference Room
Show Time As Busy

Treasury
Secretary Mnuchin
Eli Miller
Drew Maloney
Brent McIntosh
Gary Grippo
Clay Berry

USPS
Megan Brennan, Postmaster General and CEO
Joseph Corbett, Chief Financial Officer and EVP
Thomas J. Marshall, General Counsel and EVP (tentative)

POC:
Angie Duncan
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Attendees

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AMERICAN OVERSIGHT

THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

December 18, 2018

GOVERNORS

SUBJECT: Legal Analysis of White House Task Force Report

This memorandum presents the Law Department's initial legal analysis of the recommendations in the December 4 report of the Task Force on the United States Postal System (Task Force). This assessment focuses on whether the recommendations are within the Postal Service's (or Postal Regulatory Commission's) authority, or instead whether statutory change from Congress is required to implement the recommendations. This memorandum does not analyze the merits of the recommendations from a policy perspective, although it is our intention to work with you and the Executive Leadership Team to develop such analysis based upon your strategic guidance and direction.

Enclosed with this memorandum is a chart that analyzes the legal issues and identifies the responsible parties for implementation of each recommendation (which, in some cases, diverge from the Task Force's assessment). The chart includes both a summary conclusion and a detailed analysis of each recommendation. This memorandum, on the other hand, focuses on certain broader central themes that cut across multiple recommendations.

I. Reclassification of Services as "Essential" and "Commercial"

The Task Force's proposal to re-categorize the Postal Service's product offerings underlies a number of its recommendations. Products would be grouped differently not only for regulatory purposes, but also as a matter of defining the scope of the universal service obligation (USO). This would be a departure from the current statutory framework. The Postal Accountability and Enhancement Act of 2006 (PAEA) made no changes to the statutory provisions governing the USO (except for requiring the Postal Service to establish, in its regulations, specific service standards for market-dominant products). In fact, as discussed in more detail below, Congress deliberately opted not to allow the Postal Regulatory Commission (Commission) to change the USO's scope. The PAEA's main regulatory innovations were to prescribe different modes of postal regulation based on whether or not the Postal Service exercises market power (as defined by the statute) over a particular product. Congress did not clarify how this division based on market power affected the USO, but after enactment of the PAEA, the Commission issued a report interpreting the USO as applying to both market-dominant and competitive products.

By contrast, the Task Force proposes a new structure for product regulation, which would also dictate the scope of the USO. Instead of the current division based on market power (market-dominant or competitive), the Task Force would distinguish between products and services deemed "essential" to public policy and those that are "non-essential" and "commercial." Whatever regulatory framework might protect consumers of "essential" services, the Postal Service would be largely free to choose the appropriate price and terms of service for "commercial" services, so long as prices are "market-based" and aimed at raising revenue to support the USO covering "essential" services. This concept animates Recommendations 1, 7, 9, 10, and 11.

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The Task Force designates most of these recommendations as "Administrative," although it also recognizes that the Postal Service may have to seek legislation in order to define the USO in the manner the Task Force suggests. Ultimately, altering the scope of the USO in the fundamental way proposed by the Task Force is a public policy decision reserved to Congress. In the price-regulation context, attempting to effect these changes without statutory reform would raise a number of complications that are more fully described below. Most significantly, because the current market-dominant and competitive groupings are not a proxy for the Task Force's "essential" and "commercial" categories, it does not appear that the Task Force's objectives for that distinction can be achieved without legislative reform.[1]

A. Scope of the USO

With respect to the USO, current law contains no basis for an "essential"-"commercial" distinction. The only reference to "essential postal services" is in the broad context of access to postal services, and the USO applies broadly to "written and printed matter, parcels, and like materials," including "business correspondence" as well as other forms of correspondence. 39 U.S.C. §§ 101(a), 403(a) & (b)(3). Therefore, to the extent that certain segments of postal services would be considered "essential" (and hence subject to the USO), and others "commercial" (and hence not subject to the USO), this would be predicated not on the current terms of the statute, but on new public policy considerations. However, in developing the PAEA, Congress emphatically reserved to itself the power to change the USO as a matter of public policy, rather than delegating that power to the Commission or the Postal Service:

> With steadily declining volumes of First Class mail, it is clear that the nation's correspondence needs are changing. The President's Commission [established by President George W. Bush] recommended, therefore, that an independent entity – the Regulatory Commission – be charged with, "refining key aspects of universal service as circumstances require/permit." . . . From the perspective of the [Senate] Committee, both the postal monopoly and universal service are issues of broad public policy – not regulatory issues. For that reason, the Committee decided that the power to refine either the monopoly or the universal service obligation should remain in the hands of Congress. However, the Committee thought it would be helpful to hear from the Regulatory Commission what potential changes to either the monopoly or the universal service obligation they believed made sense. Congress would then have the option to enact any of the Regulatory Commission's recommendations with which they agreed.

S. REP. NO. 108-318, at 38-39 (2004) (citation omitted); *see also* H.R. REP. NO. 109-66, pt. 1, at 62-63 (2005). Congress ultimately adopted this approach in the PAEA, relegating the Commission's role to studying the USO and offering recommendations to Congress. Pub. L. No. 109-435, § 702, 120 Stat. 3198, 3243 (2006).

---

[1] The need for legislative reform to comprehensively implement the Task Force's recommendations regarding the essential-commercial distinction is explained in more detail in the following section. Most fundamentally, because certain mail products that the Task Force would designate as "commercial" must remain on the market-dominant product list under current law, and certain package products that the Task Force would designate as "essential" are properly defined as competitive under the present statute, the current market-dominant and competitive groupings are not a proxy for the Task Force's "essential" and "commercial" categories absent legislative change. The Task Force also recognizes that this approach is a departure from the current structure. For example, when discussing the Postal Service's mission and business model at pages 32-33, the Task Force explains that the Postal Service must adopt a new, more targeted business model, moving from the current "statutory monopoly" to a model based on the provision of "essential services."

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In its resulting 2008 report, the Commission concluded that, under current statutes, the USO applies to all products.[2] Postal Regulatory Comm'n, Report on Universal Postal Service and the Postal Monopoly [hereinafter "USO Report"] 4, 23-25 (2008). Even if the Commission could somehow find a rational basis for reconsidering its conclusion that the USO applies to all products, despite the lack of changes in governing law, that reconsideration would have no legal effect without Congressional action.

In its role as operator of the postal network, the Postal Service has some authority to interpret and apply the current USO provisions regarding matters such as service standards, access, and mode of delivery (subject to Commission oversight). The relevant statutes usually set forth subjective standards about the service that the Postal Service must provide, rather than quantitative requirements, and so the Postal Service generally has significant discretion in balancing customer needs with financial considerations. *See* 39 U.S.C. §§ 403(a)-(b), 3691(b)-(c). Certain Task Force recommendations (such as those focused on delivery mode and service standards) reinforce the current discretion of the Postal Service in these respects and implicate the Postal Service's administrative authority to make such decisions. Again, however, Congress reserved to itself the power to redefine the USO's scope. Doing so therefore is beyond the Postal Service's authority to interpret the current USO terms. As such, only Congress can give effect to the Task Force's recommendation that the USO's scope be redefined according to whether postal services are "essential" or "commercial."

B. Scope of Product Regulation

With respect to price regulation, the current statute differentiates between market-dominant and competitive products. The current dividing lines are based on (1) whether a product is subject to the letter monopoly; (2) whether the Postal Service exercises market power in the relevant product market, as defined by the Commission using antitrust standards; and (3) whether a product is subject to statutory "preferred-rate" mandates (or, arguably, is a "benchmark" for those rate preferences). 39 U.S.C. §§ 3626(a)(1) & (g)(4)(B), 3642(b)(1)-(2). If any of those three criteria applies to the product, it must be classified as market-dominant; if none apply, it is eligible to be classified as competitive. None of the current classification criteria correspond to considerations of whether or not a given service is "essential" as a matter of social policy.

Within this framework, the Postal Service and the Commission could move only incrementally in the direction of effectuating the "essential"-"commercial" distinction, to the limited extent that a market power analysis under the current law aligns with a determination of a service's "essential" nature. For instance, it may be theoretically possible to conduct a market analysis within each competitive product and justify a transfer to the market-dominant side of potentially less price-elastic segments (e.g., Priority Mail offered in rural areas without ready access to competing carriers). This would be similar to the current treatment of Post Office Box service, which is classified under both categories depending on local market conditions. *See generally* Order No. 473, Order Approving Request to Transfer Selected Post Office Box Service Locations to the Competitive Product List, PRC Docket No. MC2010-20 (June 17, 2010). However, the Postal Service has consistently taken the position that the express delivery and package marketplaces as a whole are properly considered competitive under the governing law, so dividing the market in this manner would be a departure from this position. For its part, the Commission has largely accepted the Postal Service's position. To effectuate such a transfer, then, the Commission would have to explain its departure from its own (or

[2] In its own submission to the Commission, the Postal Service had taken the position that the USO should not apply to competitive products, owing to the PAEA's grant of significant flexibility with respect to those products' pricing and service. U.S. Postal Serv., Report on Universal Postal Service and the Postal Monopoly 3, 11-13, 18, 86 (2008). As explained in the next section, however, the PAEA's distinction between market-dominant and competitive products is not a proxy for the Task Force's new, social-policy-based "essential" and "commercial" categories. In any event, the Commission rejected the Postal Service's proposed limitation of the USO's scope: a fact that underscores the Postal Service's inability to redefine the USO on its own.

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Congress's) previous determinations that each competitive product as a whole was properly classified as such. *See, e.g.*, 39 U.S.C. § 3631(a) (initially classifying as competitive all of "priority mail," "expedited mail," and other products).

On the market-dominant side, current law would prevent the Commission from approving the transfer of most "commercial" market-dominant mail to the competitive side. Most First-Class Mail and Marketing Mail are subject to the letter monopoly.[3] The statutory preferred-rate rules apply to Within-County Periodicals (and certain other categories of Periodicals), Library Mail, and nonprofit Marketing Mail. As such, these products must be classified as market-dominant under the current governing standards. Arguably, Outside-County Periodicals, Media Mail, and at least some regular-rate Marketing Mail must also be market-dominant, since they are used as benchmarks for preferred rates.

Some market-dominant volume could be transferred, to the extent that it is (or can feasibly be placed) outside the letter monopoly and is not subject to statutory preferred-rate rules. But these opportunities represent a small proportion of market-dominant revenue: regular-rate Marketing Mail delivered on a saturation basis with simplified addressing, Alaska Bypass Service, and certain Bound Printed Matter Flats and Parcels. Under current law, however, the Postal Service would still have to convince the Commission that competing providers constrain the Postal Service's power over pricing and service quality for the relevant products. 39 U.S.C. § 3642(b)(1). That would be a difficult exercise for most of these products.[4]

Even without transferring market-dominant products, the Commission could theoretically establish a two-tier regulatory system within the market-dominant category through the Ten-Year Review. The Commission would first have to decide that it has the power to change the legacy mail classes, to which at least the initial market-dominant rate-regulation system must apply. 39 U.S.C. § 3622(d)(2)(A). The Postal Service raised this question in the Ten-Year Review, but the Commission has not yet resolved it. Then, and more fundamentally, the Commission would have to establish a non-arbitrary basis for an "essential"-"commercial" distinction and for the regulatory treatment of each category, all of which would have to be consistent with the statutory objectives and factors governing rate regulation. *Id.* § 3622(b)-(c).[5] Therefore, whether or not this undertaking might be worth attempting, it would significantly delay resolution of the Ten-Year Review. And, in all of this, the Commission would face significant political pressure and litigation from members of the mailing industry.

For all of these reasons, the Commission's current legal powers would appear to be too limited to allow for comprehensive, effective implementation of these Task Force recommendations.

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[3] In theory, the Commission could attempt to narrow the scope of the letter monopoly and thereby expand the range of products potentially eligible for transfer. 39 U.S.C. § 601(c); *see* 39 C.F.R. § 310.1(a). The Postal Service has taken the position that the Commission cannot fundamentally change the scope of a "letter" for purposes of the monopoly, however, and Congress arguably denied such power to the Commission. *See* S. REP. NO. 108-318, at 39, 54 (2004) (characterizing Section 601 as delegating to the Commission only the power to administer the monopoly's exceptions, and explaining Congress's intent as reserving to itself the power to redefine the monopoly's scope).

[4] For Marketing Mail, it might be easier to demonstrate a lack of pricing power if the Commission were to consider electronic communications as part of the same market. But to do so, the Commission would have to reverse its past refusal to consider electronic substitutes as part of its market-power analysis. *See generally* Order No. 2306, Order Denying Request, PRC Docket Nos. MC2013-57 & CP2013-75 (Dec. 23, 2014).

[5] The Postal Service has proposed a substantially streamlined regulatory model for market-dominant products generally, consistent with the objectives and factors, but it is open to question whether the distinction proposed by the Task Force can be reconciled with those provisions.

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II. Competitive Product Pricing and Costing

Recommendations 14, 15, and 16 focus on competitive products, as currently defined, without reference to "essential" or "commercial" services. They set forth a conception of how the Postal Service should participate in the competitive marketplace that is at odds with the PAEA.

In the PAEA, Congress established the competitive-product category with the intent of providing the Postal Service with the pricing flexibility to more effectively respond to customer and market dynamics amid open and fair competition. H.R. REP. NO. 109-66, pt. 1 at 43-44, 46 (2005); S. REP. NO. 108-318, at 14-15 (2004). To ensure fair competition, Congress paired this greater flexibility for the Postal Service with requirements that competitive products comply with certain cost-based price floors. H.R. REP. NO. 109-66, pt. 1 at 43-44, 46; S. REP. NO. 108-318, at 14-16. These price floors ensure that competitive products are not cross-subsidized by market-dominant products and that they make an appropriate contribution to covering institutional costs (and hence to help fund the USO). 39 U.S.C. § 3633(a)(1)-(3). At the same time, however, Congress rejected calls by Postal Service competitors to mandate a particular, artificial level of cost attribution. H.R. REP. NO. 109-66, pt. 1 at 49; S. REP. NO. 108-318, at 9-10, 30. Instead, as more fully explained below, Congress codified a Supreme Court precedent that upheld a causation-based standard for cost attribution and rejected arbitrary methods for fuller allocation of costs. 39 U.S.C. §§ 3622(c)(2), 3631(b); S. REP. NO. 108-318, at 9-10. And Congress required the Commission to establish confidentiality rules that balance the public interest in transparency against the recognized need to protect commercially sensitive information. 39 U.S.C. § 503(g); H.R. REP. NO. 109-66, pt. 1 at 61; S. REP. NO. 108-318, at 20, 47-48.

A. Pricing Recommendations

The Task Force acknowledges that the Postal Service has aggressively grown competitive-product revenue and contribution since the PAEA, but then asserts, without additional explanation, that competitive products should be priced more aggressively to maximize revenue in connection with Recommendation 14. While current law allows this, the assertion that the Postal Service has not been doing so is unsubstantiated. Indeed, the Task Force does not analyze the degree to which the Postal Service can seek to raise prices more aggressively than it has been doing. By definition, competitive products are relatively price-elastic, meaning that the market constrains the Postal Service's ability to raise prices without suffering competitive harm. 39 U.S.C. § 3642(b)(1).

As an alternative to that recommendation, the Task Force proposes that the Postal Service's competitive-product pricing decisions should guard against the risk of driving individual competitors out of the market. (It should be noted that, of the three major express and package delivery carriers, the Postal Service holds the smallest share of the overall market when measured by revenue.) This recommendation appears to suggest that the Postal Service should avoid pricing below its competitors, even if that would cause the Postal Service to sacrifice volume and overall revenue. In addition to seemingly working at cross-purposes with the objective of maximizing revenue generation, this recommendation would appear to recast the Postal Service as responsible for the well-being of its competitors. That would be a significant departure from the current concept of postal market regulation (and market regulation in general), whereby regulation of fairness across the competitive-product market is the responsibility of independent regulators like the Commission, not of the Postal Service or any other market actor. Moreover, the standards of competition law that apply to the Postal Service and its competitors are based on ensuring fair competition to benefit consumers, not on protecting the interests of particular competitors. Requiring that the Postal Service match competitors' prices due to an artificial sense of parity, rather than to any inherent cost or business rationale, would itself arguably distort the market and harm consumers.

The Task Force also calls for "full price transparency," which could be interpreted to mean publication of negotiated service agreement (NSA) pricing. However, the governing statute requires the Commission's confidentiality rules to account for the interest in protecting commercial information that would be withheld in good business practice. 39 U.S.C. § 504(g); *see also id.* § 410(c)(2). This

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confidentiality standard enables effective regulation while maintaining a level informational playing field. No Postal Service competitor or customer is required to publish its negotiated pricing, and so a publication requirement that applied only to the Postal Service would distort the market against the Postal Service and would negatively impact the Postal Service's ability to compete. Again, Congress intended the Postal Service to compete on a level playing field, not that it compete with a handicap. *See* H.R. REP. NO. 109-66, pt. 1 at 44; S. REP. NO. 108-318 at 14. Implementation of the Task Force's recommendation, through a change to the Commission's confidentiality rules, would therefore be inconsistent with the statute and Congressional intent. Similarly, voluntary disclosure by the Postal Service would also be inconsistent with Congressional intent, and serve only as a unilateral handicap to our efforts – otherwise encouraged by the Task Force – to grow competitive-product revenue and provide an effective market alternative.

B. Costing Recommendations

Fully-distributed costing would require an allocation of costs that are arbitrary from an economic perspective, because they would be based on factors other than causation. As noted earlier in this section, the Supreme Court rejected such economically arbitrary allocations and upheld a causation-based cost-attribution standard. *See Nat'l Ass'n of Greeting Card Publishers v. U.S. Postal Serv.*, 462 U.S. 810 (1983); S. REP. NO. 108-318 at 10, 30 (explaining statutory standard as codifying *Greeting Card Publishers*, and rejecting full cost attribution "or any other arbitrary percentage"). Congress subsequently codified this standard in the current statute. 39 U.S.C. §§ 3622(c)(2), 3631(b). Indeed, Congress was specifically concerned with the effects on the affordability and accessibility of rural services if the Postal Service were "forced to attribute such a large percentage of its costs to competitive products." S. REP. NO. 108-318 at 30. In enacting the Postal Reorganization Act that established the modern Postal Service, Congress attributed much of the Postal Service's pricing and cost inefficiency to its previous fully-distributed cost system, and Congress approved the Postal Service's earlier decision to shift away from that system. *See, e.g.*, S. REP. NO. 91-912, at 17 (1970).[6]

As part of the current approach to costing, the Postal Service regularly files proceedings with the Commission to refine its costing methodologies pursuant to the statutory requirement that costs be attributed to products and services on the basis of "reliably identified causal relationships." These proceedings often result in greater levels of cost attribution without resort to arbitrary assumptions or proxies. For example, in one recent case, the Postal Service proposed to update city carrier costs to reflect increases in package delivery, which had the effect of attributing $198.5 million more costs to competitive products and $179.5 million less to market-dominant products. *See* Order No. 4259, Order on Analytical Principles Used in Periodic Reporting (Proposal Four), PRC Docket No. RM2017-8 (Dec. 1, 2017), at 5, 22 (discussing cost impact and approving change).

Another theoretical avenue for implementation of fully-distributed costing might be through the Commission's determination of the minimum "appropriate share" of institutional (that is, non-attributable) costs that competitive products must cover. The Commission periodically reviews the "appropriate share" level in accordance with statutory criteria about market conditions and the net competitive disadvantage that various Federal laws impose on the Postal Service. 39 U.S.C. § 3633(a)(3), (b); Pub. L. No. 109-435, § 703(d), 120 Stat. 3198, 3244 (2006). In a currently ongoing review proceeding, the Commission rejected proposals to set the "appropriate share" in a way that would have amounted to fully-distributed costing, holding that the proposed methods failed to meet

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[6] On two recent occasions, the Commission has rejected a competitor's proposals to engage in fully-distributed costing as inconsistent with current statutory standards. Order No. 4402, Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, PRC Docket No. RM2017-1 (Feb. 8, 2018), at 81-82; Order No. 3506, Order Concerning United Parcel Service, Inc.'s Proposed Changes to Postal Service Costing Methodologies (UPS Proposals One, Two, and Three), PRC Docket No. RM2016-2 (updated Oct. 19, 2016), at 3, 35, 51-55, 60-62. One of those cases was appealed, and the Commission's ruling was upheld by the court. *See generally United Parcel Serv., Inc. v. Postal Regulatory Comm'n*, 890 F.3d 1053 (D.C. Cir. 2018).

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the statutory criteria and amounted to an end-run around the "reliably identified causal relationships" attribution standard discussed above. Order No. 4402, Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, PRC Docket No. RM2017-1 (Feb. 8, 2018), at 81-82. Thus, adoption of fully-distributed costing would run into the same legal and economic-theory obstacles, whether it is attempted through cost attribution or through the "appropriate share."

As a court recently articulated, the Commission's role "is to carry out the particulars of the scheme Congress created, not to engineer specific market outcomes." *United Parcel Serv.*, 890 F.3d at 1067. While the Postal Service has the capability to fully distribute costs, doing so would require an arbitrary allocation of costs, and as such, would be a departure from accepted economic theory and practice. Moreover, a return to fully-distributed costing that was last utilized prior to the creation of the modern Postal Service through the passage of the Postal Reorganization Act would be contrary to the current statutory costing provision. Therefore, it is not within the discretion of the Postal Service or the Commission to do so.

III. Conclusion

I hope you find this material to be useful as you consider the Task Force's recommendations. Based upon my discussion with Governor Duncan after the last Audit & Finance Committee Meeting, we are also preparing a detailed legal analysis of all of the Task Force recommendations that can be shared with the Treasury Department's Office of General Counsel, if a decision is made to do so. In the meantime, if you have any additional questions or concerns, or if you need additional information, then please do not hesitate to let me know.

Thomas J. Marshall

Enclosure

cc: Ms. Brennan
Mr. Stroman
Mr. Williams
Ms. Latham
Mr. Mendonca
Mr. Elston

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ANALYSIS OF WHITE HOUSE TASK FORCE RECOMMENDATIONS

Universal Service Obligation (USO)

Recommendation 1	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Definition: Clearly define the USO. Provide a targeted definition of minimum, essential postal services, that due to specific social and economic needs have a basis for government protection.	Administrative	Congress, PRC, USPS

Notes: The Task Force characterizes this recommendation as something for the Board of Governors to do "or [to] seek legislation to do." To the extent that this redefinition would determine the scope of the USO, the current USO parameters are established by statute. Congress expressly reserved the power to change the USO to itself, as an issue of "broad public policy," and declined to delegate it to the Postal Regulatory Commission (Commission). S. REP. NO. 108-318, at 38-39 (2004); *see also* H.R. REP. NO. 109-66, pt. 1, at 62-63 (2005). Thus, while the Commission might theoretically reconsider its 2008 opinion that the USO applies to all Postal Service products, Postal Regulatory Comm'n, Report on Universal Postal Service and the Postal Monopoly [hereinafter "USO Report"] 4, 23-25 (2008), any attempt to give regulatory or operational effect to that redetermination, without enabling action by Congress, would be subject to legal challenge and likely overturned. (The Commission would also face the challenge of articulating a non-arbitrary basis for revising its 2008 interpretation of the relevant statutes, which have not changed since that time.)

The current statute's lack of guidance on an "essential"-"commercial" distinction underscores that such a change would involve a Congressional determination of public policy. The term "essential" appears only once in Title 39 in a manner relevant to the USO, in a broad reference to customers' access to "essential postal services." 39 U.S.C. § 403(b)(3). We are unaware of any legislative history limiting the scope of this phrase; to the contrary, the Commission has interpreted it as "rang[ing] from postal products, to mail acceptance points (such as collection boxes), to access to letter carriers who accept mail for posting, to easily accessible information." USO Report at 19. If anything, the governing statute indicates that the USO applies to "business correspondence" no less than other forms of correspondence. 39 U.S.C. § 101(a); *see also id.* § 403(a) (defining the USO in terms of "written and printed matter, parcels, and like materials" generally). In enacting the Postal Accountability and Enhancement Act of 2006 (PAEA), Congress not only decided to retain these broad provisions, it also decided to treat advertising mail and other forms of "commercial" mail as equally subject to the protections of the price cap that it enacted. 39 U.S.C. § 3622(d)(2)(A). Since the existing statute demonstrates Congress's public-policy judgment to apply the USO broadly, a decision to make distinctions between "essential" and "commercial" involves value distinctions that cannot be undertaken using statutory standards, and would likewise be a public-policy question for Congress.

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To the extent that the recommendation is aimed at restructuring how products are classified for regulatory purposes, the Governors and Commission can only move incrementally toward the Task Force's model without legislative changes.

The current governing statute accords different regulatory treatment to postal services based on market power: namely, the scope of the letter monopoly and the Postal Service's pricing power, as measured by antitrust standards. 39 U.S.C. § 3642(b). The Task Force's proposed "essential"-"commercial" distinction does not align with the statutory division, and so, unless Congress were to change the law, any attempt to reorganize product regulation would have to conform to the current statutory standards.

One possibility is that the Commission could take a closer look at localized market power within competitive products and, theoretically, could shift certain competitive product volumes (e.g., products sold in rural areas, or consumer-to-consumer shipments) to the market-dominant category. This would approximately resemble the Task Force's vision of treating certain package-delivery products as "essential" and subject to price-cap regulation. The precedent for such an approach already exists in terms of how Post Office Boxes are classified according to levels of local competition, but the Commission has not yet extended this approach to other products. *See generally* Order No. 473, Order Approving Request to Transfer Selected Post Office Box Service Locations to the Competitive Product List, PRC Docket No. MC2010-20 (June 17, 2010). In doing so, the Commission would have to explain its departure from its own (or Congress's) previous determinations that each competitive product as a whole was properly classified as such, and as noted above would have to predicate the decision on the existence of market power, not a consideration that the packages at issue are "essential." *See, e.g.*, 39 U.S.C. § 3631(a) (initially classifying as competitive all of "priority mail," "expedited mail," and other products).

Another possibility is a deregulation of "non-essential/commercial" volume by transferring it from the market-dominant product list to the competitive product list. Current statutory parameters leave little opportunity to do so, however. First, products within the scope of the letter monopoly, such as most First-Class Mail and Marketing Mail, are not eligible for transfer. 39 U.S.C. § 3642(b)(2). Second, products with statutory rate preferences (i.e., certain Periodicals, Library Mail, and nonprofit Marketing Mail) must be regulated as market-dominant; arguably, so, too, must the products against which those preferred rates are benchmarked (Outside-County Periodicals, Media Mail, and at least some regular-rate Marketing Mail). 39 U.S.C. § 3626(a)(1), (g)(4)(B). The only market-dominant mail services that fall outside of these two criteria are Marketing Mail delivered on a saturation basis with simplified addressing, Alaska Bypass Service, and certain Bound Printed Matter Flats and Parcels. In theory, the Commission could expand the range of services eligible for transfer by narrowing the definition of the letter monopoly. 39 U.S.C. § 601(c) (authorizing the Commission to promulgate "[a]ny regulations necessary to carry out" a key letter-monopoly statute); *see* 39 C.F.R. § 310.1(a). But it is debatable whether such an exercise would be consistent with Congressional intent. *See* S. REP. NO. 108-318, at 39, 54 (2004) (characterizing Section 601 as delegating to the Commission only the power

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to administer the monopoly's exceptions, and explaining Congress's intent as reserving to itself the power to redefine the monopoly's scope). The Postal Service has taken the position that the Commission cannot redefine the scope of the monopoly through a fundamental change to the meaning of the term "letter," any more than it can redefine the scope of the USO.

For those products that clear the first two hurdles to transfer, the Commission could approve the transfer only if it is convinced that the Postal Service lacks pricing power. 39 U.S.C. § 3642(b)(1). The Postal Service would have to show that competing providers constrain its power over pricing and service quality. That is unlikely for Alaska Bypass Service, which was designed specifically to provide a supply line to remote areas that was otherwise absent. For document-based products like Marketing Mail and Bound Printed Matter Flats, the Commission might have to revisit its past refusal to consider electronic substitutes as part of its market-power analysis. *See generally* Order No. 2306, Order Denying Request, PRC Docket Nos. MC2013-57 & CP2013-75 (Dec. 23, 2014).

A third possibility is that, in the course of the Ten-Year Review or in another regulatory-review proceeding, the Commission could create an "essential"-"commercial" division within the market-dominant regulatory system, with "essential" market-dominant services subject to some form of price-cap regulation and "commercial" ones freed from price caps. To adopt that approach, the Commission would first have to decide that its review authority under 39 U.S.C. § 3622(d)(3) allows it to restructure the existing mail classes, notwithstanding a provision that ties at least the initial market-dominant rate-regulation system to the mail classes listed in the former Domestic Mail Classification Schedule (DMCS). 39 U.S.C. § 3622(d)(2)(A). (In the Ten-Year Review, we argued that the Commission has such authority. The Commission has not yet ruled on the issue.) Then the Commission would have to articulate a non-arbitrary basis for distinguishing between "essential" and "commercial" services, and for deregulating the latter, all of which would have to be squared with the objectives and factors in 39 U.S.C. § 3622(b)-(c). It is open to question whether such a distinction is consistent with the objectives and factors, given that, as noted above, an "essential"-"commercial" distinction is not reflected in the statute. The Commission would still have to determine the appropriate price-cap design for "essential" services (again based on the Section 3622 criteria), as well as how to administer the statutory rate preferences within or across the "essential" and "commercial" subcategories. These layers of legal determinations raise multiple opportunities for falling short of the Task Force's vision and/or for legal challenge, and would considerably draw out the Ten-Year Review in any event.

Ultimately, it would be more comprehensive, effective, and certain for Congress to implement this recommendation through reform of the product-classification statutes.

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Recommendation 2	Policy Action, per Task Force	Responsible Party, per Law Department
Geographic Scope: Keep current practice, which designates that the USO includes all addresses in the country covering "the United States, its territories and possessions," irrespective of population density.	Administrative	Congress
Notes: Because the Task Force proposes to maintain this aspect of the USO but apply it only to "essential" services, such a redefinition of the USO's scope would require action by Congress, as discussed in connection with Recommendation 1 above. At p. 42, the Task Force argues that the prices for "essential services" "should be standard, regardless from where the products are sent or delivered – similar to the current flat postage rate for First-Class Mail." Such a requirement would actually be more restrictive, on balance, than under current law. At present, uniform-rate requirements apply only to First-Class Mail, Media Mail, and Library Mail, not to all market-dominant services, and certainly not to all services that the Task Force appears to consider "essential." 39 U.S.C. §§ 404(c), 3683(a). Moreover, flat postage rates are required only for Media Mail and Library Mail; First-Class Mail is not subject to a clear prohibition on distance-variable pricing, although the same price schedule must be uniformly available. *See, e.g.*, 116 CONG. REC. 27,606 (1970) (remarks of Rep. Udall); Tentative Decision Concerning Proposals for Local and Nationwide Subclasses Within First-Class Mail, PRC Docket No. MC76-1, at 3-9 (July 15, 1977); USO Report at 30 n.10, 77-78, 117-18. *But see* USO Report at 139-41, 185 (assuming, for analytical purposes, that distance-variable pricing is prohibited for First-Class Mail). To be sure, some current First-Class Mail volumes might fit within the Task Force's proposed "commercial" category and be freed from any uniformity requirements under this recommendation. But to the extent that Congress would be affirmatively prohibiting distance-variable pricing for First-Class Mail and extending that prohibition to "essential services" beyond First-Class Mail, that restriction would sweep more broadly than current requirements.		

Recommendation 3	Policy Action, per Task Force	Responsible Party, per Law Department
Number and Density of Post Offices and Collection Boxes: Establish a rule that specifies that access to the postal system must only be sufficient to implement defined USO standards for delivery.	Administrative	USPS, PRC, Congress
Notes: The Task Force identifies certain statutory parameters as responsible for the current breadth of the delivery and collection network. As noted in connection with Recommendation 1 above, Congress expressly reserved to itself, not		

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the Commission, the power to redefine the USO. Within existing statutory parameters, there may be some room for incremental progress toward consolidating the collection network. Any large-scale consolidation would require an advisory opinion from the Commission and, potentially, favorable review of Post Office closing appeals. Ultimately, however, Congress might need to amend the governing statutory standards, such as allowing Post Offices to be closed for operating at a deficit. *See* 39 U.S.C. § 101(b).

It should be noted that the Task Force does not discuss the "essential"-"commercial" distinction in connection with this USO recommendation; it is thus unclear whether and how such a distinction, if enacted, might translate into different degrees of latitude with respect to access to various postal services.

Recommendation 4	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Delivery Frequency: Provide greater flexibility to determine mail and package delivery frequency.	Legislative	Congress
Notes: Congress would have to stop including the six-day-delivery rider in annual appropriations bills. It should also be noted that the Task Force's vision of how the Postal Service would exercise that flexibility varies according to a product or service's status as "essential" or "commercial." Implementation of that underlying distinction is discussed in connection with Recommendation 1 above.		

Recommendation 5	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Mode of Delivery: Maintain current discretion to determine mode of delivery consistent with a financially sustainable business model.	Administrative	Congress, USPS, PRC
Notes: This recommendation could be interpreted as saying that the Postal Service should continue exploring opportunities to increase centralized delivery, with attention to both its finances and "customer needs," and that Congress should not interfere with such efforts. (The Commission would also need to avoid creating political roadblocks in any advisory opinion, which the Postal Service is required to seek under current law for sufficiently large-scale, programmatic changes in service.) That said, a number of considerations have given the Postal Service pause in converting existing addresses to centralized delivery, such as the likelihood of customer and political backlash (as in Canada); the uncertain effect on the perceived value of mail and, correspondingly, on mail volume; and the fact that, over the past several years, Congress has considered several bills on centralized delivery without settling on a coherent message. *See* Reply Comments of the United States Postal Service, PRC Docket No. R2013-11 (Dec. 6, 2013), at 103-105. And, as noted in a recent submission to the Government Accountability Office, there are a number of		

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significant legal issues that would arise from any widespread move to centralized delivery, independent of whether it is allowable under the USO standards.

Thus, even though this is technically within our existing legal authority, if the Postal Service decided to implement this recommendation, it would be helpful for Congress to enact legislation expressly endorsing a shift toward centralized delivery, even if it adds some procedural constraints. Indeed, to the extent that the Task Force recommends that the Postal Service "be required" to have a transparent and public process for determining delivery mode, that implies action by Congress.

Like Recommendation 3, this recommendation is not framed in terms of the Task Force's "essential"-"commercial" service distinction, so it is unclear which products and services would be impacted by this recommendation.

Recommendation 6	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Processing Standards: Keep current practices, which allow the USPS to manage processing standards.	Administrative	N/A
Notes: Like Recommendation 2, this essentially recommends maintenance of the status quo in terms of the Postal Service's authority. The Postal Service has discretion in this area, subject to certain procedural requirements. In establishing service standards, the Postal Service must account for various objectives and factors, and it must consult with the Commission. 39 U.S.C. § 3691(a)-(c). And pursuant to 39 U.S.C. § 3661, the Postal Service must request an advisory opinion from the Commission before making a change in the nature of postal services on a nationwide or substantially nationwide basis. But note that Recommendation 22 would appear to give the Commission the power to overrule the Postal Service's establishment of service standards. The Task Force does not reconcile this apparent tension.		

Recommendation 7	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
USO Funding: Review and determine if income generated by activities defined to be outside of the USO could be optimized to cover the costs of funding the USO.	Administrative	Congress, PRC, USPS
Notes: As the letter monopoly's value has declined, the Postal Service has been aggressive in raising revenue from competitive products to contribute toward the institutional costs of the USO, and in seeking reform of the market-dominant rate-regulation system to provide more revenue-generating authority. The Task Force's recommendation appears to be tied not to the existing legal framework, however, but to the Task Force's vision of a redefined USO that		

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does not apply to "products and activities not deemed essential services." If postal products were to be reclassified per Recommendation 1, then the Commission would structure the regulatory system for "commercial" services to maximize the Postal Service's ability to generate revenue, and the Postal Service would be responsible for making full use of that authority (and for controlling "commercial" services' costs to improve contribution). See Recommendation 1.

Mail and Package Markets

Recommendation 8	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Business Model: Develop a new model that can be used to both set rates and control costs to achieve sustainability.	Administrative	PRC
Notes: The discussion in this portion of the Task Force report (pp. 50-51) is unclear, but it appears that the Task Force is recommending that, until a reclassification along "essential"-"commercial" lines can be conducted (see Recommendation 1), the Commission should do what it can through the Ten-Year Review to allow net-income maximization for "commercial" market-dominant services. The Task Force opines that many market-dominant services – ones that it appears to deem "commercial," as well as governmental communications (which it elsewhere typifies as "essential") – are fundamentally price-inelastic and could bear at least "modest price increases" to "boost overall mail revenue" and "increase the USPS's net income." The Task Force does not explain the "control costs" language in the recommendation. To the extent that this can be interpreted as urging the Postal Service and/or Commission to do more to control costs, see Recommendations 21 and 22.		

Recommendation 9	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Business Model: Require price increases, reduce service costs, or exit the business for any mail products that are not deemed an essential service and do not cover their direct costs.	Administrative	Congress, PRC, USPS
Notes: The Task Force recommends abolishing the price cap on "non-essential services," including Marketing Mail, while shifting certain competitive package volumes into the realm of (capped) "essential services." See Recommendation 1. The Task Force also recommends that the Postal Service be required to price "non-essential services" at a "market rate" (p. 51). If reclassification were to occur within the market-dominant category, then the Commission might		

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arguably be able to impose a "market-rate" condition by applying the statutory criteria in 39 U.S.C. § 3622(b) and (c). If reclassification were to occur by transferring "non-essential services" to the competitive product list, then the Governors would be responsible for pricing according to what the market will bear. As noted regarding Recommendation 1, it would likely be more effective and certain for Congress to amend the governing statute accordingly.

Recommendation 10	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Product Classes: Redefine mail classes by creating products defined by the type of sender and the declared purpose of the mail item.	Administrative	Congress, PRC, USPS
Notes: The Postal Service has sought more extensive authority from the Commission to redefine market-dominant product classes as part of the 10-Year Review. However, see Recommendation 1 concerning the extent to which such a redefinition could be used to effectuate the Task Force's "essential"-"commercial" distinction. With respect to competitive products, the Postal Service has broad authority to define and categorize products, subject to Commission review.		

Recommendation 11	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Product Classes: Change USPS systems in order to track the purposes and uses of mail, to allow for better cost allocation, targeted pricing, and more business intelligence.	Administrative	USPS
Notes: This recommendation aims at mining Household Diary Survey responses to guide business decisions aimed at improving the value that senders and recipients place in the mail. It is not clear what the Task Force's reference to cost allocation means in this context.		

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Recommendation 12	Policy Action, per Task Force	Responsible Party, per Law Department
Strategic Options: Evaluate areas of USPS operations where the USPS could expand third party relationships in order to provide services in a more cost efficient manner (e.g., mid-stream logistics and processing).	Administrative	USPS, PRC
Notes: The Postal Service could perform this evaluation. If any expansion of third-party relationships involves new workshare discounts or changes to existing workshare discounts, the Commission would need to approve the discount levels. New forms of outsourcing may also require consultation and/or bargaining with postal labor organizations. Even if the Postal Service can manage to scale down its in-house operations, there would be a delay in capturing labor-cost savings, due to the existence (and likely persistence, given the nature of binding arbitration) of no-layoff clauses in collective bargaining agreements and the resulting need to rely on attrition for workforce reduction.		

Recommendation 13	Policy Action, per Task Force	Responsible Party, per Law Department
Strategic Options: As a means of generating more income, the mailbox monopoly could be monetized.	Administrative	USPS, PRC
Notes: The mailbox monopoly statute, 18 U.S.C. § 1725, requires payment of postage on all mailable items placed in mailboxes. In theory, the Postal Service could establish special "postage" classifications and rates for items delivered by qualifying third-party delivery providers. The Commission would have to approve these classifications and rates. Such a move would affect other public benefits that the mailbox monopoly provides, however, particularly the secure, efficient provision of universal service. The mailbox monopoly does not merely protect revenue to support the USO. By channeling mailbox deliveries to a single universal service provider, it promotes efficient mail delivery: there is room in mailboxes for letter carriers to deliver, and carriers do not need to spend time at each mailbox distinguishing collection mailpieces from alternative-delivery mailpieces. The mailbox monopoly also protects the security of the mails, by giving recipients a stable expectation as to who can legitimately access a mailbox and who might warrant suspicion. That assurance of security, in turn, provides value to the "brand" of the mail. Opening mailbox access, even via franchising, could negatively impact both of these current benefits, as well as delivery costs and revenue. To mitigate these potential harms, the Postal Service could attempt to impose and administer rigorous brand-protection and oversight measures in its franchise agreements. In doing so, however, it could face complaints of unreasonable discrimination under 39 U.S.C. § 403(c) or unfair preclusion of competition under 39 U.S.C. § 404a(1) and/or fair-competition statutes. *See* 39 U.S.C. §§ 404a(c), 409(d)-(e), 3622(a). The Task Force does not address these potential business and legal impacts, which would require further study before implementing its recommendation.		

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Recommendation 14	Policy Action, per Task Force	Responsible Party, per Law Department
Strategic Options: Price competitive products in a manner that maximizes revenues and generates income that can be used to fund capital expenditures and long-term liabilities.	Administrative	USPS, PRC

Notes: This recommendation is at odds with the Task Force's acknowledgment of the Postal Service's competitive-product revenue and contribution growth since the PAEA, consistent with the PAEA's aim of allowing the Postal Service to compete more effectively in the competitive marketplace and therefore grow competitive-product revenue and retain earnings. Additionally, the Task Force does not explain how competitive products can be priced substantially higher, since, by definition, they are products for which the market constrains the Postal Service's pricing power. 39 U.S.C. § 3642(b)(1). (The Task Force explains that the Postal Service "has a dominant market position in B2C e-commerce segments" (p. 53), but also recognizes that "there are limits to how much consumers are willing to pay for delivery" and that "e-commerce consumers remain highly sensitive to delivery costs" (p. 50)).

Alternatively, the Task Force recommends that the Postal Service consider, in its pricing decisions, "the potential market distortions that could drive industry participants out of the market" (p. 54). (It should be noted that, of the three major package and express delivery providers, the Postal Service holds the smallest share of the overall market when measured by revenue.) This consideration is not properly aimed at the Postal Service, whose pricing decisions are designed to maximize revenue to support the USO and its other statutory obligations, rather than to preserve its competitors' market position. Safeguarding the overall health of the market is an object of regulation by the Commission, the Federal Trade Commission, or the Department of Justice's Antitrust Division.

Moreover, to the extent that this recommendation implies that the Postal Service's prices should be higher, not for reasons of economic self-interest, but to drive volume to competitors, that sort of artificial price increase would itself distort the market and harm the public policy interests of consumers. Various laws concerning fair competition, which apply to the Postal Service as well as its competitors, protect competition, not particular competitors, and they do not require a firm to make decisions based on ensuring the well-being of existing competitors. Doing so could actually draw antitrust scrutiny.

In theory, Congress could amend the relevant statutes to effectuate the Task Force's recommendation. However, it is unclear how the Postal Service could practically resolve the internal tension between protecting competitors and maximizing revenue to fund the USO, if artificially raising prices has the effect of driving down volume and overall revenue. Such an amendment would mark a departure from the PAEA's treatment of the Postal Service as a self-interested business actor on par with its private-sector peers.

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It should be noted that this recommendation is framed in terms of the existing competitive-product category. It is unclear how it would bear on a potential future reclassification based on social policy rather than market power.

Recommendation 15	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Costing Options: Develop a new cost allocation model to establish full price transparency and fully distribute costs.	Administrative	Congress

Notes: With respect to cost allocation, the recommendation could theoretically be fulfilled in one of two ways: full attribution of costs to products, or maintenance of some costs as non-attributable (or "institutional") while apportioning explicit responsibility for covering them to competitive and market-dominant products.

Implementation of fully-distributed costing through cost attribution would require legislative change. Current law requires costs to be attributed on the basis of "reliably identified causal relationships." 39 U.S.C. §§ 3622(c)(2), 3631(b); *see* Dep't of the Treasury, Accounting Principles and Practices for the Operation of the United States Postal Service's Competitive Products Fund 7 (2007) ("This definition is consistent with the economic costing approach of the current USPS cost system."). It is well-established in the regulatory, economic, and legal communities that fully-distributed costing is fundamentally arbitrary, meaning that the Commission cannot adopt it in administering its statutory framework. *See, e.g.*, *Nat'l Ass'n of Greeting Card Publishers v. U.S. Postal Serv.*, 462 U.S. 810 (1983); S. REP. NO. 108-318, at 10, 30 (2004) (explaining statutory standard as codifying *Greeting Card Publishers*, and rejecting full cost attribution "or any other arbitrary percentage"). Therefore, fully-distributed costing would require Congress to abolish the current, longstanding, and theoretically sound cost-attribution standard in favor of an arbitrary one. In doing so, Congress would be resurrecting a practice that was identified as a leading cause of inefficient pricing at the time of the Postal Reorganization Act, which rejected the practice. S. REP. NO. 91-912, at 17 (1970); *see also* Towards Postal Excellence: The Report of the President's Commission on Postal Organization 30-31, 133-35 (1968), *available at* https://go.usa.gov/xQMHm. As a court recently articulated, the Commission's role "is to carry out the particulars of the scheme Congress created, not to engineer specific market outcomes." *United Parcel Serv., Inc. v. Postal Regulatory Comm'n*, 890 F.3d 1053, 1067 (D.C. Cir. 2018). Contrary to the Task Force's statements, the current system set forth by the PAEA fully protects against cross-subsidization.

Implementation of fully-distributed costing through apportionment of institutional costs would likewise require statutory change, or a significant departure from recent Commission precedent. The Commission must periodically review the "appropriate share" of institutional costs that competitive products must cover. 39 U.S.C. § 3633(a)(3), (b). In doing so, the Commission must "consider all relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products." *Id.* § 3633(b). The Commission must also consider a 2007 Federal Trade Commission (FTC) report on the

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laws that advantage or disadvantage the Postal Service's offering of competitive products, as well as any subsequent events that affect the validity of the FTC's estimates. Pub. L. No. 109-435, § 703(d), 120 Stat. 3198, 3244 (2006). The FTC concluded that the Postal Service suffers an enormous net competitive disadvantage. Fed. Trade Comm'n, Accounting for Laws That Apply Differently to the United States Postal Service and Its Private Competitors 64 (2007), https://go.usa.gov/xQMu9. In an ongoing review proceeding, the Commission has rejected a competitor's proposals that would apportion responsibility for institutional costs according to competitive products' share of total revenue or total attributable costs, on the basis that such proposals fail to account for competitive conditions, as required by statute, and amount to an effort to implement arbitrary cost attribution notwithstanding the statute's reliable-causation requirement. Order No. 4402, Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, PRC Docket No. RM2017-1 (Feb. 8, 2018), at 81-82. While the Commission might have some leeway to distinguish a future "appropriate share" proposal from the ones that it recently rejected, it might be difficult for it to explain a reversal of its longstanding rejection of fully-distributed costing in a way that would withstand legal challenge. Here, too, legislative change would likely be necessary for the Commission to adopt an arbitrary cost-allocation method.

The Task Force does not explain what it means by "full price transparency." It is possible that this is simply another way of saying that costs should be fully distributed and "transparently" reflected in prices. However, the Task Force also asserts (p. 54) that negotiated service agreements (NSAs) make unfair distinctions between customers. If the intent is to require the publication of all NSA terms to give customers and competitors more leverage, then that would require a change to the statutory standards that govern confidentiality at the Commission. 39 U.S.C. § 504(g); *see also id.* § 410(c)(2). Those standards give the Commission discretion to balance commercial injury to the Postal Service against the public interest in disclosure, but they clearly contemplate that some commercially sensitive information be protected from public disclosure. *See* H.R. REP. NO. 109-66, pt. 1 at 61; S. REP. NO. 108-318, at 20, 47-48. Courts have recognized that negotiated price information warrants this protection, as it would not be disclosed as a matter of good business practice. *See generally Wickwire Gavin v. U.S. Postal Serv.*, 356 F.3d 588 (4th Cir. 2004). Moreover, forcing or encouraging the Postal Service alone to disclose negotiated pricing would itself distort the market, since competitors and customers are not required to make similar disclosures. The current level of protection levels the playing field, while ensuring that the Commission (and counsel and consultants for parties appearing before the Commission) has the necessary information to regulate effectively. A change of the kind that the Task Force appears to advocate would accordingly be inconsistent with the intent of the Congress in the PAEA to enable the Postal Service to compete fairly in the package marketplace. *See* H.R. REP. NO. 109-66, pt. 1 at 44 (announcing intent to create level playing field, not one tilted against the Postal Service); S. REP. NO. 108-318 at 14 (same).

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Recommendation 16	Policy Action, per Task Force	Responsible Party, per Law Department
Costing Options: Establish a separate balance sheet for packages to help prevent cross-subsidization between the mail and package business units.	Administrative	Congress, Treasury, PRC

Notes: Current law already separates accounts for competitive products and all other products. 39 U.S.C. §§ 2003, 2011. Historically, the Treasury Department has favored a simplified accounting of competitive-product assets, apportioning total assets by competitive products' cost of revenue. Dep't of the Treasury, Accounting Principles and Practices for the Operation of the United States Postal Service's Competitive Products Fund 25-27, 34 (2007). While a comprehensive study of each asset's usage and each liability's origin is theoretically possible, the Treasury Department deemed such an exercise to be unduly complicated. *Id.*

Before the Commission could adopt a different approach to asset assignment, it would have to determine that that approach would yield a greater allocation of assets to competitive products. 39 U.S.C. § 2011(e)(5). The PAEA does not specify a test for assignment of liabilities, although the 2007 Treasury Department report noted that liabilities would be more complicated to assign than assets. The Commission would also have to ensure that its measurement methodologies and assumptions are not arbitrary. *Id.* § 503; *see* 5 U.S.C. § 706(2)(A). Such an exercise would raise similar issues to fully-distributed costing and might ultimately require Congressional action. See Recommendation 15.

The Treasury Department's statutory role in competitive-product accounting is limited to the issuance of the 2007 report to inform the Commission's initial accounting rules. 39 U.S.C. § 2011(h)(1), (h)(2)(A)-(B). While the Commission may revisit its rules from time to time, *id.* § 2011(h)(2)(C)(ii), there is no provision for the Treasury Department to revisit its initial recommendations. That said, there is arguably no bar to the Treasury Department doing so voluntarily, or to the Commission using any new Treasury Department recommendations as a basis for its own consideration of revisions to the rules. The Treasury Department could also, as an "interested party," petition the Commission to initiate a revisionary rulemaking. *Id.*

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Operating Model

Recommendation 17	Policy Action, per Task Force	Responsible Party, per Law Department
Operations: Align USPS employee rights with other federal employee rights by eliminating collective bargaining over compensation for USPS employees.	Legislative	Congress, USPS
Notes: The Task Force's idea is that postal employees should be subject to the General Schedule pay system for Federal employees, and that they would be unable to bargain over compensation. As the Task Force recognizes, Congress would have to make the Postal Service subject to the Federal Service Labor-Management Relations Statute (FSLMRS), rather than the National Labor Relations Act. That step alone would not necessarily end bargaining over compensation, however. Congress would also have to make the General Schedule and related pay rules (or any successor statutes) specifically applicable to the Postal Service. Without that additional step, compensation would qualify, by default, as a condition of employment subject to bargaining. *See Fort Stewart Sch. v. Fed. Labor Relations Auth.*, 495 U.S. 641, 641 (1990). (Despite the general rule that agencies subject to the FSLMRS do not bargain over compensation, at least seven Federal agencies' employees do bargain over compensation as a result of specific statutory language or a judicial or administrative decision. *See* Cong. Res. Serv., No. 7-5700, Collective Bargaining and the Federal Service Labor-Management Relations Statute: Selected Legal Issues 3 (2017), https://fas.org/sgp/crs/misc/R44794.pdf.) In the meantime, the Task Force recommends that the Postal Service do what it can to that effect within its existing authority. With respect to bargaining-unit employees, this would require agreement by the unions or labor arbitrators. With respect to non-bargaining-unit employees, it would require consultation with postmaster/supervisor organizations.		

Recommendation 18	Policy Action, per Task Force	Responsible Party, per Law Department
Operations: Pursue reforms to USPS employee wages consistent with those proposed for the broader federal workforce in the President's Management Agenda.	Legislative	Congress, USPS
Notes: The President's Management Agenda proposes enhancement of performance-based pay incentives and a slowing of tenure-based step increases. In theory, the Postal Service could seek similar reforms through collective bargaining. However, any impasse would be resolved through binding arbitration, a process that structurally favors the		

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precedent of prior arbitral awards and collective bargaining agreements. 39 U.S.C. § 1207. It should be noted that non-bargaining-unit employees are already subject to a performance-based pay system.

Recommendation 19	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Operations: Explore and implement new business lines that generate revenue, and that present no balance sheet risk to the USPS.	Legislative	Congress
Notes: Congress would have to remove the prohibition on new non-postal services and expand our current ability to partner with Federal agencies to include state, local, and tribal agencies.		

Recommendation 20	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Governance and Oversight: Strengthen the governance and regulatory oversight of USPS. This could be achieved through reforming, but maintaining, the existing institutional structures or by changing the institutional structures, which would require legislation.	Legislative	USPS, Congress
Notes: It is not clear what is intended with this recommendation, as distinct from Recommendations 21 and 22. However, as discussed below, the Board of Governors and the Commission could make strategic decisions within the scope of their existing authority that could be interpreted as strengthening governance and regulatory oversight, respectively. As the recommendation recognizes, any changes to existing institutional structures would require legislation.		

Recommendation 21	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Governance and Oversight: Institute a new policy mandate for management that sets organizational direction and financial targets, which align with a sustainable business model and establish an enforcement mechanism if the existing Board is unable to meet these targets.	Legislative	USPS, Congress
Notes: The Board of Governors could set a new organizational direction and financial targets. (Earlier in the report, the Task Force described creating a new policy mandate as a task for the Board.) Congress could set its own parameters,		

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although doing so would usurp discretion currently held by the Board. Only Congress can establish an "enforcement mechanism," in the sense of turning control over to the Commission.

However, the Task Force recognizes elsewhere that legislative and regulatory action is needed to establish a sustainable business model and avoid a liquidity crisis (p. 4; see, e.g., Recommendations 8, 17, 18, 19, 23, 24, and 25). Given the statutory constraints on the Postal Service's ability to improve its financial health, it is unclear how reasonable or effective sustainability-oriented financial targets can be unless and until legislative and regulatory reforms give the Postal Service more control over costs and revenue.

Recommendation 22	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Governance and Oversight: Strengthen the regulatory oversight role of the PRC, providing the PRC with expanded controls, imposing increased accountability on the USPS.	Legislative	PRC, Congress

Notes: From the discussion at p. 62, it seems that the Task Force envisions allowing the Commission to overturn and dictate Postal Service decisions on service standards, operations, and capital investments. (The Task Force does not explain how this recommendation aligns with Recommendations 3-6, which advocate for preserving or expanding the Postal Service's operational discretion.)

Existing law may already allow the Commission more authority in these areas than it has historically exercised. The Commission arguably has broad authority to order remedies upon finding a lack of Postal Service compliance with certain statutory requirements, and that authority could be brought to bear on service, operational, and investment decisions. 39 U.S.C. §§ 3653(c), 3662, 3691(d). (However, we would read the scope of the Commission's remedial authority in a more limited fashion.) To date, the Commission has been reticent to exercise what may arguably be the full extent of that authority, preferring to conduct inquiries and require reporting on the Postal Service's self-directed remedial efforts. In the Ten-Year Review, the Commission has also proposed to design the rate-regulation system in a way that disincentivizes the Postal Service from downgrading service standards. Order No. 4258, Notice of Proposed Rulemaking for the System for Regulating Rates and Classes for Market Dominant Products, PRC Docket No. RM2017-3 (Dec. 1, 2017), at 70-73. And some commenters have urged the Commission to discount the Postal Service's rate authority on account of investments that the Commission deems imprudent. While the Commission has historically shied away from using its authority in that fashion, doing so would arguably be within its statutory authority over the rate-regulation system.

Thus, the Task Force recommendation could spur the Commission to use its existing remedial and regulatory authorities more aggressively. If it did not do so, or if some additional enforcement powers were deemed desirable, Congress could amend the statute to that effect.

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Recommendation 23	Policy Action, per Task Force	Responsible Party, per Law Department
Benefits: Pursue reforms proposed to the Federal Employees Compensation Act that are included in the President's FY2019 Budget.	Legislative	Congress
Notes: The Administration's proposals are "to provide a single rate of compensation for new injuries at 66 2/3 percent of the injured workers' pay; convert retirement-age beneficiaries to a retirement annuity-level benefit; establish an up-front waiting period for benefits for all beneficiaries; increase benefits for disfigurement and burial; suspend payments to indicted medical providers; and make other changes to improve the program integrity and reduce improper payments." Off. of Mgmt. & Budget, Budget of the U.S. Government, Fiscal Year 2019: Major Savings and Reforms 169 (2018) [hereinafter "*FY2019 Major Savings & Reforms*"], https://go.usa.gov/xPJPZ. OMB estimates that these changes will save only $117 million across the entire Government over the next ten years. *Id.*		

Recommendation 24	Policy Action, per Task Force	Responsible Party, per Law Department
Benefits: Pursue reform of the Federal Employee Retirement System (FERS) that would increase employee contributions and move toward a defined contribution system.	Legislative	Congress
Notes: Currently, FERS employees contribute 0.8 to 4.4 percent of basic pay, depending on position and time of hire. The Administration has proposed to increase FERS employees' contribution rates by 1 percentage point per year, until all are contributing half of the normal-cost percentage of their basic pay (i.e., 7.25 percent, under the current normal-cost percentage). The Administration has also proposed reducing FERS's liability by eliminating annuity supplements and cost-of-living adjustments and basing annuity calculations on employees' "high-5" average salary, instead of the current "high-3" calculation. *See* Letter from Jeff T.H. Pon, Director, Office of Personnel Management, to Paul D. Ryan, Speaker, House of Representatives, May 4, 2018, http://tiny.cc/OPM-FERS-proposal-letter; OMB, *FY2019 Major Savings & Reforms* at 181, 183-84.		

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Recommendation 25	Policy Action, per Task Force	Responsible Party, per Law Department
Benefits: Maintain but restructure the retiree health benefits liability, including the $43 billion in pre-funding payments that the USPS failed to pay into the Postal Service Retiree Health Benefits Fund (PSRHBF) and the unfunded actuarial liability, with the total liability re-amortized with a new actuarial calculation based on the population of employees at or near retirement age.	Legislative	Congress
Notes: The Task Force proposes to change how the actuarial liability is calculated, which would affect the Postal Service's annual prefunding payments to the (PSRHBF). It would not change the actual benefits that postal annuitants are eligible for, the payment of which are ultimately the responsibility of the Postal Service under the statute, either through payments to the PSRBF or through direct premium payments if the assets in the PSRHBF are exhausted.		

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GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

February 15, 2019

Steven D. Laughton
Assistant General Counsel (Banking & Finance)
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1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

SUBJECT: Legal Analysis of White House Task Force Report

Dear Steve:

It was great to speak with you this afternoon. As I mentioned to you today, and to other members of your team yesterday, please accept this letter as our effort to provide you with additional information and to express our views concerning certain legal and practical issues implicated by the December 4 report of the Task Force on the United States Postal System (Task Force), and to request the opportunity to discuss these issues with you further. As we discussed, we are very interested in a having a broader legal discussion concerning the Task Force recommendations, and in particular regarding your understanding of the available legal paths to implement them in the event that our Governors direct us to do so.

In that regard, the Task Force report makes a number of recommendations that it designates as "Administrative" or "Legislative," with "Administrative" recommendations directed to the Postal Service or the Postal Regulatory Commission (Commission). In our view, many of those designations are accurate. However, we believe that some of the designations warrant further review or clarification and discussion, as next steps regarding the Task Force report are considered. In particular, certain items designated as "Administrative" seem to us to lie entirely or substantially outside of the control of the Postal Service or the Commission. In addition, it would be useful for us to better understand the perspective of the Task Force with regard to certain of the recommendations as we prepare to advise our clients concerning the "going-forward" strategy of the Postal Service, particularly given the legal issues which we articulate below.

Each recommendation is introduced below as it is framed and designated in Appendix A of the Task Force report. In cases where the text of the report clarifies or expands upon the recommendation as presented in Appendix A, that is noted in the discussion that follows each header.

Recommendation 1

Universal Service Obligation (USO)
Definition. **Clearly define the USO. Provide a targeted definition of minimum, essential postal services, that due to specific social and economic needs have a basis for government protection. (Administrative)**

The Task Force's proposal to reclassify postal services as "essential" and "commercial" underlies a number of its recommendations, and it is the focus of Recommendation 1.

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This recommendation would redefine the scope of the universal service obligation (USO) and would impact product regulation. Because we believe that altering the scope of the USO in the fundamental way proposed by the Task Force is a public-policy decision reserved to the Congress, we believe it requires legislative change.

The Postal Accountability and Enhancement Act of 2006 (PAEA), Pub. L. No. 109-435, 120 Stat. 3198 (2006), made no changes to the statutory provisions governing the USO (except for requiring the Postal Service to establish, in its regulations, specific service standards for market-dominant products). In fact, as discussed in more detail below, Congress deliberately opted not to allow the Commission to change the USO's scope. The PAEA's main regulatory innovations were to prescribe different modes of postal regulation based on whether or not the Postal Service exercises market power (as defined by the statute) over a particular product. Congress did not clarify how this division based on market power affected the USO, but after enactment of the PAEA, the Commission issued a report interpreting the USO as applying to both market-dominant and competitive products.

By contrast, the Task Force proposes a new structure to define the scope of the USO, as well as for product-regulation purposes. Instead of the current division based on market power (market-dominant or competitive), the Task Force would distinguish between products and services deemed "essential" to public policy and those that are "non-essential" and "commercial." Whatever regulatory framework might protect consumers of "essential" services, the Postal Service would be largely free to choose the appropriate price and terms of service for "commercial" services, so long as prices are "market-based" and aimed at raising revenue to support the USO covering "essential" services. In addition to Recommendation 1, this concept animates Recommendations 7, 8, 9, 10, and 11 and plays a role in Recommendations 2 and 4.

The Task Force designates this recommendation as "Administrative," although it also recognizes that the Postal Service may have to seek legislation in order to define the USO around the Task Force's "essential"-"commercial" distinction. The Task Force is correct in this latter regard because, as explained below, Congress has reserved to itself the public policy decisions concerning the definition of the USO. In the product-regulation context, attempting to make these changes without statutory reform would raise a number of complications.[1] Most significantly, because the current market-dominant and competitive groupings are not a proxy for the Task Force's "essential" and "commercial" categories, it does not appear that the Task Force's objectives for that distinction can be achieved in a comprehensive and coherent fashion without legislative reform.[2]

A. Scope of the USO

With respect to the USO, there does not appear to be a basis for an "essential"-"commercial" distinction in current law. The USO applies broadly to "written and printed matter, parcels, and like materials," including "business correspondence" as well as other forms of correspondence. 39 U.S.C. §§ 101(a), 403(a). The only statutory reference to "essential postal services" is in the broad context of access to postal services in general; there is no indication that the use of the

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[1] Moreover, attempting to do so without a corresponding statutory change to the USO's scope would appear to be inconsistent with the Task Force's intent: at page 32, the Task Force cautions that "[u]pdating some components [of the recommendations] but not others, or updating different components in isolation of others, will not result in a coherent, sustainable strategy."

[2] The need for legislative reform to comprehensively implement the Task Force's recommendations regarding the "essential"-"commercial" distinction for purposes of product regulation is explained in more detail below. Most fundamentally, because certain mail products that the Task Force would designate as "commercial" must remain on the market-dominant product list under current law, and certain package products that the Task Force would designate as "essential" are properly defined as competitive under the present statute, the current market-dominant and competitive groupings are not a proxy for the Task Force's "essential" and "commercial" categories. The Task Force itself recognizes that this approach is a departure from the current structure. For example, when discussing the Postal Service's mission and business model at pages 32-33, the Task Force opines that the Postal Service must adopt a new, more targeted business model, moving from the current "statutory monopoly" to a model based on the provision of "essential services."

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qualifier "essential" in that context was intended as a basis for distinguishing among postal services. *Id.* § (b) (3).[3] Therefore, to the extent that certain segments of postal services would be considered "essential" (and hence subject to the USO), and others "commercial" (and hence not subject to the USO), this would have to be predicated on new public-policy considerations, not on the current terms of the statute. In developing the PAEA, however, Congress emphatically reserved to itself the power to change the USO as a matter of public policy, rather than delegating that power to the Commission or the Postal Service:

> With steadily declining volumes of First Class mail, it is clear that the nation's correspondence needs are changing. The President's Commission [established by President George W. Bush] recommended, therefore, that an independent entity – the Regulatory Commission – be charged with, "refining key aspects of universal service as circumstances require/permit.". . . From the perspective of the [Senate] Committee, both the postal monopoly and universal service are issues of broad public policy – not regulatory issues. For that reason, the Committee decided that the power to refine either the monopoly or the universal service obligation should remain in the hands of Congress. However, the Committee thought it would be helpful to hear from the Regulatory Commission what potential changes to either the monopoly or the universal service obligation they believed made sense. Congress would then have the option to enact any of the Regulatory Commission's recommendations with which they agreed.

S. REP. NO. 108-318, at 38-39 (2004) (citation omitted); *see also* H.R. REP. NO. 109-66, pt. 1, at 62-63 (2005). The final version of the PAEA adopted the approach in the committee reports and relegated the Commission's role to studying the USO and offering recommendations to Congress. Pub. L. No. 109-435, § 702, 120 Stat. 3198, 3243 (2006).

While, as noted above, Congress in the PAEA retained the statutory language setting forth the USO in broad terms, there was a question as to how the new regulatory distinction between market-dominant and competitive products affected the implementation of the USO, in terms of its application to specific products. In its resulting 2008 report, the Commission concluded that, under current statutes, the USO applies to all products.[4] Postal Regulatory Comm'n, Report on Universal Postal Service and the Postal Monopoly 4, 23-25 (2008) [hereinafter "USO Report"]. While the Commission could theoretically reconsider its conclusion that the USO applies to all products, it might find it difficult to articulate a rational basis for doing so, given that the relevant statutes have not changed since the 2008 report. In any event, reconsideration of the 2008 report, which was advisory in nature, would have no legal effect without Congressional action, and could not effectuate the "essential"-"commercial" distinction for purposes of the USO, given the language of the current statute.

In its role as operator of the postal network, the Postal Service has some authority to interpret and apply the current USO provisions regarding matters such as service standards, access, and mode of delivery (subject to Commission oversight). The relevant statutes usually set forth qualitative

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[3] We are unaware of any legislative history limiting the scope of the phrase "essential postal services" in 39 U.S.C. § 403(b)(3). To the contrary, in the one instance where we are aware that the Commission has discussed the phrase in the context of this provision, the Commission interpreted the phrase broadly as "rang[ing] from postal products, to mail acceptance points (such as collection boxes), to access to letter carriers who accept mail for posting, to easily accessible information." Postal Regulatory Comm'n, Report on Universal Postal Service and the Postal Monopoly 19 (2008).

[4] In its own submission to the Commission, the Postal Service took the position that the USO should not apply to competitive products, owing, in part, to the PAEA's grant of significant flexibility with respect to those products' pricing and service. U.S. Postal Serv., Report on Universal Postal Service and the Postal Monopoly 3, 11-13, 18, 86 (2008). As explained in the next section, however, the PAEA's distinction between market-dominant and competitive products is not a proxy for the Task Force's new, social-policy-based "essential" and "commercial" categories. In any event, the Commission rejected the Postal Service's proposed limitation of the USO's scope: a fact that underscores the Postal Service's inability to redefine the USO on its own.

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standards about the service that the Postal Service must provide, rather than quantitative requirements, and so the Postal Service generally has discretion in balancing customer needs with financial considerations in deciding how to provide service to the American public. *See* 39 U.S.C. §§ 403(a)-(b), 3691(b)-(c). Certain Task Force recommendations (such as those focused on delivery mode and service standards) reinforce the current discretion of the Postal Service in these respects and implicate the Postal Service's administrative authority to make such decisions. Again, however, Congress reserved to itself the power to redefine the USO's scope. Doing so therefore is beyond the Postal Service's authority to interpret the current USO terms. As such, only Congress can give effect to the Task Force's recommendation that the USO's scope be redefined according to whether postal services are "essential" or "commercial."

B. Scope of Product Regulation

With respect to price regulation, the current statute differentiates between market-dominant and competitive products. The current dividing lines are based on three criteria:

1) If a product is subject to the Private Express Statutes, 18 U.S.C. §§ 1693-1699; 39 U.S.C. § 601, then it must be classified as market-dominant. 39 U.S.C. § 3642(b) (2). The Private Express Statutes set forth the parameters of the so-called "letter monopoly"; subject to various exceptions, they generally prohibit the private carriage of written materials weighing less than 12.5 ounces or costing less than six times the rate of a one-ounce single-piece First-Class Mail letter (i.e., the price of a regular postage stamp). Because most First-Class Mail and Marketing Mail volume is subject to the Private Express Statutes, this volume cannot be reclassified as competitive.[5]

2) If a product is subject to statutory "preferred-rate" mandates, then it must be regulated as market-dominant. 39 U.S.C. §§ 3626(a)(1) & (g)(4)(B). The preferred-rate statute covers nonprofit Marketing Mail, Library Mail, and various types of Periodicals.

3) Finally, a product must be classified as market-dominant if the Postal Service exercises market power in the relevant product market, as defined by the Commission using antitrust standards. 39 U.S.C. § 3641(b)(1).

If any of those three criteria applies to the product, it must be classified as market-dominant under current law; if none apply, it is eligible to be classified as competitive. None of the current classification criteria directly correspond to considerations of whether or not a given service is "essential" as a matter of social policy.

Within this framework, the Postal Service and the Commission could move only incrementally in the direction of effectuating the "essential"-"commercial" distinction. In particular, to the extent that certain "commercial" market-dominant services could be transferred to the non-price-capped competitive-product category, opportunities for such transfers are few. Only a small portion of market-dominant volume clearly falls outside of the first (letter-monopoly) and second (preferred-rate) criteria outlined above: single-piece First-Class Mail flats in the 12- to 13-ounce range, the Keys and Identification Devices price category of First-Class Mail,[6] Marketing Mail delivered on a

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[5] Under current law, the scope of the letter monopoly cannot be administratively narrowed to facilitate a greater range of reclassifications. Congress declined to delegate to the Commission the power to redefine the letter monopoly as well as the USO. *See* S. REP. NO. 108-318 at 39, 54 (characterizing 39 U.S.C. § 601(c) as delegating to the Commission only the power to administer the monopoly's exceptions, and explaining Congress's intent as reserving to itself the power to redefine the monopoly's scope).

[6] In 2016, the Commission rejected, without prejudice, a proposed transfer of Keys and Identification Devices to the competitive product list, based on a lack of evidence in that proceeding as to the existence of competing providers. Order No. 2686, Order Denying Transfer of First-Class Mail Parcels to the Competitive Product Category, PRC Docket No. MC2015-7 (Aug. 26, 2015), at 23-24. (The Postal Service successfully sought judicial review of that Commission decision with respect to

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saturation basis with simplified addressing, Alaska Bypass Service, and certain Bound Printed Matter Flats and Parcels. To re-categorize any of those items that might be deemed "commercial, the Postal Service would have to convince the Commission that the Postal Service lacks market power, on the basis of a fact-intensive inquiry that would depend heavily on how the Commission defines the relevant market.[7] While the Postal Service may be in a position to make such a showing for at least some of these types of mail, the point remains that such reclassifications would, at best, affect a relatively small portion of mail volume and fall far short of the coherent and comprehensive restructuring that the Task Force envisions.

Even without transferring market-dominant products to the competitive-product category, the Commission could theoretically establish a two-tier regulatory system within the market-dominant category through the Ten-Year Review.[8] The Commission would first have to decide that it has the power to change the legacy mail classes, to which at least the initial market-dominant rate-regulation system must apply. 39 U.S.C. § 3622(d)(2)(A). The Postal Service believes that the Commission has the power to do so and raised this question in the Ten-Year Review, but the Commission has not yet resolved it. Then, and more fundamentally, the Commission would have to establish a non-arbitrary basis for an "essential"-"commercial" distinction and for the regulatory treatment of each category, all of which would have to be consistent with the existing statutory objectives and factors governing rate regulation. However, none of those statutory objectives and factors set forth or clearly support an "essential"-"commercial" distinction for purposes of market-dominant product regulation. *Id.* § 3622(b)-(c).[9] Because of the delay, uncertainty, and likelihood of legal challenge involved if the Commission took this approach, it would be more effective for Congress to specify the terms of any new division of the product-regulation system consistent with any decisions it makes regarding changes to the USO.

With respect to products currently classified as competitive, the Commission has consistently and appropriately recognized that the market for the Postal Service's parcel products is competitive for purposes of 39 U.S.C. § 3642(b)(1). As such, these products are removed from the regulatory framework for market-dominant products, including the current price cap. *Cf. id.* § 3622(d). For that reason, the existing statutory parameters for competitive products do not allow the Commission to impose a price cap, or to distinguish its mode of regulation in any other way, based on a judgment of whether a service is "essential." *See* 39 U.S.C. § 3633. And, as explained earlier in this section, the statutory standards for moving a competitive product under the market-dominant price cap depend on an analysis of market power, not on social policy.

For all of these reasons, the current legal powers of the Postal Service and the Commission are too limited to allow for comprehensive, effective implementation of Recommendation 1.

First-Class Mail Parcels, but not with respect to Keys and Identification Devices. *See U.S. Postal Serv. v. Postal Regulatory Comm'n*, 842 F.3d 1271, 1272 (D.C. Cir. 2016) (per curiam).)

[7] For example, amid intense controversy, the Commission declined to consider electronic substitutes as part of market-power analyses. Order No. 2306, Order Denying Request, PRC Docket Nos. MC2013-57 & CP2013-75 (Dec. 23, 2014), *aff'd*, *U.S. Postal Serv. v. Postal Regulatory Comm'n*, 816 F.3d 883, 886 (D.C. Cir. 2016). This calls into question the ability to re-categorize any product outside of the parcel- and express-delivery markets traditionally viewed as competitive.

[8] The Ten-Year Review refers to the Commission's ongoing proceeding to review and modify or replace the initial system for regulating market-dominant rates and classes, in accordance with 39 U.S.C. § 3622(d)(3) (Docket No. RM2017-3).

[9] The Postal Service has proposed a substantially streamlined regulatory model for all market-dominant products generally, which would be consistent with the current objectives and factors. *See generally* Comments of the United States Postal Service, PRC Docket No. RM2017-3 (Mar. 20, 2017). But those arguments concern statutory provisions and circumstances pertinent to all market-dominant products; they do not bear on the creation of a new regulatory distinction between "essential" and "commercial" services. It is open to question whether the distinction proposed by the Task Force can be reconciled with the existing statutory criteria.

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Recommendation 2

Geographic Scope. **Keep current practice, which designates that the USO includes all addresses in the country covering "the United States, its territories and possessions," irrespective of population density. (Administrative)**

With Recommendation 2, the Task Force proposes to maintain the USO's current geographic scope – all addresses, regardless of population density – for "essential" services. Presumably, the Postal Service would attain new flexibility as to the provision of "commercial" services in different areas.

Although the Task Force designates this recommendation as "Administrative," only Congress can change the scope of the USO, as described in connection with Recommendation 1 above.

In addition, at page 42, the Task Force report argues that the prices for "essential" services "should be standard, regardless from where the products are sent or delivered – similar to the current flat postage rate for First-Class Mail." Such a requirement would be more restrictive, on balance, than under current law. At present, uniform-rate requirements apply only to First-Class Mail, Media Mail, and Library Mail, not to all market-dominant services, and certainly not to all services that the Task Force appears to consider "essential." 39 U.S.C. §§ 404(c), 3683(a). Moreover, the uniform-rate requirement means different things for different products. Media Mail and Library Mail rates are expressly prohibited from varying with distance, while First-Class Mail is not necessarily subject to a similar prohibition on distance-variable pricing. This contrast in statutory text has historically been interpreted to mean that First-Class Mail prices could theoretically vary with distance (e.g., pricing "local" and "non-local" mail differently), so long as the same price schedule is available in every location. *See, e.g.*, 116 CONG. REC. 27,606 (1970) (remarks of Rep. Udall); Tentative Decision Concerning Proposals for Local and Nationwide Subclasses within First-Class Mail, PRC Docket No. MC76-1, at 3-9 (July 15, 1977); USO Report at 30 n.10, 77-78, 117-18. While a "flat postage rate for First-Class Mail" may be a longstanding public expectation for which there are also significant operational and business justifications, it has arguably not been codified into a statutory requirement. To the extent that, under the Task Force's recommendation, Congress would affirmatively prohibit distance-variable pricing for First-Class Mail and, more critically, extend that prohibition to "essential services" beyond First-Class Mail, that restriction would sweep more broadly than current requirements.

Recommendation 3

Number and Density of Post Offices and Collection Boxes. **Establish a rule that specifies that access to the postal system must only be sufficient to implement defined USO standards for delivery. (Administrative)**

The Task Force identifies certain qualitative statutory parameters as responsible for the current breadth of the delivery and collection network. It recommends the enactment of a rule to specify quantitative standards for network access, and it designates such action as "Administrative."

As noted in connection with Recommendation 1 above, Congress expressly reserved to itself, not the Commission or the Postal Service, the power to redefine the USO. To be sure, the Postal Service has discretion under statutory USO parameters to determine the appropriate retail and collection network, and over the past decade has pursued a number of initiatives to right-size its network. But a redefinition of the parameters themselves would require Congressional action. Congress also might need to amend other governing statutory standards, such as to allow Post Offices to be closed for operating at a deficit. *See* 39 U.S.C. § 101(b).

It should be noted that the Task Force does not discuss the "essential"-"commercial" distinction in connection with this USO recommendation; it is thus unclear whether and how such a distinction, if

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enacted, might translate into different degrees of latitude with respect to access to various postal services.

Recommendation 4

Delivery Frequency. **Provide greater flexibility to determine mail and package delivery frequency. (Legislative)**

The Task Force recommends, as a "Legislative" action, that Congress stop including a rider in appropriations bills that mandates a certain level of six-day delivery. We agree that Congress would need to take that step in order for this recommendation to be implemented. To the extent that the Task Force's vision of how the Postal Service would exercise its resulting flexibility turns on a distinction between "essential" and "commercial" services, see Recommendation 1 above.

Recommendation 5

Mode of Delivery. **Maintain current discretion to determine mode of delivery consistent with a financially sustainable business model. (Administrative)**

The Task Force recommends, as an "Administrative" action, the maintenance of the Postal Service's current discretion to determine the mode of delivery (that is, to a mailbox at a recipient's door, a curbside mailbox, or a centralized cluster box). The recommendation is generally correct, in that this discretion currently rests with the Postal Service. As a further "Administrative" action, the Commission would need to avoid creating political roadblocks in any advisory opinion, which the Postal Service is required to seek under current law for sufficiently large-scale, programmatic changes in service. *See* 39 U.S.C. § 3661(b)-(c).

In addition, legislative action would likely be advisable to enable the Postal Service to effectively implement any large-scale change in mode of delivery. For one thing, it would be useful for Congress to endorse the use of Postal Service discretion in this regard to avoid any explicit or implicit Congressional interference with Postal Service efforts. For another, a number of considerations have given the Postal Service pause in converting existing addresses to centralized delivery, such as the likelihood of customer and political backlash;[10] the uncertain effect on the perceived value of mail and, correspondingly, on mail volume (and hence revenue); and the fact that, over the past several years, Congress has considered several bills on centralized delivery without settling on a consistent message. *See* Reply Comments of the United States Postal Service, PRC Docket No. R2013-11 (Dec. 6, 2013), at 103-105. And, as noted in a recent submission to the Government Accountability Office,[11] there are a number of significant legal issues that would arise from any widespread move toward centralized delivery, independent of whether the USO standards permit it. Thus, even though this recommendation is technically within the Postal Service's existing legal authority from the standpoint of the USO, it would be very challenging to implement, as a practical matter, absent legislation expressly endorsing a shift toward more efficient modes like centralized delivery, even if such legislation might add some procedural constraints.

Like Recommendation 3, this recommendation is not framed in terms of the Task Force's "essential"-"commercial" service distinction, so it is unclear whether this recommendation applies to all products and services or only a subset of them.

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[10] In 2015, public opposition, combined with a change in government leadership, led Canada Post Corporation to halt an initiative to convert all delivery points to cluster boxes. *See* Tania Kohut, *A Timeline of Canada Post's Contentious Community Mailboxes*, GLOBAL NEWS, Oct. 26, 2015, https://globalnews.ca/news/2300376/a-timeline-of-canada-posts-contentious-community-mailboxes.

[11] The Postal Service provided this submission to the Task Force on May 22, 2018.

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Recommendation 6

Processing Standards. **Keep current practices, which allow the USPS to manage processing standards. (Administrative)**

Like Recommendation 2, this essentially recommends maintenance of the status quo in terms of the Postal Service's authority to set service standards and manage its processing network.[12] The Postal Service has broad discretion in this area, subject to certain requirements. *See* 39 U.S.C. §§ 101(d) & (g), 403(b)(1) & (3), 3652, 3653(b)(2), 3691; Pub. L. No. 109-435, § 302(c)(3)(D) & (c)(5), 120 Stat. 3198, 3220-3221 (2006). This recommendation is "Administrative" or "Legislative" to the extent that it calls upon the Commission or Congress, respectively, to avoid interfering with Postal Service decisions. To the extent that the recommendation envisions an expansion of that discretion, legislative change would be necessary.

We note that Recommendation 22 appears to suggest giving the Commission new power to overrule the Postal Service's establishment of service standards. It is not clear how this is intended to interact with Recommendation 6.

Recommendation 7

USO Funding. **Review and determine if income generated by activities defined to be outside of the USO could be optimized to cover the costs of funding the USO. (Administrative)**

The Task Force recommends the maximization of revenue from activities defined to be outside of the USO, in order to support activities within the USO, and designates this recommendation as "Administrative."

The Task Force's recommendation appears to be tied not to the existing legal framework, however, but to the Task Force's vision of a redefined USO that applies only to "essential" services. The predicate step of restructuring the USO and the product-regulation system would require Congressional action, as discussed in connection with Recommendation 1 above. So, too, would any expansion of the Postal Service's revenue-generating activities, as discussed in connection with Recommendation 19 below. Therefore, this action should be designated as "Legislative" in the first instance.

If Congress allowed for such restructuring per Recommendation 1, only then would implementation of Recommendation 7 hinge on "Administrative" action. At that point, the Commission could structure the regulatory system for "commercial" services to maximize the Postal Service's ability to generate revenue, and the Postal Service would be responsible for making full use of that authority (and for controlling "commercial" services' costs to improve contribution).

Recommendation 8

Mail and Package Markets
Business Model. **Develop a new model that can be used to both set rates and control costs to achieve sustainability. (Administrative)**

The discussion in this portion of the Task Force report (pp. 50-51) is unclear, but the Task Force appears to recommend that, until a reclassification along "essential"-"commercial" lines can be

[12] We understand "processing standards" to refer to the service standards that determine many aspects of the mail processing network.

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conducted (see Recommendation 1), the Commission should do what it can through the Ten-Year Review to allow net-income maximization for "commercial" market-dominant services.

The Postal Service agrees that this can be achieved with "Administrative" action, insofar as the Commission should use its regulatory powers to facilitate revenue maximization from market-dominant products, consistent with objectives of the statute. In the Ten-Year Review, the Postal Service has argued that the Commission can and should, within its existing authority, abolish the price cap in favor of after-the-fact regulatory monitoring. *See generally* Comments of the United States Postal Service, PRC Docket No. RM2017-3 (Mar. 20, 2017). As noted in footnote 7 above, however, the rationale for doing so applies across all market-dominant products, not just "commercial" ones.

To the extent that this recommendation urges the Commission to create an "essential"-"commercial" distinction through the Ten-Year Review, it would be more effective to do so through legislative action, as discussed in connection with Recommendation 1 above.

The Task Force does not explain the "control costs" language in the recommendation. To the extent that this can be interpreted as urging the Postal Service and/or Commission to do more to control costs, see Recommendations 21 and 22 below.

Recommendation 9

Business Model. **Require price increases, reduce service costs, or exit the business for any mail products that are not deemed an essential service and do not cover their direct costs. (Administrative)**

The Task Force recommends, as an "Administrative" action, price increases, cost reductions, or termination for "non-essential" (i.e., "commercial") services that do not cover their "direct" costs. To the extent that this would be effectuated by redefining the USO, see Recommendation 1, or by abolishing the price cap on "non-essential" services, see Recommendations 1 and 8. As the Postal Service has argued in the Ten-Year Review and elsewhere, a price-cap system provides little incentive to devote limited pricing authority to "underwater" products with rapidly declining volume, as the resulting price increases will not yield as much overall net income as would increases to other, more stable products. Without a price cap, there may be ways to address the situation that do not sacrifice overall remuneration.

The Task Force also recommends that the Postal Service be required to price "non-essential services" at a "market rate" (p. 51). It is not clear what this means, but the Postal Service already sets prices, to the extent possible under current statutory criteria, according to our evaluation of what the market will bear. Where those statutory criteria, such as the current price cap or the statutory objectives and factors, impede the Postal Service's ability to price market-dominant products to the market, reform of these criteria would require Congressional action. To the extent that this aspect of the recommendation seeks prices that are artificially pegged to competitors' prices, rather than reflecting the cost and demand factors for the postal products, see Recommendation 14 below.

Recommendation 10

Product Classes. **Redefine mail classes by creating products defined by the type of sender and the declared purpose of the mail item. (Administrative)**

This recommendation appears to seek the same result as Recommendation 1. As discussed above, a broad redefinition of mail classifications along "essential" and "commercial" lines would most effectively be accomplished by Congress, rather than by any "Administrative" entity. Within the context of existing mail-classification categories, however, it should again be noted that the Postal

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Service has asked the Commission, as part of the 10-Year Review, to confirm that the current statute allows for a redefinition of market-dominant product classes.

Recommendation 11

Product Classes. **Change USPS systems in order to track the purposes and uses of mail, to allow for better cost allocation, targeted pricing, and more business intelligence. (Administrative)**

This recommendation is properly designated as "Administrative" and directed to the Postal Service. That said, we would welcome a chance to discuss the intent behind this recommendation, and your ideas concerning how we might better leverage our Household Diary Surveys.

Recommendation 12

Strategic Options. **Evaluate areas of USPS operations where the USPS could expand third party relationships in order to provide services in a more cost efficient manner (e.g., mid-stream logistics and processing). (Administrative)**

The Postal Service has the authority to evaluate opportunities to partner with third-party vendors or to offer new work-sharing incentives. Any new or modified workshare discounts would require Commission approval, and so this recommendation is properly designated as "Administrative" in that regard.

Similarly, the Postal Service has the authority to pursue outsourcing opportunities under certain circumstances, but outsourcing is a mandatory subject of bargaining under the National Labor Relations Act (NLRA), to which the Postal Service is subject. 39 U.S.C. § 1209; *see U.S. Postal Serv. v. Am. Postal Workers Union, AFL-CIO*, NLRB No. 5-CA-140963, at 19-23, 2016 WL 6610695 (Nov. 8, 2016) (admin. law judge decision) (shifting of work from bargaining unit to workers outside of the bargaining unit is a mandatory subject of bargaining), *adopted by Board*, 2017 WL 1279607 (Jan. 4, 2017). Under a longstanding provision of its collective bargaining agreements, the Postal Service is required to "give due consideration to public interest, cost, efficiency, availability of equipment, and qualification of employees when evaluating the need to subcontract." *E.g.*, 2015-2018 Agreement between the United States Postal Service and the American Postal Workers Union, AFL-CIO, art. 32(1)(A) (2016). The Postal Service must also provide affected labor unions with advance notification of, and an opportunity to comment on and discuss, any planned outsourcing that will have "a significant impact on bargaining unit work." *Id.* art. 32(1)(B). A labor organization may challenge the Postal Service's decision to subcontract through binding arbitration if it believes that the appropriate Article 32 procedures were not followed. 39 U.S.C. § 1207. The Postal Service's ability to reduce labor costs through outsourcing may also be impacted by clauses in its collective bargaining agreements that protect particular categories of employees from layoffs. *E.g.*, *id.* art. 6.

While the Postal Service could attempt to negotiate different subcontracting provisions, the practical ability to achieve such changes is limited by the statutory backdrop of binding interest arbitration. As discussed further in connection with Recommendation 17 below, the interest arbitration process is structured to favor the status quo. To the extent that the current collective-bargaining and interest arbitration requirements impede the achievement of this recommendation, legislative change would be necessary to alter those requirements.

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Recommendation 13

Strategic Options. **As a means of generating more income, the mailbox monopoly could be monetized. (Administrative)**

The mailbox monopoly statute, 18 U.S.C. § 1725, requires payment of postage on all mailable items placed in mailboxes. In theory, the Postal Service could establish special "postage" classifications and rates for items delivered by qualifying third-party delivery providers into mailboxes. The Commission would have to approve these classifications and rates. Therefore, the Task Force correctly recognized that, as a general matter, this recommendation could be implemented by "Administrative" action.

Such a move would bring other legal and policy complications, however. To begin with, it would affect other public benefits that the mailbox monopoly provides, particularly the secure, efficient provision of universal service. The mailbox monopoly does not merely protect revenue to support the Postal Service's ability to effectively achieve its USO. By channeling mailbox deliveries to a single universal service provider, it promotes efficient mail delivery: there is room in mailboxes for letter carriers to deliver, and carriers do not need to spend time at each mailbox distinguishing collection mailpieces from alternative-delivery mailpieces. The mailbox monopoly also protects mail security, by giving recipients a stable expectation as to who can legitimately access a mailbox and who might warrant suspicion. That assurance of security, in turn, provides value to the "brand" of the mail. Opening mailbox access, even via franchising, should involve consideration of the impact on these current public benefits, as well as delivery costs and revenue.

Recommendation 14

Strategic Options. **Price competitive products in a manner that maximizes revenues and generates income that can be used to fund capital expenditures and long-term liabilities. (Administrative)**

As an initial note, Recommendations 14, 15, and 16 focus on competitive products, as currently defined, without reference to "essential" or "commercial" services. It is not clear how these recommendations interact with the Task Force's vision of an "essential"-"commercial" distinction (e.g., in Recommendation 1) or with its reliance on that proposed distinction in other recommendations.

Recommendation 14 urges competitive products to be priced to maximize revenue with which to support the USO. To the extent that this recommendation generally urges revenue maximization as the goal of pricing, the Postal Service agrees that this is appropriately designated as "Administrative," subject to existing legal and regulatory constraints. Indeed, maximizing revenue and contribution to institutional costs is consistent with the Postal Service's existing approach to competitive-product pricing. As the Commission recently noted, the Postal Service has strong incentives to maximize contribution from competitive products given the decline in market-dominant volume, and the evidence (in the form of the price increases imposed by the Postal Service since the PAEA and the large increase in competitive product contribution) demonstrates that the Postal Service has been doing so. Order No. 4963, Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, PRC Docket No. RM2017-1 (Jan. 3, 2019), at 60-62. The Task Force also acknowledges elsewhere that the Postal Service has aggressively grown competitive-product revenue and contribution since the PAEA. The Postal Service has done so consistent with the PAEA's aim, discussed further below, of allowing the Postal Service to compete more effectively in the competitive marketplace and to seek retained earnings.

To the extent that the Task Force suggests that competitive products can and should be priced substantially higher to generate more revenue, this does not appear to account for the fact that, by statutory definition, the Postal Service cannot raise competitive product prices substantially above

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costs, or raise them significantly at all, without risking the loss of significant business. 39 U.S.C. § 3642(b)(1). Indeed, the Task Force recognizes that "there are limits to how much consumers are willing to pay for delivery" and that "e-commerce consumers remain highly sensitive to delivery costs" (p. 50)), which suggests that these products are competitive and that, accordingly, the Postal Service cannot price them substantially higher without harming its ability to compete effectively in the marketplace. Because of the inconsistencies in the Task Force recommendation in this regard, the Postal Service would welcome the opportunity to discuss it further.

Alternatively, the Task Force recommends that the Postal Service consider, in its pricing decisions, "the potential market distortions that could drive industry participants out of the market" (p. 54). As a factual matter, it should be noted that, of the three major package and express delivery providers, the Postal Service holds the smallest share of the overall market when measured by revenue. The Postal Service's two major competitors are in robust financial health and have made no indication of a fear of being driven from the package-delivery market. As such, it is unclear how the Postal Service's current pricing practices represent any serious threat to these competitors.

As a legal matter, this consideration is not properly aimed at the Postal Service, whose pricing decisions are designed to maximize revenue to support the USO and its other statutory obligations, rather than to preserve its competitors' market position. Guarding against predatory pricing is an object of regulation by the Commission, the Federal Trade Commission, and the Department of Justice's Antitrust Division, not of any individual market participant. Yet even those agencies' role is to protect "competition, not competitors." *Brown Shoe Co. v. United States*, 370 U.S. 294, 320 (1962); *see Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 458 (1993) ("The purpose of the [Sherman] Act is not to protect businesses from the working of the market; it is to protect the public from the failure of the market."); *Direct Marketing Ass'n v. U.S. Postal Serv.*, 778 F.2d 96, 105-106 (2d Cir. 1985) (approving the application of antitrust principles and the *Brown Shoe dictum* in the context of postal regulation); *see also Newspaper Ass'n of Am. v. Postal Regulatory Comm'n*, 734 F.3d 1208, 1214-15 (D.C. Cir. 2013) (same).

Moreover, a difference in price levels between competitors is not the legal or economic test for an unfair market distortion. It is well-established that, so long as a competitive product covers its marginal and incremental costs, it is not unfairly distortionary, regardless of how it compares with competitors' prices.

> [I]n the context of pricing practices, only predatory pricing has the requisite anticompetitive effect. *See* [Phillip] Areeda & [Donald F.] Turner, *Predatory Pricing and Related Practices Under Section 2 of the Sherman Act*, 88 HARV. L. REV. 697, 697-99 (1975); [John S.] McGee, *Predatory Pricing Revisited*, 23 J. LAW & ECON. 289, 292-94 (1980). Low prices benefit consumers regardless of how those prices are set, and so long as they are above predatory levels, they do not threaten competition. . . . In *Cargill, Inc. v. Monfort of Colorado, Inc.*, . . . [w]e observed that nonpredatory price competition for increased market share, as reflected by prices that are below "market price" or even below the costs of a firm's rivals, "is not activity forbidden by the antitrust laws." 479 U.S. [104,] 116 [(1986)].

Atl. Richfield Co. v. USA Petroleum Co., 495 U.S. 328, 339-40 (1990) (footnote omitted). Barring predatory below-cost pricing behavior, "[i]t is in the interest of competition to permit dominant firms" – let alone a non-dominant firm, such as the Postal Service in the package-delivery market – "to engage in vigorous competition, including price competition." *Id.* (quoting *Cargill*, 479 U.S. at 116). The same principle of relying on cost coverage, rather than price comparison, applies to testing competitive product pricing for unfairness under the PAEA. 39 U.S.C. § 3633; Dep't of the Treasury, Accounting Principles and Practices for Operation of the United States Postal Service's Competitive Products Fund 4-5, 7 (2007) [hereinafter "Treasury Report"].

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Even if a simple price comparison were relevant, any analysis would need to consider whether nominal disparities in price might reflect differences in demand. For instance, customers' willingness to pay may vary across different package-delivery providers' offerings, based on actual or perceived differences in those products' features and quality.

To the extent that this recommendation implies that the Postal Service should attempt to match competitors' prices, not for reasons of rational business self-interest or legal compliance, but to protect competitors of the Postal Service, that sort of artificial price increase would itself distort the market and harm the interests of consumers. As noted above, it is these interests, not those of competitors that are the focus of competition regulation. As such, pricing artificially to protect postal competitors could itself draw antitrust scrutiny.

It is unclear how the Postal Service could practically resolve the internal tension between protecting competitors and maximizing revenue to fund the USO, if artificially raising prices has the effect of driving away volume and reducing cash flow and overall revenue and contribution. It would also force all customers in the market to pay more, both through higher Postal Service prices and through competitors' abandonment of the pricing restraint that comes from having to compete on price with the Postal Service. Such a strategy would mark a departure from the PAEA's aims of open, fair competition and of treating the Postal Service as a self-interested business actor on par with its private-sector peers. In the end, it would only serve to benefit certain Postal Service competitors, at the expense not only of the Postal Service, but also of consumers and the market as a whole.

Recommendation 15

Costing Options. **Develop a new cost allocation model to establish full price transparency and fully distribute costs. (Administrative)**

Recommendation 15 seeks the adoption of (a) "full price transparency" and (b) fully-distributed costing. Both prongs of this recommendation are inconsistent with the current statutory framework, and for that reason to adopt these changes as a matter of law would require legislative change. During our meeting yesterday your team suggested that, at least with regard to the costing recommendation, your concerns were focused on our internal cost accounting as a tool to better inform our pricing decisions. To the extent the costing recommendation is limited to the administrative practices of the Postal Service, we would agree that it is within our control, though there would still be a tension between such a practice and Congressional intent.

A. "Full Price Transparency"

It is not entirely clear what is meant by "full price transparency," although the discussion at pages 54-55 suggests a belief that negotiated service agreement (NSA) pricing, which is not publicly disclosed, somehow distorts markets. To the extent that this lack of public disclosure of customers' negotiated pricing is the issue, it should be noted, as an initial matter, that no other delivery provider publicly discloses prices that it negotiates with customers. Thus, requiring the Postal Service but not its competitors to publish negotiated pricing would distort the market and deter customers from dealing with the Postal Service, despite the prospect of lower or more efficient pricing that would benefit the overall market. Yet Congress intended the Postal Service to compete on a level playing field, not that it compete with a handicap. *See* H.R. REP. NO. 109-66, pt. 1 at 44; S. REP. NO. 108-318 at 14.

The governing statute reflects Congressional intent with respect to this business reality. Although the Postal Service is generally subject to the Freedom of Information Act, *see* 39 U.S.C. § 410(b)(1), it is not required to disclose "information of a commercial nature, including trade secrets, whether or not obtained from a person outside the Postal Service, which under good business practice would not be publicly disclosed." 39 U.S.C. § 410(c)(2). Courts have recognized that negotiated price information warrants this protection, as it would not be disclosed as a matter of good business practice. *See generally Wickwire Gavin v. U.S. Postal Serv.*, 356 F.3d 588 (4th Cir. 2004).

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With respect to the confidential treatment of NSAs filed at the Commission, the relevant statute requires the Commission's confidentiality rules to account for the interest in protecting commercial information that would be withheld in good business practice. 39 U.S.C. § 504(g); *see also* H.R. REP. NO. 109-66, pt. 1 at 61; S. REP. NO. 108-318, at 20, 47-48. The Commission's rules ensure that other interested parties can fully and fairly engage in regulatory proceedings, without unilaterally disadvantaging the Postal Service's commercial interests. *See* 39 C.F.R. pt. 3007, app. A (allowing access to non-public filings by any person, such as an attorney or consultant, except for a person involved in competitive decision-making for an entity that would gain competitive advantage from the materials). This confidentiality standard enables effective regulation while maintaining a level informational playing field. In that regard, full transparency would appear to work against the recommendation of the Task Force that the Postal Service maximize revenue through its competitive pricing strategy.

Mandatory disclosure of NSA pricing would be a significant departure from Congress's longstanding vision of the Postal Service operating as a business on a level playing field. The current statute places it beyond the discretion of any "Administrative" actor.

B. Fully-Distributed Costing

At pages 54-55, the Task Force report frames fully-distributed costing as a solution for competitors' complaints about supposed unfair cross-subsidization.

To the extent this recommendation is focused on the costing standards as set forth in postal law, this recommendation would concern how costs are to be measured for purposes of the cost-based price floors for competitive products. 39 U.S.C. § 3633(a)(1)-(3). One approach (economic costing) would attribute those costs that are demonstrably caused by a given product, and to allow the remaining costs to be recovered through demand-based pricing. The alternative approach (fully-distributed or fully-allocated costing) would attempt to attribute or assign all costs to products. Where costs are shared across multiple products and product-specific causation cannot be determined, fully-distributed costing would employ assumptions, proxies, and inferences to allocate those costs.

Economists, regulators, policymakers, and businesses have, for decades, rejected fully-distributed costing as inherently arbitrary and an invalid basis for pricing and regulatory decisions. *E.g.*, Order No. 4963 at 32 (noting that fully-distributed costing "has long been rejected by the Commission, economists, and the courts."); *United States v. AMR Corp.*, 335 F.3d 1109, 1117 (10th Cir. 2003) ("[B]ecause [certain proposed predatory-pricing tests] rely on 'arbitrary allocation of costs among different classes of service,' they 'cannot purport to identify those costs which are caused by a product or service, and this is fundamental to economic cost determination.'") (quoting *MCI Communs. Corp. v. AT&T*, 708 F.2d 1081, 1116 (7th Cir. 1982)); Salvatore Massa et al., *Pricing Network Elements Under the Telecommunications Act of 1996: Back to the Future*, 23 HASTINGS COMM. & ENT. L.J. 751, 769 & n.97 (2001) (recounting that "[m]any economists have criticized pricing schemes that simply allocate shared, joint and common costs as arbitrary and unlikely to lead to economically efficient prices," and providing numerous scholarly citations); WILLIAM J. BAUMOL & J. GREGORY SIDAK, TOWARD COMPETITION IN LOCAL TELEPHONY 56 (1994) (describing fully-allocated costing as a "traditional" but "admittedly arbitrary rule of thumb" that "is now generally discredited and is increasingly being abandoned in regulatory practice"); Towards Postal Excellence: The Report of the President's Commission on Postal Organization 31 (1968) ("Pricing practices of many corporations (including utilities) have moved away from reliance on such rigid accounting allocations and now take service and market considerations as well as cost into account."), *available at* https://go.usa.gov/xQMHm [hereinafter "Kappel Commission Report"].[13]

[13] We would be pleased to provide further background about fully-distributed costing upon request.

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In postal regulation, Congress explicitly chose to require the use of causation-based, economic costing over fully-distributed costing. When the modern Postal Service was founded in 1970, the blue-ribbon Kappel Commission and Congress welcomed the Postal Service's shift from fully-distributed costing to economic costing, and they rebuffed private delivery companies' calls to maintain fully-distributed costing as a tool to force Postal Service prices higher.

> Express companies in the private sector of the economy have expressed their very keen desire to include language in the bill which would require the recovery of fully allocated costs for parcel post [the forerunner of today's competitive products]. The committee rejects the suggestion on the principle that no particular cost accounting system is recommended and no particular classification of mail is required to recover a designated portion of its cost beyond its incremental cost. That decision is for the Postal Rate Commission to determine, in accordance with the general criteria enacted by law. That [sic] criteria for ratemaking include seven specific requirements, among them, the effect of rate increases upon "enterprises in the private sector of the economy engaged in the delivery of mail other than letters." To go beyond that point would simply be to recommend provisions of law protecting a particular economic interest or limiting the availability of a Federal parcel delivery service.

S. REP. NO. 91-912, at 17 (1970); *see also Hearings on Postal Rates and Revenue and Cost Analysis Before the Subcomm. on Postal Rates of the House Comm. on Post Office and Civil Serv.*, 91st Cong. at 1 (1970) (remarks of Rep. Olsen) (praising the Post Office Department's decision to abandon fully-allocated costing in favor of "supply[ing] postal figures based on demonstrably related costs"); Kappel Commission Report at 30-31, 133-35.[14]

Under the PRA, then, "each class of mail or each type of mail service" was required to "bear the direct and indirect postal costs attributable to that class or type plus that portion of all other costs of the Postal Service reasonably assignable to such class or type." 39 U.S.C. § 3622(b)(3) (2005).

Despite Congress's rejection of fully-distributed costing, certain mailing-industry advocates continued to urge the Postal Rate Commission to adopt it. After multiple proceedings on the issue, the Postal Rate Commission stayed with the economic and legislative consensus. It required individual products to cover their economically-determined attributable costs; the assignment of other costs would have to be based on statutory policy criteria and business judgment, rather than allocated according to some arbitrary algorithm. *Nat'l Ass'n of Greeting Card Publishers v. U.S. Postal Serv.*, 462 U.S. 810, 814-16 (1983) (recounting the relevant regulatory history). In affirming the Postal Rate Commission's approach as consistent with the statute and legislative history (including the Kappel Commission Report), the Supreme Court specifically rejected arguments that fully-distributed costing was necessary or intended as a safeguard against cross-subsidization. *Id.* at 829 n.24.

In the PAEA, Congress codified the Postal Rate Commission's "reliable causation" standard that the Court had upheld. 39 U.S.C. §§ 3622(c)(2), 3631(b); *see* S. REP. NO. 108-318, at 10 (2004) ("The [*NAGCP*] Court rejected a contention that it was appropriate to make classes responsible for the recovery of costs for which an extended inference of causation was claimed. It emphasized the

[14] It is notable that Congress and the Kappel Commission, in the run-up to the Postal Service's creation, expressly supported postal officials' move away from basing internal accounting and pricing decisions on fully-distributed costing. Thus, even if the statute's preclusion of fully-distributed costing were construed to apply only to regulatory matters, and not necessarily to the Postal Service's internal pricing decisions, a return to fully-distributed costing for internal decisions would also be inconsistent with the intent behind the current Congressional scheme. Moreover, because fully-distributed costing entails a choice among various distribution methods, any such choice by the Postal Service would almost certainly be subject to political (and perhaps legal) challenge as arbitrary by competitors and customers seeking a different result.

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need for reliable indicators of causality without specifying any specific method for identifying causality. . . . The Committee finds no reason for changing this standard.").[15]

Addressing the longtime argument over whether enough costs were being attributed, Congress declined to pass judgment and committed the question to the Commission's technical expertise:

> While considering this legislation the Committee heard testimony suggesting that currently accepted levels of cost attributions were both too low and too high, and that specific rules for cost attribution should be incorporated into law. The Committee has decided that the technical decision of what cost analysis methodologies are sufficiently reliable at any given time to form the basis for attribution should be left to the Postal Regulatory Commission, acting with benefit of counsel from all interested persons in open public proceedings.

S. REP. NO. 108-318, at 9; *see also* H.R. REP. NO. 109-66, pt. 1, at 49.

In a study of postal accounting practices commissioned under the PAEA, the Treasury Department likewise recommended the continuation of the Postal Rate Commission's economic approach to cost attribution. Treasury Report at 3-8.

More recently, the Commission has rejected calls to resurrect fully-distributed costing as incompatible with statutory criteria and economic theory. One of these cases involved an attempt to attribute more costs to products using a game-theory exercise, rather than a demonstration of causation. Order No. 3506, Order Concerning United Parcel Service, Inc.'s Proposed Changes to Postal Service Costing Methodologies (UPS Proposals One, Two, and Three), PRC Docket No. RM2016-2 (updated Oct. 19, 2016), at 3, 35, 51-55, 60-62. As the Task Force acknowledges at page 55, the Commission's application of the statutory cost-attribution standard in that case was upheld on appeal. *United Parcel Serv., Inc. v. Postal Regulatory Comm'n*, 890 F.3d 1053, 1066-69 (D.C. Cir. 2018), *reh'g denied*, No. 16-1354, 2018 U.S. App. LEXIS 20968 (D.C. Cir. July 27, 2018), *petition for cert. filed*, __ U.S.L.W. __ (U.S. Dec. 24, 2018) (No. 16-1354).

The second case involved proposals to use non-causal proxies – namely, competitive products' share of total attributable costs, total revenue, or space on delivery vehicles – to set the "appropriate share" of institutional costs that competitive products must cover.[16] The Commission rejected such proposals as, in effect, an attempt to fully distribute the Postal Service's costs, which would violate the statute's requirement of causation-based cost attribution. Order No. 4963 at 36-38, 113, 131-32, 146-47, 152; Order No. 4402, Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, PRC Docket No. RM2017-1 (Feb. 8, 2018), at 81-82.[17]

In establishing the statutory standards for postal costing, Congress set the goal as "a technically correct result, placing accuracy above achieving a particular outcome of higher or lower attribution." H.R. REP. NO. 109-66, pt. 1, at 49. The fact that a substantial portion of Postal Service costs may be institutional does not vitiate Congressional intent. *UPS*, 890 F.3d at 1063 (noting that Congress had

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[15] At one point, the PAEA's framers in the House had considered an "equal cost coverage" rule that would have required an arbitrary allocation of institutional costs, H.R. 22, § 201(a) (1999) (proposed 39 U.S.C. § 3744), but they abandoned it in the next iteration.

[16] "Institutional costs" refers to the residual category of costs that cannot be attributed to products. *See UPS*, 890 F.3d at 1061-63.

[17] Congress made market conditions an explicit factor in the "appropriate share" level, but not in cost attribution, which underscores the point that cost attribution must be driven by methodological rigor rather than by policy judgments. *UPS*, 890 F.3d at 1067. While market conditions are one factor in the "appropriate share" analysis, *see* 39 U.S.C. § 3633(b), the Commission must analyze those conditions in light of other statutory criteria, the context of the statute as a whole (including the distinct standards governing cost attribution), and its general duties of reasoned decision-making.

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codified the longstanding cost-attribution standard at a time when institutional costs "made up '40 percent of the Postal Service's costs'" (quoting S. REP. NO. 108-318 at 9)); *Newsweek, Inc. v. U.S. Postal Serv.*, 663 F.2d 1186, 1200 (2d Cir. 1981) ("There is nothing in the legislative history [of the PRA] to suggest that attribution of fifty percent of postal costs is inadequate."), *aff'd sub nom.*, *NAGCP*, 462 U.S. 810. The Commission's role "is to carry out the particulars of the scheme Congress created, not to engineer specific market outcomes." *UPS*, 890 F.3d at 1067. As the statutory text, legislative history, and case-law demonstrate, fully-distributed costing would be contrary to that statutory scheme. Therefore, it is not within the discretion of the Postal Service or the Commission to implement this recommendation.

That is not to say that the current approach to costing does not allow for changes in the economic attribution of costs as circumstances and data evolve. The Postal Service regularly files proceedings with the Commission to refine its costing methodologies pursuant to the statutory requirement of "reliably identified causal relationships." These proceedings result in differing and often greater levels of cost attribution, while resting on evidence instead of arbitrary assumptions or proxies. For example, in one recent case, the Postal Service proposed to update city carrier costs on the basis of routinely collected data, which showed an increase in packages' share of total delivery time; this change had the effect of attributing $198.5 million more costs to competitive products and $179.5 million less to market-dominant products. *See* Order No. 4259, Order on Analytical Principles Used in Periodic Reporting (Proposal Four), PRC Docket No. RM2017-8 (Dec. 1, 2017), at 5, 22 (discussing cost impact and approving change). As it has done for decades, the Postal Service will continue to explore ways in which cost attribution can be improved, consistent with the economically sound statutory standard.

Recommendation 16

***Costing Options.* Establish a separate balance sheet for packages to help prevent cross-subsidization between the mail and package business units. (Administrative)**

The Task Force recommends, as an "Administrative" action, the establishment of "a separate balance sheet for packages to help prevent cross-subsidization between the mail and package business units." It is not clear what is intended by this. Rate regulation is not based on the assets and liabilities reflected on a balance sheet. Rather, it turns on costs and revenues. As discussed in connection with Recommendations 14 and 15 above, it is well established that measuring prices against costs is the test for cross-subsidization. It is not clear how balance-sheet separation would serve that goal.

That said, the value of Postal Service assets and liabilities are already reflected in product costs and revenues used for rate regulation. Cash and cash-equivalent assets derive largely from product revenues. The value of property assets translates into depreciation expense. And compensation and benefits liabilities have their own annual-expense counterparts. All of these expenses are attributed to market-dominant and competitive products in accordance with the "reliable causation" standard of 39 U.S.C. §§ 3622(c)(2) and 3631(b), as discussed in connection with Recommendation 15 above.

On a practical level, it is also unclear what this recommendation intends beyond the balance-sheet separation that is already required by the PAEA. The Competitive Products Fund is required to have its own balance sheet, based on the assets and liabilities identified as relevant to competitive products, and separate from the Postal Service Fund. *Compare* 39 U.S.C. § 2003 *with id.* § 2011. The Postal Service must transmit the Competitive Products Fund's balance sheet, along with other financial reports, to the Treasury Department and the Commission each year. *Id.* § 2011(i)(1)-(2). The Postal Service's most recent report was filed on December 28, 2018. *See, e.g.*, Library Reference USPS-FY-39, FY 2018 Competitive Products Fund Reporting Materials, PRC Docket No. ACR2018. On the balance sheet, assets and liabilities are allocated to competitive products on the basis of various distribution keys, such as competitive products' share of total revenue or of certain

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attributable costs. *Id.*, Microsoft Excel file "FY18-CP04.xlsx." This allocation is permissible for the balance sheet, because it is not used for price-setting or rate regulation and therefore not subject to the "reliable causation" standard discussed in connection with Recommendation 15 above.

Without further clarification of whether or to what extent this recommendation seeks a change in the current practice, we are unable to evaluate the accuracy of its designation as "Administrative."

Recommendation 17

Operating Model
***Operations.* Align USPS employee rights with other federal employee rights by eliminating collective bargaining over compensation for USPS employees. (Legislative)**

The Postal Service agrees with the designation of this recommendation as "Legislative." Specifically, the Task Force recommends that postal employees be made subject to the General Schedule pay system for Federal employees and unable to bargain over compensation. As the Task Force recognizes, Congress would have to make the Postal Service subject to the Federal Service Labor-Management Relations Statute (FSLMRS), 5 U.S.C. §§ 7101-7135, rather than the National Labor Relations Act, 29 U.S.C. §§ 151-169. *See* 39 U.S.C. § 1209.

That step alone would not necessarily end bargaining over compensation, however. Congress would also have to make the General Schedule and related pay rules (or any successor statutes) specifically applicable to the Postal Service. Without that additional step to "specifically provide[ ] for [it] by Federal statute," compensation would qualify, by default, as a "condition of employment" subject to mandatory bargaining. *See* 5 U.S.C. § 7103(a)(14); *Fort Stewart Sch. v. Fed. Labor Relations Auth.*, 495 U.S. 641 (1990).[18]

In the meantime, the Task Force recommends that the Postal Service do what it can within its existing authority to align employee compensation more closely with general Federal compensation rules. The Postal Service has managed to negotiate collective bargaining agreements in recent years that reduced average hourly compensation, in contrast to the inexorable growth in private-sector compensation since FY2011. The Postal Service intends to continue its aggressive pursuit of cost-reduction flexibilities through labor negotiations, arbitration, and non-bargaining-unit policy changes.

With respect to the bargaining-unit employees that make up the overwhelming majority of the postal workforce, however, the existing legal framework limits the Postal Service's opportunity to accomplish the recommended change. As this recommendation recognizes, compensation is a mandatory subject of collective bargaining under the NLRA. Any impasse in bargaining must be resolved through a statutorily prescribed dispute-resolution process that usually ends in binding arbitration. 39 U.S.C. § 1207. Interest arbitrators tend to be more conservative in their approach and rarely, if ever, award wholesale changes to the compensation structure of bargaining unit employees. To the extent that the current collective-bargaining and interest arbitration requirements impede the achievement of this recommendation, legislative change would be necessary to alter those requirements.

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[18] Despite the general rule that agencies subject to the FSLMRS do not bargain over compensation, at least eight Federal agencies' employees do reportedly bargain over compensation as a result of specific statutory language or a judicial or administrative decision. *See* Cong. Research Serv., No. 7-5700, Collective Bargaining and the Federal Service Labor-Management Relations Statute: Selected Legal Issues 3 (2017), https://fas.org/sgp/crs/misc/R44794.pdf (identifying these agencies as the U.S. Office of Personnel Management, the Bonneville Power Administration, the Federal Aviation Administration, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the National Credit Union Administration, and, at least with respect to certain employees, the Department of Defense).

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Non-bargaining-unit employees of the Postal Service are subject to a pay system that is based on performance, not seniority, and that does not include step increases. In light of Recommendation 18 below, it is not clear whether the Task Force intends a change in that pay system. If so, then such a change is generally within the Postal Service's discretion. However, for the supervisors, managers, and postmasters that comprise a substantial portion of non-bargaining-unit employees, the Postal Service must by law involve the representative organizations for such employees in the planning and development of pay policies and schedules. 39 U.S.C. § 1004(b)-(h).

Recommendation 18

***Operations.* Pursue reforms to USPS employee wages consistent with those proposed for the broader federal workforce in the President's Management Agenda. (Legislative)**

The Task Force frames this recommendation alternately in terms of "wages" and "compensation." With respect to wages, the President's Management Agenda (Agenda) proposes a slowing of tenure-based step increases and the replacement of across-the-board raises with performance-based pay incentives. Off. of Mgmt. & Budget, President's Management Agenda 18-19 (2018), https://go.usa.gov/xEa9Z. In terms of non-wage compensation, the Agenda refers to proposed pension reforms in the President's Budget; those reforms would reduce benefits expense and increase employees' share of the funding obligation. *Id.* at 19; Off. of Mgmt. & Budget, Budget of the U.S. Government, Fiscal Year 2019: Major Savings and Reforms 181, 183-84 (2018) [hereinafter "*FY2019 Major Savings & Reforms*"], https://go.usa.gov/xPJPZ. Assuming that these aspects of the Agenda are those to which the Task Force report refers, the Postal Service agrees that these reforms are "Legislative."

As noted in connection with Recommendation 17 above, while the Postal Service might theoretically have some ability to seek wage reforms (albeit not pension reforms) through collective bargaining, its practical ability to implement such reforms is constrained by the existing binding interest arbitration system. With respect to non-bargaining-unit employees, those employees are already subject to a performance-based pay system that does not include tenure-based step increases.

Recommendation 19

***Operations.* Explore and implement new business lines that generate revenue, and that present no balance sheet risk to the USPS. (Legislative)**

The Task Force (at page 61) recommends that the Postal Service be allowed (a) to "explore supplying [certain] services for Federal, State, and local government entities," (b) to "convert[ ] post offices into contract post offices," (c) to "co-locat[e] with . . . complementary retail establishments," and (d) to "rent[ ] space to complementary retail establishments." The Task Force characterizes this recommendation as "Legislative." While the Postal Service already has some authority in these areas, it agrees with this designation to the extent that this recommendation calls for expansion of that authority.

With respect to item (a), current law already allows the Postal Service to enter agreements to provide services to other Federal agencies. 39 U.S.C. § 411. The Postal Service pursues such opportunities, and it will continue exploring them. No similar authority exists for partnering with State, local, and tribal governments, however, and so the statute would have to be amended to facilitate such partnerships.

With respect to item (b), the Postal Service is already authorized to dispose of real property (including Post Offices) and to enter into contracts (including for Contract Postal Units). *Id.* § 401(3)-(5). The Postal Service is also authorized to determine the need for Post Offices. *Id.* § 404(a)(3). That authority is subject to procedural and substantive limitations, however. The Postal Service cannot close any Post Office solely for operating at a loss, and, in its closing decisions, it may not

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consider compliance with the Occupational Health and Safety Act of 1970. *Id.* §§ 101(d), 404(d)(2)(B). The Postal Service must also comply with public notice requirements, consider certain factors, and ensure that its decision is non-arbitrary and evidence-based. *Id.* § 404(d)(1)-(5). In addition, expansion of outsourcing could require collective bargaining, consultation, and/or binding arbitration with postal labor organizations, as discussed in connection with Recommendation 12 above. To the extent that this recommendation entails expanding the Postal Service's ability to close Post Offices and outsource bargaining-unit work beyond current legal bounds, such expansion would require legislative change.

Many of the same considerations apply to item (c). The same contracting authority noted above covers the Postal Service's ability to "co-locate" by leasing space in non-Postal-Service-owned property. 39 U.S.C. § 401(3)-(5). To the extent that the Task Force envisions shifting bargaining-unit work to the business partner's employees, the same labor considerations would come into play as noted above.

With respect to item (d), the Postal Service already has authority to lease its real property assets to private entities. *Id.*; Order No. 154, Review of Nonpostal Services under the Postal Accountability and Enhancement Act, PRC Docket No. MC2008-1 (Dec. 19, 2008), at 64-68. Indeed, the Postal Service aggressively seeks out-leasing opportunities, when feasible. It should be noted, however, that Postal Service real estate holdings must, in the first instance, be "necessary or convenient in the transaction of its business." 39 U.S.C. § 401(5). In other words, the Postal Service must generally aim to align space with the operational requirements of offering postal services, with revenue-generating out-leasing relegated to a secondary use of excess space (to the extent that market opportunities exist). *See* Order No. 154 at 64-68. If the Task Force envisions expanding the Postal Service's ability to hold real estate with the primary aim of generating revenue from out-leasing, that would likely require legislative change.

Recommendation 20

Governance and Oversight. **Strengthen the governance and regulatory oversight of USPS. This could be achieved through reforming, but maintaining, the existing institutional structures or by changing the institutional structures, which would require legislation. (Legislative)**

This recommendation seeks, as a "Legislative" action, reform or change to "existing institutional structures" in order to "[s]trengthen the governance and oversight of" the Postal Service. It is not clear what is intended with this recommendation, as distinct from Recommendations 21 and 22; there is no discrete discussion of the recommendation in the body of the report. The Board of Governors and the Commission have some latitude, within the scope of their existing authority, to make strategic decisions that could be interpreted as strengthening governance and oversight. As the recommendation recognizes, however, any changes to existing institutional structures would require legislation.

To the extent that this recommendation corresponds to the report's discussion of the currently low complement of sitting Governors (pages 61-62), appointment of additional Governors would require action by both the President and the Senate. 39 U.S.C. § 202(a)(1).

Recommendation 21

Governance and Oversight. **Institute a new policy mandate for management that sets organizational direction and financial targets, which align with a sustainable business model**

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and establish an enforcement mechanism if the existing Board is unable to meet these targets. (Legislative)

This recommendation consists of two parts. First, at page 62, it seeks the Postal Service's adoption of "a new policy mandate that resets the USPS's organizational direction and develops financial targets that move the USPS toward the achievement of a sustainable business model. Governance should be strengthened with expanded Board controls and increased accountability." Such internal objective-setting is generally within the Postal Service's existing authority. As the Task Force recognizes elsewhere, however, legislative and regulatory action is needed to establish a sustainable business model and avoid a liquidity crisis (p. 4; see, e.g., Recommendations 8, 17, 18, 19, 23, 24, and 25). Given the statutory constraints on the Postal Service's ability to improve its financial health, it is unclear how reasonable or effective financial targets can be unless and until legislative and regulatory reforms give the Postal Service more control over costs and revenue.

The second part of this recommendation urges the Commission to "be given stronger regulatory authority to take necessary revenue and expense measures" if the Postal Service "is unable to achieve a sustainable business model and satisfy its financial commitments to other federal agencies." The Postal Service agrees with this recommendation's designation as requiring "Legislative" action.

Recommendation 22

Governance and Oversight. **Strengthen the regulatory oversight role of the PRC, providing the PRC with expanded controls, imposing increased accountability on the USPS. (Legislative)**

The Postal Service agrees that reforming the Commission's powers is properly designated as "Legislative." To the extent that page 62 of the report suggests that the Commission should have more power to overturn and dictate the Postal Service's decisions on service standards, operations, and capital investments, this recommendation appears to be at some tension with Recommendations 3 through 6, which advocate for preserving or expanding the Postal Service's operational discretion.

Recommendation 23

Benefits. **Pursue reforms proposed to the Federal Employees' Compensation Act that are included in the President's FY2019 Budget. (Legislative)**

The Postal Service agrees that reforming the Federal Employees' Compensation Act is properly designated as "Legislative."

Recommendation 24

Benefits. **Pursue reform of the Federal Employees' Retirement System (FERS) that would increase employee contributions and move toward a defined contribution system. (Legislative)**

The Postal Service agrees that reforming FERS is properly designated as "Legislative."

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Recommendation 25

Benefits. **Maintain but restructure the retiree health benefits liability, including the $43 billion in pre-funding payments that the USPS failed to pay into the Postal Service Retiree Health Benefits Fund (PSRHBF) and the unfunded actuarial liability, with the total liability re-amortized with a new actuarial calculation based on the population of employees at or near retirement age. (Legislative)**

The Postal Service agrees that changing how the actuarial liability for the Postal Service's retiree health benefits is calculated would require legislative change. It should be noted that doing so, without more, would not change the actual benefits to which postal annuitants are entitled, the payment of which is ultimately the responsibility of the Postal Service. *See* 5 U.S.C. §§ 8906(g)(2)(A), 8909a(d)(3).

Conclusion

Thank you once again for our telephone conversation today, and for the opportunity to meet with some of your team yesterday. While we agree with many of the "Administrative" and "Legislative" designations in the recommendations of the Task Force, for the reasons noted above we believe that some of the designations warrant additional review or clarification. We therefore request the opportunity to discuss these items with you further at your convenience. It would be very helpful for us to understand the perspective of the Task Force with regard to its recommendations and its views on implementation as we prepare to advise our clients going forward.

We look forward to discussing these items with you soon.

Thomas J. Marshall

cc: Brent McIntosh, General Counsel, U.S. Department of the Treasury
Governor Duncan
Governor Williams
Postmaster General Brennan
Deputy Postmaster General Stroman

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GENERAL COUNSEL
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UNITED STATES POSTAL SERVICE

May 31, 2019

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SUBJECT: Legal Concerns With Regard to the Proposed Term Sheet

Dear Steve:

Thank you for your letter dated May 15, 2019, regarding your office's views about the Department of the Treasury's (Treasury's) authority to purchase Postal Service debt obligations, and for our recent meeting concerning the new terms that the Federal Financing Bank (FFB) recently proposed in connection with the establishment of a new Note Purchase Agreement (NPA). I appreciate your continued willingness to engage in a dialogue with me concerning legal matters, both with respect to this issue as well as with respect to other matters that we have dealt with, so that we can both effectively advise our clients. In furtherance of that dialogue, I am sending this memorandum to address legal concerns that we have with the initial proposed terms and conditions that we recently received from the FFB regarding our NPA.

Specifically, on May 17, we received a proposal from the FFB to subject renewal of our NPA to a number of new conditions. Broadly speaking, the proposed conditions fall into three general categories. Conditions 1-3 are debt security terms that would require the Postal Service to establish an escrow account to cover 15 months of interest. Conditions 4-6 would require the Postal Service to obtain FFB consent in the establishment of postal policy and before engaging in various business activities, such as establishment of annual performance targets, and management of major negotiated service agreements. Condition 7 would require the Postal Service, under certain circumstances, to potentially cede to FFB the decision-making authority for matters concerning pricing, collective bargaining, major contracting, structural organization, and the composition of senior management. Finally, conditions 8-11 are transparency and reporting requirements that would require various reports and briefings to the FFB. (A twelfth condition is a remedy provision that provides that the breach of any other condition would entitle the FFB to refuse to purchase a Postal Service obligation issued under the NPA.)

Based on your May 15 letter, we understand Treasury's argument in support of these proposed conditions to rest on two basic points. First, whatever statutory restrictions might arguably apply to the Postal Service-Treasury borrowing relationship under the Postal Reorganization Act of 1970 (PRA), Congress's establishment of the FFB in 1973 created a separate borrowing option free of those restrictions. Second, the borrowing-authority statutes give the FFB and the Postal Service broad authority as to the terms and conditions of borrowing. Further, based on a May 17, 2019, phone conference with our Finance Department as well as our subsequent discussion held with Treasury on May 21, 2019 in which you and I participated, we further understand that the FFB sees these conditions as customary terms that could be imposed on a financially distressed company seeking to borrow money from the market. Finally, from those same discussions on May 21, we understand that you have proposed these terms based on private-sector principles, without consideration of the specific legal issues that are implicated by imposing such terms on the Postal Service, as an entity of the Executive Branch with a specific and unique statute and legal status.

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However, and for the reasons explained below, it is our conclusion that Treasury's view that these terms are appropriate in a commercial context does not adequately address the fundamental constitutional and statutory problems with conditions 4-7, as applied to the Postal Service. Our analysis leads us to conclude that these conditions in particular are legally problematic, and not within the power of the FFB to demand or within the power of the Postal Service to accept. Further, although this document focuses on these particular terms given what we perceive to be their legal infirmities, this should not be interpreted as a concession that the remaining terms, which represent a significant departure from our current agreement, are necessary or appropriate in the context of intergovernmental borrowing.

The remainder of this memorandum discusses why (1) the Postal Service does not believe that it can lawfully agree to essentially cede decision-making authority to the FFB (or, for that matter, to Treasury or private creditors), and (2) why the FFB's separate statutory authority does not change that conclusion. In this regard, although it may well be correct that a private creditor might customarily impose similar control-oriented conditions on a financially distressed private borrower in the course of a market transaction, such terms are not appropriate given the unique legal status of the Postal Service. The FFB is not a private creditor, and the Postal Service is not a private entity, but an independent establishment of the Executive Branch created and governed by statute. 39 U.S.C. § 201; *see U.S. Postal Serv. v. Flamingo Indus. (USA) Ltd.*, 540 U.S. 736, 740-41 (2004). Title 39 of the United States Code sets forth a carefully constructed governance structure for the Postal Service, in which postal powers are vested in the Board and in the Governors. By instead proposing to potentially vest ultimate control and authority over the Postal Service in the hands of the FFB (and hence Treasury), the FFB's proposed conditions 4-7 would, if enacted into the NPA, upend the statutory scheme and usurp Congress's authority over postal organization.

I. THE POSTAL SERVICE CANNOT UNDER CURRENT LAW AGREE TO POTENTIALLY CEDE DECISION-MAKING AUTHORITY TO TREASURY, THE FFB, OR ANY OTHER CREDITOR

Under the Constitution, Congress holds the power to establish the postal system and to make all necessary and proper laws related to that power. U.S. CONST. art. I, § 8, cl. 7, 18. It is also Congress's power to establish "offices" for carrying out the postal laws it enacts. *Id.* art. II, § 2, cl. 2. Only the President can appoint officers to those Congressionally-established offices: for so-called principal officers, this requires Senate confirmation, whereas Congress can alternatively provide for appointment of inferior officers by the President alone or by a designated principal officer. *Id.*

To apply these precepts to the situation at hand, Congress established the Postal Service to fulfill the various operational and business functions in Title 39, United States Code. Congress created particular offices in which it vested decision-making powers: specifically, Congress vested the exercise of most of the powers of the Postal Service in the Board, with certain significant powers reserved to the Governors alone. 39 U.S.C. § 202(a)(1), (c)-(e); *see id.* § 402. Those powers include pricing, product management, control of expenses, collective bargaining, structural organization, and performance planning: the very subjects of the FFB's proposed conditions 4-7. *Id.* §§ 205(a), 401, 404, 1206, 2803-2804, 3632. Powers assigned to the Board can be delegated to committees of the Board or to the Postmaster General and can be re-delegated within the Postal Service. *Id.* § 402. Powers assigned to the Governors cannot under current law be delegated. *Id.* Congress provided for the Governors, as principal officers, to be appointed by the President with Senate confirmation; inferior officers (including the Postmaster General and Deputy Postmaster General) to be appointed by the Governors; and employees of the Postal Service to be appointed by the inferior officers or other employees. *See id.* §§ 202, 402, 1001(a).

Congress gave the Governors "ultimate control and authority" over the Postal Service. *Silver v. U.S. Postal Serv.*, 951 F.2d 1033, 1038 (9th Cir. 1991). It might have been constitutionally valid for Congress to place postal decision-making under Treasury's control. But that is not what Congress and the President chose in the PRA. Indeed, the legislative history of the PRA attests to Congress's manifest intent that the Postal Service be removed from direct control by the President or officers

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who serve at the pleasure of the President, such as the Treasury Secretary. *See* S. REP. NO. 91-912, at 4, 8 (1970); H.R. REP. NO. 91-1104, at 13 (1970); President's Message to Congress Transmitting Postal Reform, H.R. DOC. NO. 91-313, at 51-52 (1970); *see also Status of the United States Postal Service as an "Executive Agency" Under Executive Order No. 12,250*, 5 Op. Off. Legal Counsel 241 (1981) ("Moreover, both the Act and its history reveal that Congress intended to grant the Service at least some measure of insulation from control by the President and to place the Service in a separate category from the conventional executive departments." (citation omitted)).

Hence, the Governors are subject to Presidential removal only for cause, in the interest of vesting the Governors with the independent ability to determine postal policy, including in the establishment of postal prices and in the selection of senior management. 39 U.S.C. § 202(a); *Mail Order Ass'n of Am. v. U.S. Postal Serv.*, 986 F.2d 509, 519-520 (D.C. Cir. 1993) (noting that the governance structure of the Postal Service is designed to confer "independence from political pressures and independence to manage its operations in a professional, businesslike manner," with the Board exercising "policy control [over postal affairs] with functions similar to a board of directors") (citations omitted); *see also Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 502 (2010); *Buckley v. Valeo*, 424 U.S. 1, 133 (1976) ("The Court in [*Humphrey's Executor*] carefully emphasized that . . . the members of such agencies were to be independent of the Executive in their day-to-day operations[.]"); *In re Aiken County*, 645 F.3d 428, 442 (D.C. Cir. 2011) (Kavanaugh, J., concurring) ("Because of *Humphrey's Executor*, the President cannot remove an independent agency's officers when the agency pursues policies or makes decisions the President disagrees with.").

Since it is Congress's prerogative to create Executive Branch entities, define their functions, and designate offices to execute those functions, the Executive Branch cannot transfer functions from one Executive Branch unit to another without Congressional authorization. *Centralizing Border Control Policy Under the Supervision of the Attorney General*, 26 Op. Off. Legal Counsel 22, 22-24 (2002) ("This Office has long held that transfers of statutory authority from one department to another 'may normally be accomplished only by legislation or by executive reorganization under the [since-lapsed] Reorganization Act.'" (citations omitted)). As was noted by the Office of Legal Counsel (OLC):

> It has long been established that, if the laws . . . require a particular officer by name to perform a duty, not only is that officer bound to perform it, but no other officer can perform it without a violation of the law; and were the President to perform it, he would not only be not taking care that the laws were faithfully executed, but he would be violating them himself.

Id. (citing *The President and Accounting Officers*, 1 Op. Att'y Gen. 624, 625 (1823)).[1]

As noted above, Congress designated the officers responsible for postal decision-making. Congress also gave those officers no authority to delegate their authority outside the Postal Service (if at all). The Executive Branch does not have the constitutional power to supersede Congress's choice to delegate the execution of the postal laws to the Postal Service, rather than to Treasury or the FFB.[2]

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[1] Topically, the *President and Accounting Officers* opinion illustrates the point with a hypothetical about the President appointing a postmaster notwithstanding Congress's vesting of that power in the Postmaster General. Absent some other role in the structure that Congress established, the President's constitutional role is limited to removing and replacing an officer who is not faithfully executing the laws. *The President and Accounting Offices*, 1 Op. Att'y Gen. at 626.

[2] In addition to upending the structure that Congress enacted, there is yet another constitutional problem with Treasury/FFB supervision of the Postal Service. The Constitution gives the President alone the power to supervise principal officers like the Governors, as an incident of his removal power. That constitutional responsibility cannot be delegated to Treasury or FFB, *Centralizing Border Control Policy*, 26 Op. Off. Legal Counsel at 24-25, let alone assumed by Treasury/FFB amid Presidential silence.

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As your May 15 letter points out, the statutory provisions on Postal Service borrowing allow the Postal Service to agree to conditions and covenants in any sale of its obligations. *See* 39 U.S.C. §§ 2005-2006. Section 2006, for instance, notes that the Postal Service obligations purchased by Treasury may be "under such terms . . . as [the Treasury Secretary] and the Postal Service may agree." Your letter suggests that the plain language of these provisions is broad enough to authorize the FFB's proposed conditions. While it is true that these provisions give the Postal Service discretion regarding the terms it may agree to, that discretion is not limitless. Those statutory provisions cannot be read in isolation; rather, they must be read in the context of the statute as a whole. *E.g.*, *Sturgeon v. Frost*, 136 S. Ct. 1061, 1070 (2016). As explained above, the same PRA that enacted Sections 2005 and 2006 created the Postal Service as an independent establishment, insulated it from direct political control, and designated the Governors and Board as the officers responsible for making postal policy and business decisions. We do not believe that a provision that simply authorizes the Postal Service to agree to conditions when exercising its borrowing authority can reasonably be construed to allow the Postal Service and another Executive Branch entity to agree to act inconsistently with the governance structure that Congress painstakingly established in the same Act. *Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001) ("Congress, we have held, does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions – it does not, one might say, hide elephants in mouseholes." (citations omitted)).[3]

As we noted in a previous letter to you, the legislative history of the PRA supports this understanding of the Postal Service's borrowing authority. Prior to enactment, Treasury's Under Secretary for Monetary Affairs explained that, under the PRA provisions concerning borrowing, the Treasury Secretary should neither "assert substantive control over the Postal Service" nor "[ ]ever put himself in a position where he is preventing the postal authority from obtaining what financing [the Postal Service] think[s] is necessary." *Postal Modernization: Hearings Before the Senate Comm. on Post Off. & Civil Serv.*, 91st Cong., at 311-12 (1969) (remarks of Under Secretary Paul A. Volcker); *see also id.* at 305-06 ("stress[ing]" that the Treasury Secretary's purchase option would not "interfer[e] with the financing of essential Postal Service activities or arrogat[e] to the Secretary any control over the operations of the Postal Service"); *Post Office Reorganization, Part III: Hearings Before the House Comm. on Post Off. & Civil Serv.*, 91st Cong. 1165 (1969) (statement of Under Secretary

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[3] As noted earlier, Treasury asserts that private lenders would demand a similar cession of control. However, the Postal Service could not accede to such a demand from a private lender under Section 2005, any more than it can accede to transferring control of the Postal Service to another Executive Branch entity. In effect, this scenario would involve the Board and the Governors re-delegating their governmental decision-making authority to a private party. Such a cession would violate another principle of constitutional law. According to the so-called non-delegation doctrine, "Congress may employ private entities for ministerial or advisory roles, but it may not give these entities governmental power over others." *Pittston Co. v. United States*, 368 F.3d 385, 395 (4th Cir. 2004) (agreeing with the Third Circuit's summary of the doctrine in *United States v. Frame*, 885 F.2d 1119 (1989)) (emphasis omitted); *see Am. Ass'n of R.R. v. U.S. Dep't of Transp.*, 721 F.3d 666, 670-72 (D.C. Cir. 2013), *vacated on other grounds*, 135 S. Ct. 1225 (2015); *see also Dep't of Transp. v. Am. Ass'n of R.R.*, 135 S. Ct. at 1252-53 (Thomas, J., concurring). Where an agency delegates to private individuals its decisionmaking authority vested by statute, the harm to political accountability "is doubled in degree in the context of a transfer of authority from Congress to an agency and then from agency to private individuals. The vitality of challenges to the former type of transfer is suspect, but to the latter, unquestionable." *Nat'l Ass'n of Regulatory Utility Comm'rs v. FCC*, 737 F.2d 1095, 1143 n.41 (D.C. Cir. 1984). This conclusion further demonstrates that, while commercial principles can play a role in the interpretation and application of 39 U.S.C. §§ 2005 and 2006, those principles must be applied within limits imposed by the Constitution and by statute. *Cf. Scope of Treasury Department Purchase Rights with Respect to Financing Initiatives of the U.S. Postal Service* [hereinafter "*Treasury Purchase Rights*"], 19 Op. Off. Legal Counsel 238, 245 (1995) (using commercial principles to interpret Section 2006(a) only "[i]n the absence of contrary language in the statute").

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Volcker) (Treasury's role should be understood as limited, lest "some outsider looking at the bill" might construe it as "giv[ing the Secretary of the Treasury] certain powers over the Post Office Department that he shouldn't have"); *see* H.R. REP. NO. 91-1104, at 21 (1970).[4] Therefore, the borrowing provisions were intended simply to ensure that Treasury could coordinate overall Government debt issuances (including those of the Postal Service), without in any way suggesting that they could be used to cede to Treasury substantive control of the Postal Service.

Case-law on the analogous relationship between the Postal Service and the Department of Justice (DOJ) further buttresses the analysis here. In at least two cases, DOJ has asserted a prerogative to control the Postal Service's litigating position, settlement of claims, and ability to represent itself. On both occasions, courts held that, notwithstanding statutory authority for DOJ involvement in Postal Service litigation, DOJ's assertions of control ran afoul of Congress's decision to confer independent decision-making authority on the Postal Service. *Mail Order Ass'n of Am.*, 986 F.2d at 522-23 ("Respect for the language of the [PRA] and its underlying purposes simply will not permit the conclusion that Congress intended simultaneously to give the Postal Service such broad and unfettered discretion and to condition its judicial review options on [DOJ]'s – or even the President's – approval."); *Leonard v. U.S. Postal Serv.*, 489 F.2d 814, 817-18 (1st Cir. 1974). To paraphrase the court in *Leonard*, "It was the intent of the Congress to create an independent Postal Service. It would be anomalous to hold that decisions normally committed wholly to the independent discretion of the Service are made subject to [Treasury or FFB] veto power when incident to [borrowing]." *Leonard*, 489 F.2d at 817-18.

Congress could vest ultimate decision-making powers concerning postal operations in officers outside the Postal Service, if it wished. Indeed, the Postal Service is already subject to final decision-making authority exercised by various other Executive Branch entities, such as the Federal Trade Commission, the Postal Regulatory Commission, and the Equal Employment Opportunity Commission. *E.g.*, 39 U.S.C. §§ 409(d)-(e), 3662(c)-(d); 42 U.S.C. § 2000e-16. In contrast to all of those explicit provisions, however, there is no statutory authority about which we are aware that would allow Treasury to supervise and potentially supersede decisions of the Governors and the Board.[5]

In summary, Congress did not delegate postal decision-making to Treasury, and we do not believe there is a reasonable basis to construe the borrowing provisions of the Postal Service's statute as a tacit grant of authority to the Postal Service and Treasury to agree to such a transfer of control. To do so would be contrary to the statutory structure that Congress carefully and deliberately created. Under the Constitution, such choices lie with Congress, not with the Executive Branch.

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[4] OLC expressly relied on this legislative history to interpret the meaning of 39 U.S.C. §§ 2005-2006. *See Treasury Purchase Rights*, 19 Op. Off. Legal Counsel at 245 n.5; *Authority of the Secretary of the Treasury Regarding Postal Service Bond Offering*, 17 Op. Off. Legal Counsel 6, 8-10 (1993) (quoting both the House and Senate Hearings in explaining that the statute itself may be ambiguous, but the "legislative purpose" behind the statute is clear).

[5] The lack of any such obvious statutory authority is also distinguishable from statutes that have expressly permitted Treasury and other agencies to assume control of an institution. 12 U.S.C. § 1455(*l*) (providing Treasury with temporary authority to acquire equity in the Federal Home Loan Mortgage Association (Freddie Mac), and authorizing Treasury to consider "[r]estrictions on the use of Corporation resources, including limitations on the payment of dividends and executive compensation and any such other terms and conditions as appropriate for those purposes," among other things); *see* 12 U.S.C. § 4617 (authorizing the Federal Housing Finance Agency to place Freddie Mac and other housing-finance institutions into conservatorship). In contrast to these clear statutory authorities, the PRA is devoid of any similarly explicit provision allowing Treasury, through its purchase of obligations, to potentially assume control over Postal Service decisions. As noted above, the legislative history of the PRA indicates that quite the opposite is true.

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II. WE CANNOT FIND ANYTHING IN THE FFB'S GOVERNING STATUTE THAT PROVIDES IT WITH AUTHORITY TO POTENTIALLY ASSUME CONTROL OVER THE POSTAL SERVICE

Your May 15 letter also suggests that, whatever limitations Congress imposed on the borrowing relationship between the Postal Service and Treasury, the FFB exists outside those limitations. To the extent that you suggest that Congress implicitly authorized the FFB to exercise substantive control over postal decision-making when it enacted the Federal Financing Bank Act of 1973 (FFBA), such an interpretation appears to run counter to the FFBA's text and legislative history.

As your letter notes, the FFBA was enacted a mere three years after the PRA and created the FFB as "a body corporate" and "an instrumentality of the United States Government" that is "subject to the general supervision and direction of the Secretary of the Treasury." 12 U.S.C. § 2283. The FFB is governed by a five-member Board of Directors with the Treasury Secretary serving as Chairman, and with the other four directors "appointed by the President from among the officers or employees of the Bank or of any Federal agency." *Id.* § 2284(a). Currently, the directors are all officials of the Treasury. FFB, 2018 Annual Report 6, https://go.usa.gov/xmvzY. By statute, the FFB is authorized to purchase obligations of any federal agency, and each federal agency that is authorized to sell obligations is authorized to sell such obligations to the FFB. *Id.* § 2285(a).

As explained in the preceding section, when Congress intends to vest one Executive Branch entity with the power to potentially assume substantive control over a separate entity, Congress says so explicitly. Congress did not do so in the FFBA. Rather, the FFB was created merely to "assure coordination of [Federal financing] programs with the overall economic and fiscal policies of the Government" and to reduce the cost and market disruption of federal borrowings. *Id.* § 2281. The FFB exercises powers otherwise vested in Treasury and is expressly "subject to the direction and supervision of the Secretary of the Treasury." 31 U.S.C. § 305. For example, the FFB can exercise the powers assigned to Treasury under 39 U.S.C. § 2006. Nothing in the FFBA's language suggests that the FFB's lending powers were designed to be broader than those afforded Treasury as a general matter. Accordingly, while the FFB has the authority to purchase Postal Service obligations "on terms and conditions determined by the [FFB]," 12 U.S.C. § 2285(a), the statute nowhere suggests that such terms and conditions can extend beyond the terms and conditions that the Secretary could otherwise establish. Indeed, the FFB's purpose of simply coordinating overall Federal financing programs aligns precisely with the role that Congress contemplated for Treasury under 39 U.S.C. § 2006(a), as discussed above.

The FFBA's legislative history confirms that Congress did not intend for the FFB to have any authority to exercise substantive control over the Postal Service's statutory duties or powers. To the contrary, the committee reports accompanying the FFBA explained that the FFB was not authorized to lend money to the Postal Service beyond the scope of Treasury's powers under 39 U.S.C. § 2006(a):

> Your committee has reviewed the status of the authorities of the U.S. Postal Service to issue obligations as to whether this authority under the Postal Reorganization Act would be affected by any provision of this bill. Your committee intends that this bill will not impair or diminish the authority of the Postal Service to issue obligations under the financing provisions of the Postal Reorganization Act. Under the Postal Reorganization Act, the Secretary of the Treasury may purchase all Postal Service obligations if he does so within the time period prescribed in 39 U.S.C. 2006(a). The bill would have the effect of giving the Secretary the authority to exercise this right by requiring the Postal Service to sell its securities to the Federal Financing Bank. However, if the Bank or the Secretary did not act to take up a proposed Postal borrowing within the prescribed time limit, the Postal Service could, on its own initiative, borrow in the private market under its independent Postal Reorganization Act authority. Your Committee believes that no specific amendment is required to preserve the independent financing authority of the Postal Service.

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H.R. REP. NO. 93-299, at 5 (1973); *accord* S. REP. NO. 93-166, at 3 (1973); H.R. REP. NO. 92-1478, at 6-7 (1972);[6] *see also Treasury Purchase Rights*, 19 Op. Off. Legal Counsel at 243 (interpreting the 1973 House committee report as "intended to provide broad assurance that the FFBA would not unduly impair USPS' existing financing authority under the PRA"). The FFB thus was conceived of as an agent for Treasury's exercise of its purchase option under 39 U.S.C. § 2006(a), and not as an entity with an independent purchase option.

As with the PRA, Congress's expression of the FFBA's intent was largely based on the views of Treasury itself. *Federal Financing Bank Act: Hearings Before the House Comm. on Ways & Means*, 93d Cong. at 18 (1973) (remarks of Under Secretary Volcker) ("The principal effect of the Federal Financing Bank in this respect is that the Secretary of the Treasury could say to the postal service that he is going to take that issue [under 39 U.S.C. § 2006(a)] for the Federal Financing Bank rather than for the Treasury itself."); *Federal Financing Bank Act: Hearings Before the House Comm. on Ways & Means*, 92d Cong. at 26 (1972) (remarks of Under Secretary Volcker) (characterizing "the only really essential" effect of the FFBA on Postal Service borrowing as "that the Secretary of the Treasury or the Board of Directors of the Federal Financing Bank would" exercise the right of first purchase).[7]

Moreover, the Administration that proposed the creation of the FFB assured the Postal Service and Congress that the FFBA would not give the FFB or Treasury the power to control Postal Service decision-making. Upon receiving a letter outlining the Postmaster General's concerns about the proposed FFBA, the Office of Management and Budget (OMB) replied that the FFB's role would be limited to coordinating Federal borrowing activities;

> the proposed legislation does not require or intend that the Treasury Department have any role in or any veto power over the development or implementation of the programs of the various agencies. Thus, the proposed legislation contemplates no involvement of the Treasury or the Federal Financing Bank In formulating, reviewing, or otherwise affecting the structure or scope of agency programs.

Letter from Frank C. Carlucci, Executive Director, OMB, to Postmaster General E.T. Klassen, Apr. 8, 1972, *reprinted in Federal Financing Authority: Hearings Before the Senate Comm. on Banking, Housing & Urban Affairs*, 92d Cong. at 77 (1972).

In sum, the provision of the FFB's statute allowing it to set terms and conditions for the purchase of Postal Service debt cannot reasonably be interpreted as giving FFB the authority to assert substantive control over the Postal Service. A contrary conclusion is not supported by the FFBA's text and inconsistent with the expressed intent of the Congress and Administration that enacted the FFBA.

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[6] As noted in your letter, the 1972 House committee report, at slight variance from the later reports, cast the FFB as "another potential purchaser of postal obligations." H.R. REP. NO. 92-1478 at 7. This stray characterization, however, does not support an inference that the FFB's purchase option is independent from Treasury's, for three reasons. First, the sentence is facially ambiguous: given Treasury's oversight of the FFB, the FFB's separate corporate identity does not necessarily imply separate substantive authority regarding Postal Service borrowing. Second, contrary to any such implication and consistent with the later committee report language excerpted above, the sentence that follows characterizes the FFB or Treasury exercising the purchase option under 39 U.S.C. § 2006(a). *Id.* Finally, the 1972 committee report was superseded by the 1973 committee reports in any event, and those later reports are unambiguous on this point.

[7] The Postal Service expressed its satisfaction with these assurances that the FFBA would not impair its ability to borrow under the PRA. *Federal Financing Bank Act*, 92d Cong. at 40-41.

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Finally, even if there were some indication of legislative intent to allow the FFB to assume decision-making powers as a condition of lending (which we cannot find), it would be unconstitutional for the FFB to exercise such powers. As noted in section I above, the Constitution's Appointments Clause requires each freestanding component of the Executive Branch to be headed by a "principal officer" appointed by the President and confirmed by the Senate. *See Free Enter. Fund*, 561 U.S. at 511. Because the Postal Service is such a freestanding component, and because the FFB Board of Directors consists predominantly of inferior officers or employees,[8] the Appointments Clause bars the FFB from acting as an agency head and subordinating the Postal Service Governors, whom Title 39 designates as principal officers. *See Silver*, 951 F.2d at 1038-39.[9] Even if the FFB were headed by a principal officer, however, it would violate the Constitution's separation of powers at any rate for the FFB to assume control of the Postal Service without express Congressional authorization.

III. CONCLUSION

In sum, while proposed conditions 4-7 might be customary terms in commercial transactions between private parties, they pose significant constitutional and statutory problems in the context of a transaction between the Postal Service and Treasury (whether acting through FFB or in its own name). For that reason, we do not believe they can lawfully be a part of any Note Purchase Agreement between the Postal Service and FFB.

Please do not hesitate to give me a call if you have any questions or concerns. I hope this information is helpful.

Very truly yours,

Thomas J. Marshall

cc: Mr. Brent McIntosh

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[8] As explained earlier in this section, the FFB is headed by a Board of Directors chaired by the Treasury Secretary, with four other Directors appointed by the President (without Senate confirmation) from the ranks of Executive Branch "officers or employees." 12 U.S.C. § 2284(a). Because the FFB Directors are not subject to Senate confirmation, they cannot be considered principal officers under the Appointments Clause, except, arguably, for the Treasury Secretary and any other Directors who are principal officers of another agency. At present, however, four of the five current FFB Directors are inferior officers or employees at Treasury. FFB, 2018 Annual Report at 6. The FFB Board makes decisions by majority vote, meaning that those four Directors could override the Treasury Secretary's vote. Bylaws of the Federal Financing Bank § 3.08 (2006), https://go.usa.gov/xmvGN.

[9] Here, too, the situation with Fannie Mae and Freddie Mac is distinguishable. To the extent that Treasury was exercising significant governmental authority to control the institutions (on par with the authority that Congress delegated to the FHFA, *see* 12 U.S.C. § 4617), it is notable that Congress conferred that authority on the Secretary of the Treasury, a principal officer, and not on the FFB. *See* 12 U.S.C. § 1455(*l*). The agreements that resulted were executed by Treasury, and not by the FFB as a delegee. Amended and Restated Senior Preferred Stock Purchase Agreement Between Treasury and Freddie Mac.

AMERICAN OVERSIGHT

THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

August 6, 2019

Steven D. Laughton
Assistant General Counsel (Banking and Finance)
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

SUBJECT: Continuing Legal Concerns Regarding the Federal Financing Bank's Proposed Lending Conditions

Dear Mr. Laughton:

Thank you for your letter dated June 28, 2019 (June 28 letter), discussing the concerns we expressed in our May 31 letter with the proposal from the Federal Financing Bank (FFB), which would subject renewal of our Note Purchase Agreement (NPA) to a number of new conditions. We did not previously respond to your letter based upon the advice of Gary Grippo, but given the more recent communications between Mr. Grippo and our Chief Financial Officer, it now seems incumbent on us to do so. Unfortunately, as discussed below, your letter does not adequately address the substantial constitutional and statutory issues at stake, and our concerns therefore remain.

There appears to be no dispute between us that Congress vested the exercise of most of the decision-making powers of the Postal Service in the Board of Governors, with certain significant powers reserved to the Governors alone. 39 U.S.C. § 202(a)(1), (c)-(e); *see id.* § 402. Those powers include pricing, product management, control of expenses, collective bargaining, structural organization, and performance planning. *Id.* §§ 205(a), 401, 404, 1206, 2803-2804, 3632; *accord Silver v. U.S. Postal Serv.*, 951 F.2d 1033, 1038 (9th Cir. 1991) (Congress gave the Governors "ultimate control and authority" over the Postal Service). There is likewise no dispute between us that these powers are the subject of FFB's proposed Conditions 4-7. Finally, we both recognize the proposition that, when Congress vests certain decision-making authority and responsibilities in one Executive Branch entity, that entity cannot transfer (or "subdelegate") such authority and responsibilities to another Executive Branch entity without explicit congressional authorization to that effect. *See U.S. Telecom. Ass'n v. FCC*, 359 F.3d 554, 565-66 (D.C. Cir. 2004); *accord Centralizing Border Control Policy Under the Supervision of the Attorney General*, 26 Op. Off. Legal Counsel 22, 22-24 (2002).

Where we diverge is over the issue of whether FFB's proposal violates that "subdelegation" doctrine. In our letter of May 31, we articulated at length that Congress specifically designated the officers responsible for postal decision-making and gave such officers no authority to transfer their powers outside the Postal Service, and asserted that agreeing to the NPA conditions would accordingly be an impermissible subdelegation. Your June 28 letter appears to be suggesting that the NPA conditions do not even implicate the "subdelegation" doctrine because they would merely give FFB an opportunity to provide "input," which the Postal Service is free to reject. Alternatively, your letter contends that, even if the NPA conditions would require the Postal Service to cede statutory authority and thereby implicate the subdelegation doctrine, they still do not violate it, either because Congress explicitly authorized the Postal Service to agree to "conditions" on borrowing or because the scope of such subdelegation would be narrow. As discussed below, however, these arguments are based on both an inaccurate summary of the proposed NPA conditions and a misreading of the relevant legal authorities, and do not adequately address (let alone minimize) the concerns we previously raised.

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I. FAR FROM MERELY ALLOWING FFB TO PROVIDE "INPUT," THE PROPOSED CONDITIONS WOULD CEDE SIGNIFICANT DECISION-MAKING AUTHORITY TO FFB

Your June 28 letter appears to be asserting that the proposed NPA conditions would not effectuate a transfer of authority in the first place, and that they therefore do not implicate the subdelegation doctrine at all. The central premise for this argument is that, rather than transferring decision-making authority to FFB, the NPA conditions would merely be allowing FFB "to provide input on USPS's activities in exchange for financing, but final decision-making authority would remain in all instances with USPS." June 28 letter at 1; *accord id.* at 2 (the NPA conditions "would give FFB high-level input").

This premise is undermined by the plain terms of the proposed conditions. Despite your claims to the contrary, such conditions are framed in terms not of "input," but of "consent" (conditions 4-6) and a "right to approve" (condition 7). Those words mean the opposite of "input." "Input" connotes providing advice to a decision-maker, which the decision-maker may consider but is not bound to accept, whereas "consent" or "approval" indicate that the purported decision-maker cannot implement a proposal without the "advising" party's agreement.[1] By their very terms, then, Conditions 4-7 would not allow FFB merely to provide "input" for the Postal Service's Governors and Board to consider in making decisions. To the contrary, the conditions are worded to bar the Governors and Board from making significant decisions without obtaining FFB approval, thereby converting FFB into the ultimate decision-maker.[2]

Your June 28 letter goes on to suggest that the FFB's proposed role would be "modest" and that the Postal Service "would retain substantial authority" and "considerable discretion" even over the activities described in Conditions 4-7. June 28 letter at 2. For example, although FFB's consent would be required for business strategies and performance targets (Conditions 4 and 6), the Postal Service would still be responsible for "draft[ing] these strategies and targets," as well as decisions regarding how to implement FFB-approved strategies and meet FFB-approved targets. *Id.* Similarly, for major NSAs (Condition 5), FFB's consent role would still leave the Postal Service with discretion "to negotiate [covered] agreements." *Id.* However, in all respects, the Postal Service's exercise of any such "authority" would be wholly subordinate to FFB's decision-making. In that regard, the proposed Postal Service-FFB relationship would essentially mirror the current relationship between Postal Service management and the Governors or Board, with the former carrying out the strategic decisions of the latter. By substituting FFB for the Governors and Board as the ultimate decision-maker on major Postal Service initiatives, the proposed conditions would strip, not preserve, Postal Service decision-makers' authority.

Finally, your letter asserts that, despite the "consent" and "approve" language in Conditions 4-7, the Postal Service is always free to ignore FFB's wishes and therefore would remain in "full control" over the covered activities, because the only consequence of disobeying FFB's demands is that it would lose "FFB's financial support" and would therefore need to seek alternative financing. June 28 letter

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[1] *Compare* BLACK'S LAW DICTIONARY, "consent" (11th ed. 2019) ("A voluntary yielding to what another proposes or desires; agreement, approval, or permission regarding some act or purpose, esp. given voluntarily by a competent person; legally effective assent.") *and id.*, "approve" ("To give formal sanction to; to confirm authoritatively."), *with* Merriam-Webster.com, "input," https://www.merriam-webster.com/dictionary/input (last visited July 2, 2019) ("something that is put in: such as: advice, opinion, comment").

[2] *See Cooling Water Intake Structure Coalition v. EPA*, 905 F.3d 49, 79-80 (2d Cir. 2018) (EPA did not delegate decisionmaking authority to separate federal agencies by promulgating rule requiring program directors to consult with agencies and allowing them to provide technical assistance, because the rule did not require EPA to accept the agencies' recommendations and clearly contemplated that EPA would independently make a final determination); *accord U.S. Telecom. Ass'n*, 359 F.3d at 568 ("a federal agency may turn to an outside entity for advice and policy recommendations, provided the agency makes the final decisions itself").

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at 1-2. Put differently, you appear to be suggesting that, because the Postal Service could theoretically breach the conditions of the NPA, and because the consequences of such a breach are relatively minor, agreeing to be bound to such conditions cannot really constitute a subdelegation of power to FFB.

This suggestion is incorrect in two fundamental respects. First, it ignores the legal effect of the NPA, which would become a binding legal document through which, pursuant to its terms, the Postal Service would agree to legally transfer decision-making powers to FFB. It therefore ignores the key underpinning of the subdelegation doctrine, which is that a federal entity cannot agree to cede such powers absent congressional authorization. It is no answer that the Postal Service can later undo one legal violation (transferring decision-making powers without congressional authorization) only by committing a separate legal violation (breaching the agreement to transfer those powers). The point of the subdelegation doctrine is that the Postal Service cannot transfer its decision-making powers in the first place.

Second, your letter's suggestion that the consequences of breach are insubstantial stands in stark contrast to the legislative history of the Postal Reorganization Act (PRA), which created the Postal Service and which enacted the borrowing provisions at issue. In crafting the statutory provisions that authorize Treasury-Postal Service lending (including lending from the FFB), Congress was plainly concerned that Treasury's lending power might place the Postal Service in a position where it would have to choose between forgoing the ability to access financing from Treasury and conforming to Treasury's preferences and directives. Treasury explicitly disavowed the notion that it would use the substantial threat of cutting off credit as leverage in an attempt to shape Postal Service decisions, or would otherwise use its lending authority to "arrogat[e] to the Secretary any control over the operations of the Postal Service." *Postal Modernization: Hearings Before the Senate Comm. on Post Off. & Civil Serv.*, 91st Cong., at 305-06 (1969) (remarks of Under Secretary Paul A. Volcker).[3] Yet that is exactly what your letter is proposing here. Treasury is free under the statute to decline to purchase the Postal Service's obligations. 39 U.S.C. § 2006(a). It is not free to elect to purchase the Postal Service's obligations while conditioning the purchase on a surrender to Treasury or FFB of decisions that the Congress vested in the Postal Service.

II. YOUR LETTER DID NOT ADDRESS THE SIGNIFICANT LEGAL PROBLEMS WITH SUCH A CESSION OF CONTROL

Because the proposed NPA conditions would require the Postal Service to transfer to Treasury or FFB powers that Congress vested in the Postal Service, the remaining issue is whether Congress has explicitly authorized such a transfer. In our May 31 letter, we explained that Congress has not authorized the Postal Service to cede to Treasury, FFB, or any other outside party its statutory powers to make decisions concerning prices, agreements, budgets, or the other matters implicated by Conditions 4-7.[4] Your June 28 letter makes three basic points in response, but none of the points comes close to establishing that the transfer of power contemplated by the NPA conditions is legally permissible.

First, your letter reprises the position advanced in your earlier correspondence that FFB and the Postal Service have broad statutory authority to agree on borrowing "terms and conditions," June 28

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[3] As noted in our May 10 and 31 letters, DOJ's Office of Legal Counsel (OLC) has relied on Under Secretary Volcker's statements of "legislative purpose" when interpreting the nature of the Postal Service-Treasury/FFB borrowing relationship. *Authority of the Secretary of the Treasury Regarding Postal Service Bond Offering*, 17 Op. Off. Legal Counsel 6, 8-10 (1993); *see Scope of Treasury Department Purchase Rights with Respect to Financing Initiatives of the U.S. Postal Service*, 19 Op. Off. Legal Counsel 238, 245 n.5 (1995).

[4] As we previously noted, the Postal Service's governing statute is distinguishable, in this regard, from statutory schemes that have expressly allowed Treasury to assume control of distressed financial institutions.

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letter at 1, 3, such that the Postal Service would be "exercising its own specific statutory authority" by agreeing to the terms and conditions proposed by FFB. *Id.* at 1 (emphasis in original). In other words, you appear to contend that relinquishment of the Postal Service's statutory authority to FFB is a valid subject of the "terms and conditions" that the parties can attach to borrowing. As we explained in our May 31 letter, however, that vague "terms and conditions" phrase must be read in the context of the statute as a whole and in light of the legislative history of both the PRA and the Federal Financing Bank Act, which made clear that Congress did not intend to give either Treasury or FFB any power to control Postal Service decision-making through its lending authority. Your June 28 letter does not respond to these points, let alone explain the basis for your departure from the consistent expressions of intent from Congress, the Administration, and Treasury set forth in that legislative history. As we pointed out previously, when read in their full statutory context, vague statutory references to "conditions" of borrowing cannot subvert the clearly expressed Congressional intent to specifically designate the officers responsible for postal decision-making, and to provide them with no authority to delegate or transfer that authority outside the Postal Service.[5] For similar reasons, the Postal Service could not cede control to a private lender, and so it is irrelevant whether private lenders might demand such terms of other borrowers or whether such terms are commercially reasonable in other contexts. There is therefore also nothing "surprising" about the fact that Congress did not give FFB and the Postal Service the freedom to "mutually agree on commercially reasonable terms" without regard to the statutory scheme governing both entities.

Second, your June 28 letter notes the absence of any cases "where courts have found that an agency lacks authority to consent to a lending arrangement such as this one." June 28 letter at 2. That may be true, but there are also no cases holding that an agency has that authority, let alone in this context. The absence of directly relevant case-law proves nothing except that this situation may be unprecedented. Indeed, the case-law on which we both have relied, as well as the OLC opinions that we have cited, clearly support the principle that one agency cannot transfer control of a statutory function to another agency without Congressional authorization, so it should not be surprising that Treasury and other agencies have simply tended to act in cognizance of the Constitution's separation of powers requirements.

Third, your June 28 letter suggests that, because the NPA conditions would shift only a "limited band" of the Postal Service's decision-making authority to FFB, and "would also not expressly shift any regulatory authorities," concerns about improper subdelegation are misplaced. June 28 letter at 2-3. This position is based on a misreading of the cases cited in your letter, which wholly support our position. To be sure, the NPA conditions would not shift all of the Postal Service's authority to the FFB – as your letter notes, the Postal Service would still retain the power to exercise "other statutory authorities" and to approve negotiated service agreements (NSAs) below the $70 million revenue threshold. *Id.* at 1, 2. But the issue is not whether one agency has usurped every power that Congress has vested in a different agency, but rather whether one agency has arrogated to itself the decision on how to exercise any of another agency's powers. That much is clear from *U.S. Telecom Ass'n*, the leading case on the subdelegation doctrine. There, the D.C. Circuit concluded that the Federal Communications Commission (FCC) had improperly delegated to state commissions the determination of whether "a specific statutory requirement" had been satisfied. 359 F.3d at 567. The fact that the FCC would still have had other statutory duties, arising under different statutory provisions, did not give the court pause: indeed, it was not a factor in the court's analysis at all.

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[5] By contrast, in *Gentiva Healthcare Corp. v. Sebelius*, 723 F.3d 292, 296 (D.C. Cir. 2013), the court found an "affirmative showing" of congressional intent to allow the HHS Secretary to subdelegate decision-making to a private contractor, where a statutory provision granted the Secretary broad power to "perform any of [her] functions under this subchapter directly, or by contract . . . , as [she] may deem necessary." 42 U.S.C. § 1395kk(a) (emphasis added). No similar language appears in Title 39. And as noted in our May 31 letter, Title 39's "terms and conditions" language is nowhere near as explicit as other statutory provisions that have expressly allowed Treasury to assume decision-making for other Federal entities.

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The other cases on which your letter relies also do not support your position. Those cases involve a wholly different factual scenario, in which an agency that possesses the statutory authority to render a multi-factor decision may condition one element of such decision on an outside party's assessment or approval. *See generally La. Forestry Ass'n v. Sec'y, U.S. Dep't of Labor*, 745 F.3d 653, 672-73 (3d Cir. 2014); *Fund for Animals v. Kempthorne*, 538 F.3d 124, 133-34 (2d Cir. 2008). While there is some (but not unanimous) support for the proposition that such a scenario would not constitute an improper delegation, *La. Forestry Ass'n*, 745 F.3d at 672-73,[6] that proposition has no utility here. Instead, Conditions 4-7 would have FFB making final decisions that would cover the totality, not merely a discrete factor, of decisions on strategic planning, budgets, pricing, contracts, and structure, and would effectively allow FFB to make the Postal Service's most significant business decisions for it.[7] As such, the situation is closer to that in *Defenders of Wildlife v. Gutierrez*, 532 F.3d 913, 926-27 (D.C. Cir. 2008), where the court held the Coast Guard to have impermissibly subdelegated its authority to establish traffic separation schemes when it merely entered into the Code of Federal Regulations schemes dictated by the International Maritime Organization. Nor does the "narrow[ ] band of discretion" principle announced in *Kempthorne* apply here: under no condition would the Postal Service exercise ultimate oversight and revocation. *See Kempthorne*, 538 F.3d at 133-34. Simply put, these cases bolster our point that a shift of decision-making power from the Board or the Governors to FFB, such as the proposed conditions seek to compel, would be unlawful.

III. CONCLUSION AND NEW PROPOSAL

In sum, whether or not terms like proposed Conditions 4-7 might be customary in commercial transactions between private parties, the case-law clearly indicates that the Postal Service cannot cede to Treasury the entirety of significant decisions that Congress vested in the Postal Service. That is precisely what proposed Conditions 4-7 would require. FFB would not merely be submitting input for the Postal Service's consideration (and possible rejection) or determining one part of a larger decision that would still ultimately be made by the Postal Service. Whatever other "conditions" the Postal Service and FFB might enter into as part of a revised NPA, they cannot include terms that would vitiate Congress's carefully considered intent and the Constitution's separation of powers. Accordingly, the Postal Service cannot agree to Conditions 4-7 in FFB's term sheet in their current form.

In an effort to maintain our longstanding financing relationship and to address your concerns over having adequate input on key postal decisions, but upon terms that are within the bounds of the law, we are prepared to make a counter-proposal to the term sheet you provided. Specifically, our counter-proposal largely memorializes those changes to Conditions 1-3 and 8-12 on which we appear to agree, and would replace Conditions 4-7 with new conditions stating that:

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[6] It should be noted that the holding in *Louisiana Forestry Association* remains a matter of contention. In that case, the Third Circuit held that the Department of Homeland Security (DHS), which had the authority to administer the H-2B visa program after "consultation" with appropriate agencies, did not impermissibly subdelegate its authority by deciding that one criterion for granting such visas was a petitioner's receipt of a temporary labor certification from the Department of Labor (DOL). That holding was rejected by the Tenth Circuit, which concluded that the role DHS afforded to DOL exceeded mere "consultation." *See G.H. Daniels III & Assocs. v. Perez*, 626 Fed. Appx. 205, 210-12 (10th Cir. 2015).

[7] Additionally, even where an agency may condition one element of a multi-factor determination on a decision by an outside agency, such condition is permissible only if "there is a reasonable connection between the outside agency's decision and the federal agency's determination." *U.S. Telecom Ass'n*, 359 F.3d at 567. As noted in the previous footnote, it is arguably reasonable for DHS to condition a grant of an H-2B visa on temporary labor certification from DOL, given DOL's expertise in labor and employment matters and the long history of its involvement in visa certifications. *See La. Forestry Ass'n*, 745 F.3d at 673-74. Here, by contrast, Treasury has no particular expertise in such matters as postal operations, pricing, or collective bargaining, and there is no history of conditions like those proposed here.

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- The Postal Service shall provide FFB with advance notice of official annual performance goals that it intends to publish in its annual reports that are submitted to Congress and the Postal Regulatory Commission, and shall provide FFB with an opportunity to comment and provide input upon such proposed performance goals before they are published and submitted.

- At least quarterly, the Postal Service shall orally brief the FFB's officers and/or board members on its broad strategy to return the Postal Service to financial stability, and shall provide FFB with an opportunity to comment and provide input upon such strategy. The Postal Service shall also provide FFB with any comprehensive, multi-year business plan that it develops for the purpose of returning the Postal Service to financial stability, and shall provide FFB with an opportunity to comment and provide input on such business plan.

A copy of our counter-proposal is enclosed. I understand that the Postmaster General will be communicating directly with Secretary Mnuchin concerning this matter. In the interim, please do not hesitate to give me a call if you have any questions or concerns. I hope this information is helpful, and that this matter can be brought to a successful resolution.

Very truly yours,

Thomas J. Marshall

Enclosed

AMERICAN OVERSIGHT

Thomas J. Marshall
General Counsel
and Executive Vice President

UNITED STATES POSTAL SERVICE

May 22, 2019

GOVERNORS

SUBJECT: Authority to Cede Operational Control to the Federal Financing Bank as a Condition of Borrowing

Last week, we received a proposal from the Federal Financing Bank (FFB) to subject renewal of our Note Purchase Agreement (NPA) to a number of new conditions. Broadly speaking, the proposed conditions fall into three general categories. Conditions 1-3 are debt security terms that would require the Postal Service to establish an escrow account to cover 15 months of interest. Conditions 4-6 would require the Postal Service to obtain FFB consent in the establishment of postal policy and before engaging in various business activities, such as establishment of annual performance targets, and management of major negotiated service agreements. Condition 7 would require the Postal Service, under certain circumstances, to potentially cede to FFB the decision-making authority for matters concerning pricing, collective bargaining, major contracting, structural organization, and the composition of senior management. Finally, conditions 8-11 are transparency and reporting requirements that would require various reports and briefings to the FFB. (A twelfth condition is a remedy provision that provides that the breach of any other condition would entitle the FFB to refuse to purchase a Postal Service obligation issued under the NPA.)

The majority of these proposed conditions—specifically, the escrow and reporting conditions—raise no immediate legal concerns, although they represent a significant departure from our current agreements, and seem unnecessary in the context of intergovernmental borrowing. Whether to accept them or make a counter-offer is a business decision.

By contrast, conditions 4-7 would essentially turn the FFB into a sort of "control board" that supersedes the authority vested by Congress in the Board of Governors (Board) and the Governors. In particular:

- Condition 4 would require the Postal Service to obtain prior written consent from FFB before establishing annual performance goals.
- Condition 5 would require FFB consent before the Postal Service enters into major negotiated service agreements.
- Condition 6 would give the FFB control over the most central aspect of postal policy, by requiring that the FFB consent to a plan to "stabilize and reverse [the Postal Service's] financial decline." Moreover, under that plan, the Postal Service has been advised that it could only rely on those powers available to the Postal Service under current law, as Treasury noted in a May 17, 2019 phone conference with Postal Service Finance. In other words, in contrast to the Board's Ten-Year Business Plan, the FFB would forbid the Postal Service's plan from relying on legislative changes to the Postal Service's business model.

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- If that FFB-approved plan fails to achieve its goals in the eyes of the FFB (as it inevitably would, particularly given the fact that the Postal Service lacks the authority under current law to achieve financial stability), then condition 7 would allow the FFB to assume control over the most central aspects of business decision-making.

Regardless of whether these terms might be appropriate in a commercial transaction between private parties,[1] they pose significant constitutional and statutory problems in the context of a transaction between the Postal Service and Department of the Treasury (Treasury), whether acting through FFB or in its own name. For that reason, they cannot legally be a legitimate part of any covenants or additional provisions to any Note Purchase Agreement between the Postal Service and FFB. Simply put, these conditions are not within the power of the FFB to demand or within the power of the Postal Service to accept.

The remainder of this memo will explain why (1) the Board and the Governors cannot lawfully cede decision-making authority over the Postal Service to the FFB, Treasury, or private creditors, and (2) why the FFB's separate statutory authority does not change that conclusion. In this regard, it is irrelevant whether a private creditor might customarily impose similar control-oriented conditions on a financially distressed private borrower in the course of a market transaction. The Postal Service is not a private entity, but an independent establishment of the Executive Branch created and governed by statute. 39 U.S.C. § 201; *see U.S. Postal Serv. v. Flamingo Indus. (USA) Ltd.*, 540 U.S. 736, 740-41 (2004). Title 39 of the United States Code sets forth a carefully constructed governance structure for the Postal Service, in which postal powers are vested in the Board and in the Governors. By instead vesting ultimate control and authority over the Postal Service in the hands of the FFB (and hence Treasury), the FFB's proposed conditions 4-7 would vitiate the statutory scheme and usurp Congress's authority over postal organization. Treasury officials have clarified that, in proposing these terms, they did not analyze whether they were legally consistent with the Postal Service's status as an entity of the Executive Branch.

I. THE POSTAL SERVICE CANNOT LAWFULLY CEDE DECISION-MAKING AUTHORITY TO TREASURY, THE FFB, OR ANY OTHER CREDITOR

Under the Constitution, Congress holds the power to establish the postal system and to make all necessary and proper laws related to that power. U.S. CONST. art. I, § 8, cl. 7, 18. It is also Congress's power to establish "offices" for carrying out the postal laws it enacts. *Id.* art. II, § 2, cl. 2. Only the President can appoint officers to those Congressionally-established offices: for so-called principal officers, this requires Senate confirmation, whereas Congress can alternatively provide for appointment of inferior officers by the President alone or by a designated principal officer. *Id.*

To apply these precepts to the situation at hand, Congress established the Postal Service to fulfill the various operational and business functions in Title 39, United States Code. Congress created particular offices in which it vested decision-making powers: specifically, Congress vested the exercise of most of the powers of the Postal Service in the Board, with certain significant powers reserved to the Governors alone. 39 U.S.C. § 202(a)(1), (c)-(e); *see id.* § 402. Those powers include pricing, product management, control of expenses, collective bargaining, structural

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[1] Based on a May 15, 2019, letter from Stephen Laughton, Assistant General Counsel (Banking and Finance) at Treasury, we understand Treasury's argument in support of these proposed conditions to rest on two basic points. First, whatever statutory restrictions might arguably apply to the Postal Service-Treasury borrowing relationship under the Postal Reorganization Act of 1970 (PRA), Congress's establishment of the FFB in 1973 created a separate borrowing option free of those restrictions. Second, the borrowing-authority statutes give the FFB and the Postal Service broad authority as to the terms and conditions of borrowing. Based on the May 17, 2019, phone conference as well as a subsequent discussion held with Treasury officials yesterday, we understand that the FFB sees these conditions as customary terms that would be imposed on a financially distressed company seeking to borrow money from the market.

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organization, and performance planning: the very subjects of the FFB's proposed conditions 4-7. *Id.* §§ 205(a), 401, 404, 1206, 2803-2804, 3632. Powers assigned to the Board can be delegated to committees of the Board or to the Postmaster General and can be re-delegated within the Postal Service. *Id.* § 402. Powers assigned to the Governors cannot be delegated. *Id.* Congress provided for the Governors, as principal officers, to be appointed by the President with Senate confirmation; inferior officers (including the Postmaster General and Deputy Postmaster General) to be appointed by the Governors; and employees of the Postal Service to be appointed by the inferior officers or other employees. *See id.* §§ 202, 402, 1001(a).

Congress gave the Governors "ultimate control and authority" over the Postal Service. *Silver v. U.S. Postal Serv.*, 951 F.2d 1033, 1038 (9th Cir. 1991). It might have been constitutionally valid for Congress to place postal decision-making under Treasury's control. But that is not what Congress and the President chose in the PRA. Indeed, the legislative history of the PRA attests to Congress's manifest intent that the Postal Service be removed from direct control by the President or officers who serve at the pleasure of the President, such as the Treasury Secretary. *See* S. REP. NO. 91-912, at 4, 8 (1970); H.R. REP. NO. 91-1104, at 13 (1970); President's Message to Congress Transmitting Postal Reform, H.R. DOC. NO. 91-313, at 51-52 (1970); *see also Status of the United States Postal Service as an "Executive Agency" Under Executive Order No. 12,250*, 5 Op. Off. Legal Counsel 241 (1981) ("Moreover, both the Act and its history reveal that Congress intended to grant the Service at least some measure of insulation from control by the President and to place the Service in a separate category from the conventional executive departments." (citation omitted)).

Hence, the Governors are subject to Presidential removal only for cause, in the interest of vesting the Governors with the independent ability to determine postal policy, including in the establishment of postal prices and in the selection of senior management. 39 U.S.C. § 202(a); *Mail Order Ass'n of Am. v. U.S. Postal Serv.*, 986 F.2d 509, 519-520 (D.C. Cir. 1993) (noting that the governance structure of the Postal Service is designed to confer "independence from political pressures and independence to manage its operations in a professional, businesslike manner," with the Board exercising "policy control [over postal affairs] with functions similar to a board of directors") (citations omitted); *see also Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 502 (2010); *Buckley v. Valeo*, 424 U.S. 1, 133 (1976) ("The Court in [*Humphrey's Executor*] carefully emphasized that . . . the members of such agencies were to be independent of the Executive in their day-to-day operations[.]"); *In re Aiken County*, 645 F.3d 428, 442 (D.C. Cir. 2011) (Kavanaugh, J., concurring) ("Because of *Humphrey's Executor*, the President cannot remove an independent agency's officers when the agency pursues policies or makes decisions the President disagrees with.").

Within Congressionally-set parameters, the President and his subordinates may only "take care that the laws are faithfully executed"; they cannot themselves remake the laws. U.S. CONST. art. II, § 3; *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579, 587 (1952). Since it is Congress's prerogative to create Executive Branch entities, define their functions, and designate offices to execute those functions, the President and his subordinates cannot transfer functions from one Executive Branch unit to another without Congressional authorization. *Centralizing Border Control Policy Under the Supervision of the Attorney General*, 26 Op. Off. Legal Counsel 22, 22-24 (2002) ("This Office has long held that transfers of statutory authority from one department to another 'may normally be accomplished only by legislation or by executive reorganization under the [since-lapsed] Reorganization Act.'" (citations omitted)). As was noted by the Office of Legal Counsel (OLC):

> It has long been established that, if the laws . . . require a particular officer by name to perform a duty, not only is that officer bound to perform it, but no other officer can perform it without a violation of the law; and were the President to perform it, he would not only be not taking care that the laws were faithfully executed, but he would be violating them himself.

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Id. (citing *The President and Accounting Officers*, 1 Op. Att'y Gen. 624, 625 (1823)).[2]

As noted above, Congress designated the officers responsible for postal decision-making. Congress also gave those officers no authority to delegate their authority outside the Postal Service (if at all). The Executive Branch does not have the constitutional power to supersede Congress's choice to delegate the execution of the postal laws to the Postal Service, rather than to Treasury or the FFB.[3]

As Mr. Laughton's letter points out, the statutory provisions on Postal Service borrowing allow the Postal Service to agree to conditions and covenants in any sale of its obligations. *See* 39 U.S.C. §§ 2005-2006. Section 2006, for instance, notes that the Postal Service obligations purchased by Treasury may be "under such terms . . . as [the Treasury Secretary] and the Postal Service may agree." Mr. Laughton suggests that the plain language of these provisions is broad enough to authorize the FFB's proposed conditions. While it is true that these provisions give the Postal Service discretion regarding the terms it may agree to, that discretion is not limitless. Those statutory provisions cannot be read in isolation; rather, they must be read in the context of the statute as a whole. *E.g.*, *Sturgeon v. Frost*, 136 S. Ct. 1061, 1070 (2016). As explained above, the same PRA that enacted Sections 2005 and 2006 created the Postal Service as an independent establishment, insulated it from direct political control, and designated the Governors and Board as the officers responsible for making postal policy and business decisions. A provision that simply authorizes the Postal Service to agree to conditions when exercising its borrowing authority cannot reasonably be construed to allow the Postal Service and another Executive Branch entity to agree to make an end-run around the governance structure that Congress painstakingly established in the same Act. *Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001) ("Congress, we have held, does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions – it does not, one might say, hide elephants in mouseholes." (citations omitted)).[4]

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[2] Topically, the *President and Accounting Officers* opinion illustrates the point with a hypothetical about the President appointing a postmaster notwithstanding Congress's vesting of that power in the Postmaster General. Absent some other role in the structure that Congress established, the President's constitutional role is limited to removing and replacing an officer who is not faithfully executing the laws. *The President and Accounting Offices*, 1 Op. Att'y Gen. at 626.

[3] In addition to subverting the structure that Congress enacted, there is yet another constitutional problem with Treasury/FFB supervision of the Postal Service. The Constitution gives the President alone the power to supervise principal officers like the Governors, as an incident of his removal power. That constitutional responsibility cannot be delegated to Treasury or FFB, *Centralizing Border Control Policy*, 26 Op. Off. Legal Counsel at 24-25, let alone assumed by Treasury/FFB amid Presidential silence.

[4] As noted earlier, Treasury apparently believes that private lenders would demand a similar cession of control. However, the Postal Service could not accede to such a demand under Section 2005, any more than it can accede to transferring control of the Postal Service to another Executive Branch entity. In effect, this scenario would involve the Board and the Governors re-delegating their governmental decision-making authority to a private party. Such a cession would violate another principle of constitutional law. According to the so-called non-delegation doctrine, "Congress may employ private entities for ministerial or advisory roles, but it may not give these entities governmental power over others." *Pittston Co. v. United States*, 368 F.3d 385, 395 (4th Cir. 2004) (agreeing with the Third Circuit's summary of the doctrine in *United States v. Frame*, 885 F.2d 1119 (1989)) (emphasis omitted); *see Am. Ass'n of R.R. v. U.S. Dep't of Transp.*, 721 F.3d 666, 670-72 (D.C. Cir. 2013), *vacated on other grounds*, 135 S. Ct. 1225 (2015); *see also Dep't of Transp. v. Am. Ass'n of R.R.*, 135 S. Ct. at 1252-53 (Thomas, J., concurring). Where an agency delegates to private individuals its decisionmaking authority vested by statute, the harm to political accountability "is doubled in degree in the context of a transfer of authority from Congress to an agency and then from agency to private individuals. The vitality of challenges to the former type of transfer is suspect, but to the latter, unquestionable." *Nat'l Ass'n of Regulatory Utility Comm'rs v. FCC*, 737 F.2d 1095,

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The legislative history of the PRA supports this understanding of the Postal Service's borrowing authority. Prior to enactment, Treasury's Under Secretary for Monetary Affairs explained that, under the PRA provisions concerning borrowing, the Treasury Secretary should neither "assert substantive control over the Postal Service" nor "[ ]ever put himself in a position where he is preventing the postal authority from obtaining what financing [the Postal Service] think[s] is necessary." *Postal Modernization: Hearings Before the Senate Comm. on Post Off. & Civil Serv.*, 91st Cong., at 311-12 (1969) (remarks of Under Secretary Paul A. Volcker); *see also id.* at 305-06 ("stress[ing]" that the Treasury Secretary's purchase option would not "interfer[e] with the financing of essential Postal Service activities or arrogat[e] to the Secretary any control over the operations of the Postal Service"); *Post Office Reorganization, Part III: Hearings Before the House Comm. on Post Off. & Civil Serv.*, 91st Cong. 1165 (1969) (statement of Under Secretary Volcker) (Treasury's role should be understood as limited, lest "some outsider looking at the bill" might construe it as "giv[ing the Secretary of the Treasury] certain powers over the Post Office Department that he shouldn't have"); *see* H.R. REP. NO. 91-1104, at 21 (1970).[5] Therefore, the borrowing provisions were intended simply to ensure that Treasury could coordinate overall Government debt issuances (including those of the Postal Service), without in any way suggesting that they could be used to cede to Treasury substantive control of the Postal Service.

Case-law on the analogous relationship between the Postal Service and the Department of Justice (DOJ) further buttresses the analysis here. In at least two cases, DOJ has asserted a prerogative to control the Postal Service's litigating position, settlement of claims, and ability to represent itself. On both occasions, courts held that, notwithstanding statutory authority for DOJ involvement in Postal Service litigation, DOJ's assertions of control ran afoul of Congress's decision to confer independent decision-making authority on the Postal Service. *Mail Order Ass'n of Am.*, 986 F.2d at 522-23 ("Respect for the language of the [PRA] and its underlying purposes simply will not permit the conclusion that Congress intended simultaneously to give the Postal Service such broad and unfettered discretion and to condition its judicial review options on [DOJ]'s – or even the President's – approval."); *Leonard v. U.S. Postal Serv.*, 489 F.2d 814, 817-18 (1st Cir. 1974). To paraphrase the court in *Leonard*, "It was the intent of the Congress to create an independent Postal Service. It would be anomalous to hold that decisions normally committed wholly to the independent discretion of the Service are made subject to [Treasury or FFB] veto power when incident to [borrowing]." *Leonard*, 489 F.2d at 817-18.

To be sure, Congress could vest ultimate decision-making powers concerning postal operations in officers outside the Postal Service, if it wished. Indeed, the Postal Service is already subject to final decision-making authority exercised by various other Executive Branch entities, such as the Federal Trade Commission, the Postal Regulatory Commission, and the Equal Employment Opportunity Commission. *E.g.*, 39 U.S.C. §§ 409(d)-(e), 3662(c)-(d); 42 U.S.C. § 2000e-16. And Congress has considered (but not enacted) legislation to create a "control board" that would assume decision-making powers in a manner similar to those proposed in NPA conditions 4-7. H.R. 2748, 113th

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1143 n.41 (D.C. Cir. 1984). This conclusion further demonstrates that, while commercial principles can play a role in the interpretation and application of 39 U.S.C. §§ 2005 and 2006, those principles must be applied within limits imposed by the Constitution and by statute. *Cf. Scope of Treasury Department Purchase Rights with Respect to Financing Initiatives of the U.S. Postal Service* [hereinafter "*Treasury Purchase Rights*"], 19 Op. Off. Legal Counsel 238, 245 (1995) (using commercial principles to interpret Section 2006(a) only "[i]n the absence of contrary language in the statute").

[5] OLC expressly relied on this legislative history to interpret the meaning of 39 U.S.C. §§ 2005-2006. *See Treasury Purchase Rights*, 19 Op. Off. Legal Counsel at 245 n.5; *Authority of the Secretary of the Treasury Regarding Postal Service Bond Offering*, 17 Op. Off. Legal Counsel 6, 8-10 (1993) (quoting both the House and Senate Hearings in explaining that the statute itself may be ambiguous, but the "legislative purpose" behind the statute is clear).

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Cong. §§ 201-209, 503 (2015) (as reported); H.R. 2309, 112th Cong. §§ 201-232 (2012) (as reported). In contrast to all of those explicit provisions, however, there is no statutory authority that would allow Treasury to supervise and potentially supersede decisions of the Governors and the Board.[6]

Congress did not delegate postal decision-making to Treasury, and there is no reasonable basis to construe the borrowing provisions of the Postal Service's statute as a tacit grant of authority to the Postal Service and Treasury to agree to such a transfer of control. To do so would completely subvert the statutory structure that Congress carefully and deliberately created. Under the Constitution, such choices lie with Congress, not with the Executive Branch.

II. THE FFB'S GOVERNING STATUTE DOES NOT PROVIDE IT WITH AUTHORITY TO ESSENTIALLY ASSUME CONTROL OVER THE POSTAL SERVICE

Mr. Laughton's letter also suggests that, whatever limitations Congress imposed on the borrowing relationship between the Postal Service and Treasury, the FFB somehow exists outside those limitations. To the extent Mr. Laughton is suggesting that Congress implicitly authorized the FFB to exercise substantive control over postal decision-making when it enacted the Federal Financing Bank Act of 1973 (FFBA), the statute creating the FFB, such an interpretation finds no support in the FFBA's text or legislative history.

As Mr. Laughton notes, the FFBA was enacted a mere three years after the PRA and created the FFB as "a body corporate" and "an instrumentality of the United States Government" that is "subject to the general supervision and direction of the Secretary of the Treasury." 12 U.S.C. § 2283. The FFB is governed by a five-member Board of Directors with the Treasury Secretary serving as Chairman, and with the other four directors "appointed by the President from among the officers or employees of the Bank or of any Federal agency." *Id.* § 2284(a). Currently, the directors are all officials of the Treasury. FFB, 2018 Annual Report 6, https://go.usa.gov/xmvzY. By statute, the FFB is authorized to purchase obligations of any federal agency, and each federal agency that is authorized to sell obligations is authorized to sell such obligations to the FFB. *Id.* § 2285(a).

As explained in the preceding section, when Congress intends to vest one Executive Branch entity with the power to assume substantive control over a separate entity, Congress says so explicitly. Congress did not do so in the FFBA. Rather, the FFB was created merely to "assure coordination of [Federal financing] programs with the overall economic and fiscal policies of the Government" and to reduce the cost and market disruption of federal borrowings. *Id.* § 2281. The FFB exercises powers otherwise vested in Treasury and is expressly "subject to the direction and supervision of the Secretary of the Treasury." 31 U.S.C. § 305. For example, the FFB can exercise the powers assigned to Treasury under 39 U.S.C. § 2006. Nothing in the FFBA's language suggests that the FFB's lending powers were designed to be broader than those afforded Treasury as a general matter. Accordingly, while FFB has the authority to purchase Postal Service obligations "on terms and conditions determined by the [FFB]," 12 U.S.C. § 2285(a), the statute nowhere suggests that

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[6] The lack of such statutory authority is also distinguishable from statutes that have expressly permitted Treasury and other agencies to assume control of an institution. 12 U.S.C. § 1455(*l*) (providing Treasury with temporary authority to acquire equity in the Federal Home Loan Mortgage Association (Freddie Mac), and authorizing Treasury to consider "[r]estrictions on the use of Corporation resources, including limitations on the payment of dividends and executive compensation and any such other terms and conditions as appropriate for those purposes," among other things); *see* 12 U.S.C. § 4617 (authorizing the Federal Housing Finance Agency to place Freddie Mac and other housing-finance institutions into conservatorship). In contrast to these statutory authorities, the PRA is devoid of any similarly explicit provision allowing Treasury, through its purchase of obligations, to assume control over Postal Service decisions. As noted above, the legislative history of the PRA indicates that quite the opposite is true.

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such terms and conditions can extend beyond the terms and conditions that the Secretary could otherwise establish. Indeed, the FFB's purpose of simply coordinating overall Federal financing programs aligns precisely with the role that Congress contemplated for Treasury under 39 U.S.C. § 2006(a), as discussed above.

The FFBA's legislative history confirms that Congress did not intend for the FFB to have any authority to exercise substantive control over the Postal Service's statutory duties or powers. To the contrary, the committee reports accompanying the FFBA explained that the FFB was not authorized to lend money to the Postal Service beyond the scope of Treasury's powers under 39 U.S.C. § 2006(a):

> Your committee has reviewed the status of the authorities of the U.S. Postal Service to issue obligations as to whether this authority under the Postal Reorganization Act would be affected by any provision of this bill. Your committee intends that this bill will not impair or diminish the authority of the Postal Service to issue obligations under the financing provisions of the Postal Reorganization Act. Under the Postal Reorganization Act, the Secretary of the Treasury may purchase all Postal Service obligations if he does so within the time period prescribed in 39 U.S.C. 2006(a). The bill would have the effect of giving the Secretary the authority to exercise this right by requiring the Postal Service to sell its securities to the Federal Financing Bank. However, if the Bank or the Secretary did not act to take up a proposed Postal borrowing within the prescribed time limit, the Postal Service could, on its own initiative, borrow in the private market under its independent Postal Reorganization Act authority. Your Committee believes that no specific amendment is required to preserve the independent financing authority of the Postal Service.

H.R. REP. NO. 93-299, at 5 (1973); *accord* S. REP. NO. 93-166, at 3 (1973); H.R. REP. NO. 92-1478, at 6-7 (1972);[7] *see also Treasury Purchase Rights*, 19 Op. Off. Legal Counsel at 243 (interpreting the 1973 House committee report as "intended to provide broad assurance that the FFBA would not unduly impair USPS' existing financing authority under the PRA"). The FFB thus was conceived of as an agent for Treasury's exercise of its purchase option under 39 U.S.C. § 2006(a), and not as an entity with an independent purchase option.

As with the PRA, Congress's expression of the FFBA's intent was largely based on the view of Treasury itself. *Federal Financing Bank Act: Hearings Before the House Comm. on Ways & Means*, 93d Cong. at 18 (1973) (remarks of Under Secretary Volcker) ("The principal effect of the Federal Financing Bank in this respect is that the Secretary of the Treasury could say to the postal service that he is going to take that issue [under 39 U.S.C. § 2006(a)] for the Federal Financing Bank rather than for the Treasury itself."); *Federal Financing Bank Act: Hearings Before the House Comm. on Ways & Means*, 92d Cong. at 26 (1972) (remarks of Under Secretary Volcker) (characterizing "the only really essential" effect of the FFBA on Postal Service borrowing as "that the Secretary of the

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[7] As noted in Mr. Laughton's letter, the 1972 House committee report, at slight variance from the later reports, cast the FFB as "another potential purchaser of postal obligations." H.R. REP. NO. 92-1478 at 7. This stray characterization, however, does not support an inference that the FFB's purchase option is independent from Treasury's, for three reasons. First, the sentence is facially ambiguous: given Treasury's oversight of the FFB, the FFB's separate corporate identity does not necessarily imply separate substantive authority regarding Postal Service borrowing. Second, contrary to any such implication and consistent with the later committee report language excerpted above, the sentence that follows characterizes the FFB or Treasury exercising the purchase option under 39 U.S.C. § 2006(a). *Id.* Finally, the 1972 committee report was superseded by the 1973 committee reports in any event, and those later reports are unambiguous on this point.

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Treasury or the Board of Directors of the Federal Financing Bank would" exercise the right of first purchase).[8]

Moreover, and perhaps most to the point here, the Administration that proposed the creation of the FFB assured the Postal Service and Congress that the FFB would not give the FFB or Treasury the power to control Postal Service decision-making. Upon receiving a letter outlining the Postmaster General's concerns about the proposed FFBA, the Office of Management and Budget (OMB) replied that the FFB's role would be limited to coordinating Federal borrowing activities;

> The proposed legislation does not require or intend that the Treasury Department have any role in or any veto power over the development or implementation of the programs of the various agencies. Thus, the proposed legislation contemplates no involvement of the Treasury or the Federal Financing Bank In formulating, reviewing, or otherwise affecting the structure or scope of agency programs.

Letter from Frank C. Carlucci, Executive Director, OMB, to Postmaster General E.T. Klassen, Apr. 8, 1972, *reprinted in Federal Financing Authority: Hearings Before the Senate Comm. on Banking, Housing & Urban Affairs*, 92d Cong. at 77 (1972).

In sum, the provision of the FFB's statute allowing it to set terms and conditions for the purchase of Postal Service debt cannot reasonably be interpreted as giving FFB the authority to assert substantive control over the Postal Service. A contrary conclusion is unsupported by the FFBA's text and contrary to the expressed intent of the Congress and Administration that enacted the FFBA.

Of course, even if there were some indication of legislative intent to allow the FFB to assume decision-making powers as a condition of lending (which there clearly is not), it would be unconstitutional for the FFB to exercise such powers. As noted in section I above, the Constitution's Appointments Clause requires each freestanding component of the Executive Branch to be headed by a "principal officer" appointed by the President and confirmed by the Senate. *See Free Enter. Fund*, 561 U.S. at 511. Because the Postal Service is such a freestanding component, and because the FFB Board of Directors consists predominantly of inferior officers or employees,[9] the Appointments Clause bars the FFB from acting as an agency head and subordinating the Postal Service Governors, whom Title 39 designates as principal officers. *See Silver*, 951 F.2d at 1038-39.[10] Even if the FFB were headed by a principal officer, however, it would violate the Constitution's

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[8] The Postal Service expressed its satisfaction with these assurances that the FFBA would not impair its ability to borrow under the PRA. *Federal Financing Bank Act*, 92d Cong. at 40-41.

[9] As explained earlier in this section, the FFB is headed by a Board of Directors chaired by the Treasury Secretary, with four other Directors appointed by the President (without Senate confirmation) from the ranks of Executive Branch "officers or employees." 12 U.S.C. § 2284(a). Because the FFB Directors are not subject to Senate confirmation, they cannot be considered principal officers under the Appointments Clause, except, arguably, for the Treasury Secretary and any other Directors who are principal officers of another agency. At present, however, four of the five current FFB Directors are inferior officers or employees at Treasury. FFB, 2018 Annual Report at 6. The FFB Board makes decisions by majority vote, meaning that the four inferior-officer Directors can override the Treasury Secretary's vote. Bylaws of the Federal Financing Bank § 3.08 (2006), https://go.usa.gov/xmvGN.

[10] Here, too, the situation with Fannie Mae and Freddie Mac is distinguishable. To the extent that Treasury was exercising significant governmental authority to control the institutions (on par with the authority that Congress delegated to the FHFA, *see* 12 U.S.C. § 4617), it is notable that Congress conferred that authority on the Secretary of the Treasury, a principal officer, and not on the FFB. *See* 12 U.S.C. § 1455(*l*). The agreements that resulted were executed by Treasury, and not by the FFB as a delegee. Amended and Restated Senior Preferred Stock Purchase Agreement Between Treasury and Freddie Mac.

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separation of powers at any rate for the FFB to assume control of the Postal Service without express Congressional authorization.

For the reasons noted above, constitutional doctrine, the relevant statutory text, and the legislative history, strongly support the conclusion that proposed conditions 4-7 are unlawful.

III. TACTICAL OPTIONS AND CONSIDERATIONS

We believe that the logical next step would be to send a memorandum to Treasury counsel explaining our legal analysis and to see how Treasury/FFB responds. In our view, this type of engagement was effective in obtaining more clarity from Treasury about recommendations in the White House Task Force report. In addition, from discussions that we have had with Treasury, we understand that they have proposed these terms based on private-sector principles; they have not considered the specific legal issues that are implicated by imposing such terms on the Postal Service, as an entity of the Executive Branch with a specific and unique statute. Therefore, we believe this engagement on a lawyer-to-lawyer level could prove effective. A draft letter for this purpose to the Treasury Assistant General Counsel (Banking and Finance) is attached for your review and consideration.

Perhaps after sending the memorandum to Treasury counsel described in the previous paragraph, and receiving a response, the Board may also consider whether to offer a counter-proposal, such as an array of conditions that does not include proposed conditions 4-7, or one that includes proposed conditions that are modified in such a way as to be within lawful bounds (e.g., downgrading them to reporting requirements, or allowing Treasury/FFB to provide input, rather than ceding control). Additionally, the Board should consider briefing the leadership of relevant Congressional committees, either before or after obtaining more clarification about Treasury/FFB's position.

If Treasury/FFB insists on its proposed conditions notwithstanding our analysis of their unlawfulness, the Postal Service would have at least four options.

First, the Postal Service could request a legal ruling from OLC. For OLC to resolve the dispute, the Postal Service would have to agree to be bound by OLC's ultimate decision.[11]

Second, the Postal Service could refuse to enter into a new NPA. If Treasury continues to insist on unlawful conditions in the context of an individual post-NPA bond issuance, the Postal Service could deem Treasury to have constructively declined to purchase the Postal Service's obligations within a reasonable period. This would entitle the Postal Service to proceed to a market issuance under 39 U.S.C. § 2005 (if such an issuance is deemed to be feasible). *See Treasury Purchase Rights*, 19 Op. Off. Legal Counsel at 244-45. If the Postal Service attempts a market issuance without express consent from Treasury, there is some risk that Treasury will seek an OLC ruling (although the Postal Service could block OLC from considering the matter by not agreeing to be bound) or that Treasury could adopt other means of influencing the matter, such as informal pressure on regulated banks or more direct Administration pressure.

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[11] As an agency subject to Executive Order No. 12,146 whose head (the Governors) does not serve at the pleasure of the President, the Postal Service would have to agree to be bound by OLC's disposition. Memorandum from David J. Barron, Acting Assistant Attorney General, to OLC Attorneys, Best Practices for OLC Legal Advice and Written Opinions, at 3 (July 16, 2010), https://go.usa.gov/xUwbq. *See Treasury Purchase Rights*, 19 Op. Off. Legal Counsel at 239 n.2 (noting that the Postal Service, by letter dated March 17, 1995, "consented to be bound by the final opinion to be issued by this Office"). OLC does not require such an agreement of agencies whose heads serve at the pleasure of the President (as the Secretary of the Treasury does), presumably because it trusts that the threat of removal is adequate to ensure compliance.

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Third, the Postal Service could forgo further borrowing from Treasury and seek some form of legislative relief from Congress. This could take the form of a measure (or informal pressure) specific to the borrowing relationship, or of a measure offering broader financial relief in light of the diminished capacity for borrowing.

Fourth and finally, the Board could, in theory, decide to accept proposed conditions 4-7 notwithstanding their abrogation of the statutory scheme. Doing so would create a significant risk that any business decisions made as a result of Treasury/FFB influence would be challenged in court – with a strong likelihood of success – by parties affected by those decisions, such as unions, suppliers, or mailers. An unlawful abdication of statutory authority could also serve as "cause" for Presidential removal of the Governors.[12] There could also be negative political consequences, in terms of public reaction and Congressional oversight or action. These risks would apply to any cession of decision-making authority by the Governors, whether to Treasury/FFB or to a private creditor.

As an adjunct to any of these four options, the Postal Service could exercise its statutory right to compel Treasury to purchase up to $2 billion in Postal Service notes (within the annual and aggregate debt ceilings), subject to certain "conditions" of the general Postal Service issuance process. 39 U.S.C. § 2006(b). It is clear that these "conditions" include fifteen days' advance notice to Treasury and consultation with Treasury about the terms. Although there is some ambiguity in the statutory language, there is a strong argument that the Postal Service has ultimate discretion to dictate the terms of notes issued through its "put option"; otherwise, if Treasury had a right to negotiate and veto, the put option would be ineffective. See H.R. REP. NO. 91-1104, at 21 (describing the option as "the right of the [Postal] Service to call upon [Treasury] to purchase up to $2 billion of its obligations," and discussing a number of uses to which the Postal Service can put the option, without any mention of any prerogative on Treasury's part to affect the terms). The Postal Service has not exercised this put option in its existence; all Treasury purchases have been voluntary ones under Section 2006(a). This means that the put option remains fully available, subject to the limitations imposed by the debt ceiling.

IV. CONCLUSION

I hope you find this material to be useful as you consider ongoing and impending developments in our relationship with Treasury. Of course, if you have any additional questions or concerns, or if you need additional information, then please do not hesitate to let me know.

Thomas J. Marshall

Thomas J. Marshall

cc: Ms. Brennan
Mr. Stroman
Mr. Elston

[12] This prospect might appear to be theoretical under the precise circumstances here, where Treasury might have the President's support. But a subsequent President might have a different view of the situation. And even the current President might have a different perspective if the Postal Service were to agree to similar conditions offered by a private creditor. At any rate, once established, the grounds for removal would remain if this President, or a subsequent one, were later to deem it convenient to replace the Governors.

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ANALYSIS OF WHITE HOUSE TASK FORCE RECOMMENDATIONS

Universal Service Obligation (USO)

Recommendation 1	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Definition: Clearly define the USO. Provide a targeted definition of minimum, essential postal services, that due to specific social and economic needs have a basis for government protection.	Administrative	Congress, PRC, USPS

Notes: The Task Force characterizes this recommendation as something for the Board of Governors to do "or [to] seek legislation to do." To the extent that this redefinition would determine the scope of the USO, the current USO parameters are established by statute. Congress expressly reserved the power to change the USO to itself, as an issue of "broad public policy," and declined to delegate it to the Postal Regulatory Commission (Commission). S. REP. NO. 108-318, at 38-39 (2004); *see also* H.R. REP. NO. 109-66, pt. 1, at 62-63 (2005). Thus, while the Commission might theoretically reconsider its 2008 opinion that the USO applies to all Postal Service products, Postal Regulatory Comm'n, Report on Universal Postal Service and the Postal Monopoly [hereinafter "USO Report"] 4, 23-25 (2008), any attempt to give regulatory or operational effect to that redetermination, without enabling action by Congress, would be subject to legal challenge and likely overturned. (The Commission would also face the challenge of articulating a non-arbitrary basis for revising its 2008 interpretation of the relevant statutes, which have not changed since that time.)

The current statute's lack of guidance on an "essential"-"commercial" distinction underscores that such a change would involve a Congressional determination of public policy. The term "essential" appears only once in Title 39 in a manner relevant to the USO, in a broad reference to customers' access to "essential postal services." 39 U.S.C. § 403(b)(3). We are unaware of any legislative history limiting the scope of this phrase; to the contrary, the Commission has interpreted it as "rang[ing] from postal products, to mail acceptance points (such as collection boxes), to access to letter carriers who accept mail for posting, to easily accessible information." USO Report at 19. If anything, the governing statute indicates that the USO applies to "business correspondence" no less than other forms of correspondence. 39 U.S.C. § 101(a); *see also id.* § 403(a) (defining the USO in terms of "written and printed matter, parcels, and like materials" generally). In enacting the Postal Accountability and Enhancement Act of 2006 (PAEA), Congress not only decided to retain these broad provisions, it also decided to treat advertising mail and other forms of "commercial" mail as equally subject to the protections of the price cap that it enacted. 39 U.S.C. § 3622(d)(2)(A). Since the existing statute demonstrates Congress's public-policy judgment to apply the USO broadly, a decision to

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make distinctions between "essential" and "commercial" involves value distinctions that cannot be undertaken using statutory standards, and would likewise be a public-policy question for Congress.

To the extent that the recommendation is aimed at restructuring how products are classified for regulatory purposes, the Governors and Commission can only move incrementally toward the Task Force's model without legislative changes.

The current governing statute accords different regulatory treatment to postal services based on market power: namely, the scope of the letter monopoly and the Postal Service's pricing power, as measured by antitrust standards. 39 U.S.C. § 3642(b). The Task Force's proposed "essential"-"commercial" distinction does not align with the statutory division, and so, unless Congress were to change the law, any attempt to reorganize product regulation would have to conform to the current statutory standards.

One possibility is that the Commission could take a closer look at localized market power within competitive products and, theoretically, could shift certain competitive product volumes (e.g., products sold in rural areas, or consumer-to-consumer shipments) to the market-dominant category. This would approximately resemble the Task Force's vision of treating certain package-delivery products as "essential" and subject to price-cap regulation. The precedent for such an approach already exists in terms of how Post Office Boxes are classified according to levels of local competition, but the Commission has not yet extended this approach to other products. *See generally* Order No. 473, Order Approving Request to Transfer Selected Post Office Box Service Locations to the Competitive Product List, PRC Docket No. MC2010-20 (June 17, 2010). In doing so, the Commission would have to explain its departure from its own (or Congress's) previous determinations that each competitive product as a whole was properly classified as such, and as noted above would have to predicate the decision on the existence of market power, not a consideration that the packages at issue are "essential." *See, e.g.*, 39 U.S.C. § 3631(a) (initially classifying as competitive all of "priority mail," "expedited mail," and other products).

Another possibility is a deregulation of "non-essential/commercial" volume by transferring it from the market-dominant product list to the competitive product list. Current statutory parameters leave little opportunity to do so, however. First, products within the scope of the letter monopoly, such as most First-Class Mail and Marketing Mail, are not eligible for transfer. 39 U.S.C. § 3642(b)(2). Second, products with statutory rate preferences (i.e., certain Periodicals, Library Mail, and nonprofit Marketing Mail) must be regulated as market-dominant; arguably, so, too, must the products against which those preferred rates are benchmarked (Outside-County Periodicals, Media Mail, and at least some regular-rate Marketing Mail). 39 U.S.C. § 3626(a)(1), (g)(4)(B). The only market-dominant mail services that fall outside of these two criteria are Marketing Mail delivered on a saturation basis with simplified addressing, Alaska Bypass Service, and certain Bound Printed Matter Flats and Parcels. In theory, the Commission could expand the range of services eligible for transfer by narrowing the definition of the letter monopoly. 39 U.S.C. § 601(c) (authorizing the Commission to promulgate "[a]ny regulations necessary to carry out" a key letter-monopoly statute);

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see 39 C.F.R. § 310.1(a). But it is debatable whether such an exercise would be consistent with Congressional intent. *See* S. REP. NO. 108-318, at 39, 54 (2004) (characterizing Section 601 as delegating to the Commission only the power to administer the monopoly's exceptions, and explaining Congress's intent as reserving to itself the power to redefine the monopoly's scope). The Postal Service has taken the position that the Commission cannot redefine the scope of the monopoly through a fundamental change to the meaning of the term "letter," any more than it can redefine the scope of the USO.

For those products that clear the first two hurdles to transfer, the Commission could approve the transfer only if it is convinced that the Postal Service lacks pricing power. 39 U.S.C. § 3642(b)(1). The Postal Service would have to show that competing providers constrain its power over pricing and service quality. That is unlikely for Alaska Bypass Service, which was designed specifically to provide a supply line to remote areas that was otherwise absent. For document-based products like Marketing Mail and Bound Printed Matter Flats, the Commission might have to revisit its past refusal to consider electronic substitutes as part of its market-power analysis. *See generally* Order No. 2306, Order Denying Request, PRC Docket Nos. MC2013-57 & CP2013-75 (Dec. 23, 2014).

A third possibility is that, in the course of the Ten-Year Review or in another regulatory-review proceeding, the Commission could create an "essential"-"commercial" division within the market-dominant regulatory system, with "essential" market-dominant services subject to some form of price-cap regulation and "commercial" ones freed from price caps. To adopt that approach, the Commission would first have to decide that its review authority under 39 U.S.C. § 3622(d)(3) allows it to restructure the existing mail classes, notwithstanding a provision that ties at least the initial market-dominant rate-regulation system to the mail classes listed in the former Domestic Mail Classification Schedule (DMCS). 39 U.S.C. § 3622(d)(2)(A). (In the Ten-Year Review, we argued that the Commission has such authority. The Commission has not yet ruled on the issue.) Then the Commission would have to articulate a non-arbitrary basis for distinguishing between "essential" and "commercial" services, and for deregulating the latter, all of which would have to be squared with the objectives and factors in 39 U.S.C. § 3622(b)-(c). It is open to question whether such a distinction is consistent with the objectives and factors, given that, as noted above, an "essential"-"commercial" distinction is not reflected in the statute. The Commission would still have to determine the appropriate price-cap design for "essential" services (again based on the Section 3622 criteria), as well as how to administer the statutory rate preferences within or across the "essential" and "commercial" subcategories. These layers of legal determinations raise multiple opportunities for falling short of the Task Force's vision and/or for legal challenge, and would considerably draw out the Ten-Year Review in any event.

Ultimately, it would be more comprehensive, effective, and certain for Congress to implement this recommendation through reform of the product-classification statutes.

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Recommendation 2	Policy Action, per Task Force	Responsible Party, per Law Department
Geographic Scope: Keep current practice, which designates that the USO includes all addresses in the country covering "the United States, its territories and possessions," irrespective of population density.	Administrative	Congress

Notes: Because the Task Force proposes to maintain this aspect of the USO but apply it only to "essential" services, such a redefinition of the USO's scope would require action by Congress, as discussed in connection with Recommendation 1 above.

At p. 42, the Task Force argues that the prices for "essential services" "should be standard, regardless from where the products are sent or delivered – similar to the current flat postage rate for First-Class Mail." Such a requirement would actually be more restrictive, on balance, than under current law. At present, uniform-rate requirements apply only to First-Class Mail, Media Mail, and Library Mail, not to all market-dominant services, and certainly not to all services that the Task Force appears to consider "essential." 39 U.S.C. §§ 404(c), 3683(a). Moreover, flat postage rates are required only for Media Mail and Library Mail; First-Class Mail is not subject to a clear prohibition on distance-variable pricing, although the same price schedule must be uniformly available. *See, e.g.*, 116 CONG. REC. 27,606 (1970) (remarks of Rep. Udall); Tentative Decision Concerning Proposals for Local and Nationwide Subclasses Within First-Class Mail, PRC Docket No. MC76-1, at 3-9 (July 15, 1977); USO Report at 30 n.10, 77-78, 117-18. *But see* USO Report at 139-41, 185 (assuming, for analytical purposes, that distance-variable pricing is prohibited for First-Class Mail). To be sure, some current First-Class Mail volumes might fit within the Task Force's proposed "commercial" category and be freed from any uniformity requirements under this recommendation. But to the extent that Congress would be affirmatively prohibiting distance-variable pricing for First-Class Mail and extending that prohibition to "essential services" beyond First-Class Mail, that restriction would sweep more broadly than current requirements.

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Recommendation 3	Policy Action, per Task Force	Responsible Party, per Law Department
Number and Density of Post Offices and Collection Boxes: Establish a rule that specifies that access to the postal system must only be sufficient to implement defined USO standards for delivery.	Administrative	USPS, PRC, Congress
Notes: The Task Force identifies certain statutory parameters as responsible for the current breadth of the delivery and collection network. As noted in connection with Recommendation 1 above, Congress expressly reserved to itself, not the Commission, the power to redefine the USO. Within existing statutory parameters, there may be some room for incremental progress toward consolidating the collection network. Any large-scale consolidation would require an advisory opinion from the Commission and, potentially, favorable review of Post Office closing appeals. Ultimately, however, Congress might need to amend the governing statutory standards, such as allowing Post Offices to be closed for operating at a deficit. *See* 39 U.S.C. § 101(b). It should be noted that the Task Force does not discuss the "essential"-"commercial" distinction in connection with this USO recommendation; it is thus unclear whether and how such a distinction, if enacted, might translate into different degrees of latitude with respect to access to various postal services.		

Recommendation 4	Policy Action, per Task Force	Responsible Party, per Law Department
Delivery Frequency: Provide greater flexibility to determine mail and package delivery frequency.	Legislative	Congress
Notes: Congress would have to stop including the six-day-delivery rider in annual appropriations bills. It should also be noted that the Task Force's vision of how the Postal Service would exercise that flexibility varies according to a product or service's status as "essential" or "commercial." Implementation of that underlying distinction is discussed in connection with Recommendation 1 above.		

Recommendation 5	Policy Action, per Task Force	Responsible Party, per Law Department
Mode of Delivery: Maintain current discretion to determine mode of delivery consistent with a financially sustainable business model.	Administrative	Congress, USPS, PRC
Notes: This recommendation could be interpreted as saying that the Postal Service should continue exploring opportunities to increase centralized delivery, with attention to both its finances and "customer needs," and that Congress should not interfere with such efforts. (The Commission would also need to avoid creating political		

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roadblocks in any advisory opinion, which the Postal Service is required to seek under current law for sufficiently large-scale, programmatic changes in service.) That said, a number of considerations have given the Postal Service pause in converting existing addresses to centralized delivery, such as the likelihood of customer and political backlash (such as the backlash in Canada that caused Canada Post to halt its own delivery-mode conversion program in 2015); the uncertain effect on the perceived value of mail and, correspondingly, on mail volume; and the fact that, over the past several years, Congress has considered several bills on centralized delivery without settling on a coherent message. *See* Reply Comments of the United States Postal Service, PRC Docket No. R2013-11 (Dec. 6, 2013), at 103-105. And, as noted in a recent submission to the Government Accountability Office, there are a number of significant legal issues that would arise from any widespread move to centralized delivery, independent of whether it is allowable under the USO standards.

Thus, even though this is technically within our existing legal authority, if the Postal Service decided to implement this recommendation, it would be helpful for Congress to enact legislation expressly endorsing a shift toward centralized delivery, even if it adds some procedural constraints. Indeed, to the extent that the Task Force recommends that the Postal Service "be required" to have a transparent and public process for determining delivery mode, that implies action by Congress.

Like Recommendation 3, this recommendation is not framed in terms of the Task Force's "essential"-"commercial" service distinction, so it is unclear which products and services would be impacted by this recommendation.

Recommendation 6	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Processing Standards: Keep current practices, which allow the USPS to manage processing standards.	Administrative	N/A

Notes: Like Recommendation 2, this essentially recommends maintenance of the status quo in terms of the Postal Service's authority. The Postal Service has discretion in this area, subject to certain procedural requirements. In establishing service standards, the Postal Service must account for various objectives and factors, and it must consult with the Commission. 39 U.S.C. § 3691(a)-(c). And pursuant to 39 U.S.C. § 3661, the Postal Service must request an advisory opinion from the Commission before making a change in the nature of postal services on a nationwide or substantially nationwide basis.

But note that Recommendation 22 would appear to give the Commission the power to overrule the Postal Service's establishment of service standards. The Task Force does not reconcile this apparent tension.

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Recommendation 7	Policy Action, per Task Force	Responsible Party, per Law Department
USO Funding: Review and determine if income generated by activities defined to be outside of the USO could be optimized to cover the costs of funding the USO.	Administrative	Congress, PRC, USPS
Notes: As the letter monopoly's value has declined, the Postal Service has been aggressive in raising revenue from competitive products to contribute toward the institutional costs of the USO, and in seeking reform of the market-dominant rate-regulation system to provide more revenue-generating authority. The Task Force's recommendation appears to be tied not to the existing legal framework, however, but to the Task Force's vision of a redefined USO that does not apply to "products and activities not deemed essential services." If postal products were to be reclassified per Recommendation 1 (which we consider to require Congressional action), then the Commission would structure the regulatory system for "commercial" services to maximize the Postal Service's ability to generate revenue, and the Postal Service would be responsible for making full use of that authority (and for controlling "commercial" services' costs to improve contribution). See Recommendation 1.		

Mail and Package Markets

Recommendation 8	Policy Action, per Task Force	Responsible Party, per Law Department
Business Model: Develop a new model that can be used to both set rates and control costs to achieve sustainability.	Administrative	PRC, USPS
Notes: The discussion in this portion of the Task Force report (pp. 50-51) is unclear, but it appears that the Task Force is recommending that, until a reclassification along "essential"-"commercial" lines can be conducted (see Recommendation 1), the Commission should do what it can through the Ten-Year Review to allow net-income maximization for "commercial" market-dominant services. The Task Force opines that many market-dominant services – ones that it appears to deem "commercial," as well as governmental communications (which it elsewhere typifies as "essential") – are fundamentally price-inelastic and could bear at least "modest price increases" to "boost overall mail revenue" and "increase the USPS's net income." While we have likewise advocated in the Ten-Year Review that the Commission can and should eliminate the price cap, our position applies to all market-dominant products, not just "commercial" ones. For a discussion of the issues in developing an "essential"-"commercial" distinction via the Ten-Year Review, see the discussion of Recommendation 1 above.		

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The Task Force does not explain the "control costs" language in the recommendation. To the extent that this can be interpreted as urging the Postal Service and/or Commission to do more to control costs, see Recommendations 21 and 22.

Recommendation 9	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Business Model: Require price increases, reduce service costs, or exit the business for any mail products that are not deemed an essential service and do not cover their direct costs.	Administrative	Congress, PRC, USPS
Notes: The Task Force recommends abolishing the price cap on "non-essential services," including Marketing Mail, while shifting certain competitive package volumes into the realm of (capped) "essential services." See Recommendation 1. As the Postal Service has argued in the Ten-Year Review and elsewhere, a price-cap system provides little incentive to devote limited pricing authority to "underwater" products with rapidly declining volume, as the resulting price increases will not yield as much overall net income as would increases to other, more stable products. Without a price cap, there may be ways to address the situation that do not sacrifice overall remuneration. The Task Force also recommends that the Postal Service be required to price "non-essential services" at a "market rate" (p. 51). It is not apparent that such a requirement would conform to the statutory pricing criteria in 39 U.S.C. §§ 3622(b)-(c) and 3633(a)(1)-(3). Reform of these criteria would require Congressional action. To the extent that this aspect of the recommendation seeks prices that are artificially pegged to competitors' prices, rather than reflecting intrinsic cost and demand factors, see Recommendation 14 below.		

Recommendation 10	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Product Classes: Redefine mail classes by creating products defined by the type of sender and the declared purpose of the mail item.	Administrative	Congress, PRC, USPS
Notes: The Postal Service has sought more extensive authority from the Commission to redefine market-dominant product classes as part of the 10-Year Review. However, see Recommendation 1 concerning the extent to which such a redefinition could be used to effectuate the Task Force's "essential"-"commercial" distinction. With respect to competitive products, the Postal Service has broad authority to define and categorize products, subject to Commission review.		

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Recommendation 11	Policy Action, per Task Force	Responsible Party, per Law Department
Product Classes: Change USPS systems in order to track the purposes and uses of mail, to allow for better cost allocation, targeted pricing, and more business intelligence.	Administrative	USPS
Notes: This recommendation aims at mining Household Diary Survey responses to guide business decisions aimed at improving the value that senders and recipients place in the mail. It is not clear what the Task Force's reference to cost allocation means in this context.		

Recommendation 12	Policy Action, per Task Force	Responsible Party, per Law Department
Strategic Options: Evaluate areas of USPS operations where the USPS could expand third party relationships in order to provide services in a more cost efficient manner (e.g., mid-stream logistics and processing).	Administrative	USPS, PRC
Notes: The Postal Service could perform this evaluation. If any expansion of third-party relationships involves new workshare discounts or changes to existing workshare discounts, the Commission would need to approve the discount levels. New forms of outsourcing may also require consultation and/or bargaining with postal labor organizations. Even if the Postal Service can manage to scale down its in-house operations, there would be a delay in capturing labor-cost savings, due to the existence (and likely persistence, given the nature of binding arbitration) of no-layoff clauses in collective bargaining agreements and the resulting need to rely on attrition for workforce reduction.		

Recommendation 13	Policy Action, per Task Force	Responsible Party, per Law Department
Strategic Options: As a means of generating more income, the mailbox monopoly could be monetized.	Administrative	USPS, PRC
Notes: The mailbox monopoly statute, 18 U.S.C. § 1725, requires payment of postage on all mailable items placed in mailboxes. In theory, the Postal Service could establish special "postage" classifications and rates for items delivered by qualifying third-party delivery providers. The Commission would have to approve these classifications and rates. Such a move would affect other public benefits that the mailbox monopoly provides, however, particularly the secure, efficient provision of universal service. The mailbox monopoly does not merely protect revenue to support the		

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USO. By channeling mailbox deliveries to a single universal service provider, it promotes efficient mail delivery: there is room in mailboxes for letter carriers to deliver, and carriers do not need to spend time at each mailbox distinguishing collection mailpieces from alternative-delivery mailpieces. The mailbox monopoly also protects the security of the mails, by giving recipients a stable expectation as to who can legitimately access a mailbox and who might warrant suspicion. That assurance of security, in turn, provides value to the "brand" of the mail. Opening mailbox access, even via franchising, could negatively impact both of these current benefits, as well as delivery costs and revenue.

To mitigate these potential harms, the Postal Service could attempt to impose and administer rigorous brand-protection and oversight measures in its franchise agreements. In doing so, however, it could face complaints of unreasonable discrimination under 39 U.S.C. § 403(c) or unfair preclusion of competition under 39 U.S.C. § 404a(1) and/or fair-competition statutes. *See* 39 U.S.C. §§ 404a(c), 409(d)-(e), 3622(a). The Task Force does not address these potential business and legal impacts, which would require further study before implementing its recommendation.

Recommendation 14	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Strategic Options: Price competitive products in a manner that maximizes revenues and generates income that can be used to fund capital expenditures and long-term liabilities.	Administrative	USPS, PRC

Notes: This recommendation is at odds with the Task Force's acknowledgment of the Postal Service's competitive-product revenue and contribution growth since the PAEA, consistent with the PAEA's aim of allowing the Postal Service to compete more effectively in the competitive marketplace and therefore grow competitive-product revenue and retain earnings. Additionally, the Task Force does not explain how competitive products can be priced substantially higher, since, by definition, they are products for which the market constrains the Postal Service's pricing power. 39 U.S.C. § 3642(b)(1). (The Task Force explains that the Postal Service "has a dominant market position in B2C e-commerce segments" (p. 53), but also recognizes that "there are limits to how much consumers are willing to pay for delivery" and that "e-commerce consumers remain highly sensitive to delivery costs" (p. 50)).

Alternatively, the Task Force recommends that the Postal Service consider, in its pricing decisions, "the potential market distortions that could drive industry participants out of the market" (p. 54). (It should be noted that, of the three major package and express delivery providers, the Postal Service holds the smallest share of the overall market when measured by revenue.) This consideration is not properly aimed at the Postal Service, whose pricing decisions are designed to maximize revenue to support the USO and its other statutory obligations, rather than to preserve its competitors' market position. Safeguarding the overall health of the market is an object of regulation by the Commission, the Federal Trade Commission, or the Department of Justice's Antitrust Division. Those authorities would

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test for competitive fairness by looking not merely at differing price levels, which may reflect underlying cost or demand factors, but at whether prices cover marginal and incremental costs. *See Atl. Richfield Co. v. USA Petroleum Co.*, 495 U.S. 328, 339-40 (1990).

Moreover, to the extent that this recommendation implies that the Postal Service's prices should be higher, not for reasons of economic self-interest, but to protect competitors, that sort of artificial price increase would itself distort the market and harm the public policy interests of consumers. Various laws concerning fair competition, which apply to the Postal Service as well as its competitors, protect competition, not particular competitors, *Brown Shoe Co. v. United States*, 370 U.S. 294, 320 (1962), and they do not require a firm to make decisions based on ensuring the well-being of existing competitors. Doing so could actually draw antitrust scrutiny.

In theory, Congress could amend the relevant statutes to effectuate the Task Force's recommendation. However, it is unclear how the Postal Service could practically resolve the internal tension between protecting competitors and maximizing revenue to fund the USO, if artificially raising prices has the effect of driving down volume and overall revenue. Such an amendment would mark a departure from the PAEA's treatment of the Postal Service as a self-interested business actor on par with its private-sector peers.

It should be noted that this recommendation is framed in terms of the existing competitive-product category. It is unclear how it would bear on a potential future reclassification based on social policy rather than market power.

Recommendation 15	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Costing Options: Develop a new cost allocation model to establish full price transparency and fully distribute costs.	Administrative	Congress

Notes: With respect to cost allocation, the recommendation could theoretically be fulfilled in one of two ways: full attribution of costs to products, or maintenance of some costs as non-attributable (or "institutional") while apportioning explicit responsibility for covering them to competitive and market-dominant products.

Implementation of fully-distributed costing through cost attribution would require legislative change. Current law requires costs to be attributed on the basis of "reliably identified causal relationships." 39 U.S.C. §§ 3622(c)(2), 3631(b); *see* Dep't of the Treasury, Accounting Principles and Practices for the Operation of the United States Postal Service's Competitive Products Fund 7 (2007) ("This definition is consistent with the economic costing approach of the current USPS cost system."). It is well-established in the regulatory, economic, and legal communities that fully-distributed costing is fundamentally arbitrary, meaning that the Commission cannot adopt it in administering its statutory framework. *See, e.g.*, *Nat'l Ass'n of Greeting Card Publishers v. U.S. Postal Serv.*, 462 U.S. 810 (1983); S. REP. NO. 108-318, at 10, 30 (2004) (explaining statutory standard as codifying *Greeting Card Publishers*, and rejecting full cost attribution "or any other arbitrary percentage"). Therefore, fully-distributed costing would require Congress to abolish

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the current, longstanding, and theoretically sound cost-attribution standard in favor of an arbitrary one. In doing so, Congress would be resurrecting a practice that was identified as a leading cause of inefficient pricing at the time of the Postal Reorganization Act, which rejected the practice. S. REP. NO. 91-912, at 17 (1970); *see also* Towards Postal Excellence: The Report of the President's Commission on Postal Organization 30-31, 133-35 (1968), *available at* https://go.usa.gov/xQMHm. As a court recently articulated, the Commission's role "is to carry out the particulars of the scheme Congress created, not to engineer specific market outcomes." *United Parcel Serv., Inc. v. Postal Regulatory Comm'n*, 890 F.3d 1053, 1067 (D.C. Cir. 2018). Contrary to the Task Force's statements, the current system set forth by the PAEA fully protects against cross-subsidization.

Implementation of fully-distributed costing through apportionment of institutional costs would likewise require statutory change, or a significant departure from recent Commission precedent. The Commission must periodically review the "appropriate share" of institutional costs that competitive products must cover. 39 U.S.C. § 3633(a)(3), (b). In doing so, the Commission must "consider all relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products." *Id.* § 3633(b). The Commission must also consider a 2007 Federal Trade Commission (FTC) report on the laws that advantage or disadvantage the Postal Service's offering of competitive products, as well as any subsequent events that affect the validity of the FTC's estimates. Pub. L. No. 109-435, § 703(d), 120 Stat. 3198, 3244 (2006). The FTC concluded that the Postal Service suffers an enormous net competitive disadvantage. Fed. Trade Comm'n, Accounting for Laws That Apply Differently to the United States Postal Service and Its Private Competitors 64 (2007), https://go.usa.gov/xQMu9. In an ongoing review proceeding, the Commission has rejected a competitor's proposals that would apportion responsibility for institutional costs according to competitive products' share of total revenue or total attributable costs, on the basis that such proposals fail to account for competitive conditions, as required by statute, and amount to an effort to implement arbitrary cost attribution notwithstanding the statute's reliable-causation requirement. Order No. 4402, Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, PRC Docket No. RM2017-1 (Feb. 8, 2018), at 81-82. While the Commission might have some leeway to distinguish a future "appropriate share" proposal from the ones that it recently rejected, it might be difficult for it to explain a reversal of its longstanding rejection of fully-distributed costing in a way that would withstand legal challenge. Here, too, legislative change would likely be necessary for the Commission to adopt an arbitrary cost-allocation method.

The Task Force does not explain what it means by "full price transparency." It is possible that this is simply another way of saying that costs should be fully distributed and "transparently" reflected in prices. However, the Task Force also asserts (p. 54) that negotiated service agreements (NSAs) make unfair distinctions between customers. If the intent is to require the publication of all NSA terms to give customers and competitors more leverage, then that would require a change to the statutory standards that govern confidentiality at the Commission. 39 U.S.C. § 504(g);

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see also id. § 410(c)(2). Those standards give the Commission discretion to balance commercial injury to the Postal Service against the public interest in disclosure, but they clearly contemplate that some commercially sensitive information be protected from public disclosure. *See* H.R. REP. NO. 109-66, pt. 1 at 61; S. REP. NO. 108-318, at 20, 47-48. Courts have recognized that negotiated price information warrants this protection, as it would not be disclosed as a matter of good business practice. *See generally Wickwire Gavin v. U.S. Postal Serv.*, 356 F.3d 588 (4th Cir. 2004). Moreover, forcing or encouraging the Postal Service alone to disclose negotiated pricing would itself distort the market, since competitors and customers are not required to make similar disclosures. The current level of protection levels the playing field, while ensuring that the Commission (and counsel and consultants for parties appearing before the Commission) has the necessary information to regulate effectively. A change of the kind that the Task Force appears to advocate would accordingly be inconsistent with the intent of the Congress in the PAEA to enable the Postal Service to compete fairly in the package marketplace. *See* H.R. REP. NO. 109-66, pt. 1 at 44 (announcing intent to create level playing field, not one tilted against the Postal Service); S. REP. NO. 108-318 at 14 (same).

Recommendation 16	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Costing Options: Establish a separate balance sheet for packages to help prevent cross-subsidization between the mail and package business units.	Administrative	Congress, PRC

Notes: It is not clear how this recommendation would "help prevent cross-subsidization." As explained in connection with Recommendations 14 and 15 above, guarding against cross-subsidies involves measuring prices against costs, not the assets and liabilities reflected on a balance sheet.

Current law already separates accounts for competitive products and all other products. 39 U.S.C. §§ 2003, 2011. Historically, the Treasury Department has favored a simplified accounting of competitive-product assets, apportioning total assets by competitive products' cost of revenue. Dep't of the Treasury, Accounting Principles and Practices for the Operation of the United States Postal Service's Competitive Products Fund 25-27, 34 (2007). While a comprehensive study of each asset's usage and each liability's origin is theoretically possible, the Treasury Department deemed such an exercise to be unduly complicated. *Id.*

Before the Commission could adopt a different approach to asset assignment, it would have to determine that that approach would yield a greater allocation of assets to competitive products. 39 U.S.C. § 2011(e)(5). The PAEA does not specify a test for assignment of liabilities, although the 2007 Treasury Department report noted that liabilities would be more complicated to assign than assets. The Commission would also have to ensure that its measurement methodologies and assumptions are not arbitrary. *Id.* § 503; *see* 5 U.S.C. § 706(2)(A). Such an exercise would raise similar issues to fully-distributed costing and might ultimately require Congressional action. See Recommendation 15.

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The Treasury Department's statutory role in competitive-product accounting is limited to the issuance of the 2007 report to inform the Commission's initial accounting rules. 39 U.S.C. § 2011(h)(1), (h)(2)(A)-(B). While the Commission may revisit its rules from time to time, *id.* § 2011(h)(2)(C)(ii), there is no provision for the Treasury Department to revisit its initial recommendations. That said, there is arguably no bar to the Treasury Department doing so voluntarily, or to the Commission using any new Treasury Department recommendations as a basis for its own consideration of revisions to the rules. The Treasury Department could also, as an "interested party," petition the Commission to initiate a revisionary rulemaking. *Id.*

Operating Model

Recommendation 17	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Operations: Align USPS employee rights with other federal employee rights by eliminating collective bargaining over compensation for USPS employees.	Legislative	Congress, USPS
Notes: The Task Force's idea is that postal employees should be subject to the General Schedule pay system for Federal employees, and that they would be unable to bargain over compensation. As the Task Force recognizes, Congress would have to make the Postal Service subject to the Federal Service Labor-Management Relations Statute (FSLMRS), rather than the National Labor Relations Act. That step alone would not necessarily end bargaining over compensation, however. Congress would also have to make the General Schedule and related pay rules (or any successor statutes) specifically applicable to the Postal Service. Without that additional step, compensation would qualify, by default, as a condition of employment subject to bargaining. *See Fort Stewart Sch. v. Fed. Labor Relations Auth.*, 495 U.S. 641, 641 (1990). (Despite the general rule that agencies subject to the FSLMRS do not bargain over compensation, at least seven Federal agencies' employees do bargain over compensation as a result of specific statutory language or a judicial or administrative decision. *See* Cong. Res. Serv., No. 7-5700, Collective Bargaining and the Federal Service Labor-Management Relations Statute: Selected Legal Issues 3 (2017), https://fas.org/sgp/crs/misc/R44794.pdf.) In the meantime, the Task Force recommends that the Postal Service do what it can to that effect within its existing authority. With respect to bargaining-unit employees, this would require agreement by the unions or labor arbitrators. With respect to non-bargaining-unit employees, it would require consultation with postmaster/supervisor organizations.		

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Recommendation 18	Policy Action, per Task Force	Responsible Party, per Law Department
Operations: Pursue reforms to USPS employee wages consistent with those proposed for the broader federal workforce in the President's Management Agenda.	Legislative	Congress, USPS
Notes: The President's Management Agenda proposes enhancement of performance-based pay incentives and a slowing of tenure-based step increases. Off. of Mgmt. & Budget, President's Management Agenda 18-19 (2018), https://go.usa.gov/xEa9Z. In theory, the Postal Service could seek similar reforms through collective bargaining. However, any impasse would be resolved through binding arbitration, a process that structurally favors the precedent of prior arbitral awards and collective bargaining agreements. 39 U.S.C. § 1207. It should be noted that non-bargaining-unit employees are already subject to a performance-based pay system that does not include step increases. In terms of non-wage compensation (see page 61), the Agenda refers to proposed pension reforms in the President's Budget, which would reduce benefits expense and increase employees' share of the funding obligation. *Id.* at 19; Off. of Mgmt. & Budget, Budget of the U.S. Government, Fiscal Year 2019: Major Savings and Reforms 181, 183-84 (2018) [hereinafter "*FY2019 Major Savings & Reforms*"], https://go.usa.gov/xPJPZ. These reforms concern structural aspects of the Federal pension system and would require legislative change.		

Recommendation 19	Policy Action, per Task Force	Responsible Party, per Law Department
Operations: Explore and implement new business lines that generate revenue, and that present no balance sheet risk to the USPS.	Legislative	Congress, USPS
Notes: The Task Force (at page 61) recommends that the Postal Service be allowed (a) to "explore supplying [certain] services for Federal, State, and local government entities," (b) to "convert[ ] post offices into contract post offices," (c) to "co-locat[e] with . . . complementary retail establishments," and (d) to "rent[ ] space to complementary retail establishments." Item (a): The Postal Service currently can partner with Federal agencies to offer new services. 39 U.S.C. § 411. An expansion of that authority to include state, local, and tribal agencies would require legislative change. Item (b): The Postal Service is already authorized to manage its retail network, contracts, and properties. *Id.* §§ 401(3)-(5), 404(a)(3). That authority is subject to procedural and substantive limitations, however. The Postal Service cannot close any Post Office solely for operating at a loss, and, in its closing decisions, it may not consider compliance with the Occupational Health and Safety Act of 1970. *Id.* §§ 101(d), 404(d)(2)(B). The Postal Service must also comply with public notice requirements, consider certain factors, and ensure that its decision is non-arbitrary and		

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evidence-based. *Id.* § 404(d)(1)-(5). In addition, expansion of outsourcing could require collective bargaining, consultation, and/or binding arbitration with postal labor organizations, as discussed in connection with Recommendation 12 above. To the extent that this recommendation entails expanding the Postal Service's ability to close Post Offices and outsource bargaining-unit work beyond current legal bounds, such recommendation would require legislative change.

Item (c): The Postal Service's existing authority to contract and lease would allow it lease space in non-Postal-Service-owned property. 39 U.S.C. § 401(3)-(5). To the extent that the Task Force envisions shifting bargaining-unit work to the business partner's employees, the same labor considerations would come into play as for item (b).

Item (d): The Postal Service already has authority to lease its real property assets to private entities. *Id.*; Order No. 154, Review of Nonpostal Services Under the Postal Accountability and Enhancement Act, PRC Docket No. MC2008-1 (Dec. 19, 2008), at 64-68. Its ability to do so is limited by the fact that Postal Service real estate holdings must, in the first instance, be "necessary or convenient in the transaction of its business." 39 U.S.C. § 401(5). In other words, the Postal Service must generally aim to align space with the operational requirements of offering postal services, with revenue-generating out-leasing relegated to a secondary use of excess space (to the extent that market opportunities exist). *See* Order No. 154 at 64-68. If the Task Force envisions expanding the Postal Service's ability to hold real estate with the primary aim of generating revenue from out-leasing, that would likely require legislative change.

Recommendation 20	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Governance and Oversight: Strengthen the governance and regulatory oversight of USPS. This could be achieved through reforming, but maintaining, the existing institutional structures or by changing the institutional structures, which would require legislation.	Legislative	USPS, Congress

Notes: It is not clear what is intended with this recommendation, as distinct from Recommendations 21 and 22. However, as discussed below, the Board of Governors and the Commission could make strategic decisions within the scope of their existing authority that could be interpreted as strengthening governance and regulatory oversight, respectively. As the recommendation recognizes, any changes to existing institutional structures would require legislation.

To the extent that this recommendation corresponds to the report's discussion of the currently low complement of sitting Governors (pages 61-62), appointment of additional Governors would require action by both the President and the Senate. 39 U.S.C. § 202(a)(1).

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Recommendation 21	Policy Action, per Task Force	Responsible Party, per Law Department
Governance and Oversight: Institute a new policy mandate for management that sets organizational direction and financial targets, which align with a sustainable business model and establish an enforcement mechanism if the existing Board is unable to meet these targets.	Legislative	USPS, Congress
Notes: The Board of Governors could set a new organizational direction and financial targets. (Earlier in the report, the Task Force described creating a new policy mandate as a task for the Board.) Congress could set its own parameters, although doing so would usurp discretion currently held by the Board. Only Congress can establish an "enforcement mechanism," in the sense of turning control over to the Commission. However, the Task Force recognizes elsewhere that legislative and regulatory action is needed to establish a sustainable business model and avoid a liquidity crisis (p. 4; see, e.g., Recommendations 8, 17, 18, 19, 23, 24, and 25). Given the statutory constraints on the Postal Service's ability to improve its financial health, it is unclear how reasonable or effective sustainability-oriented financial targets can be unless and until legislative and regulatory reforms give the Postal Service more control over costs and revenue.		

Recommendation 22	Policy Action, per Task Force	Responsible Party, per Law Department
Governance and Oversight: Strengthen the regulatory oversight role of the PRC, providing the PRC with expanded controls, imposing increased accountability on the USPS.	Legislative	PRC, Congress
Notes: From the discussion at p. 62, it seems that the Task Force envisions allowing the Commission to overturn and dictate Postal Service decisions on service standards, operations, and capital investments. (The Task Force does not explain how this recommendation aligns with Recommendations 3-6, which advocate for preserving or expanding the Postal Service's operational discretion.) Existing law may already allow the Commission more authority in these areas than it has historically exercised. The Commission arguably has broad authority to order remedies upon finding a lack of Postal Service compliance with certain statutory requirements, and that authority could be brought to bear on service, operational, and investment decisions. 39 U.S.C. §§ 3653(c), 3662, 3691(d). (However, we would read the scope of the Commission's remedial		

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authority in a more limited fashion.) To date, the Commission has been reticent to exercise what may arguably be the full extent of that authority, preferring to conduct inquiries and require reporting on the Postal Service's self-directed remedial efforts. In the Ten-Year Review, the Commission has also proposed to design the rate-regulation system in a way that disincentivizes the Postal Service from downgrading service standards. Order No. 4258, Notice of Proposed Rulemaking for the System for Regulating Rates and Classes for Market Dominant Products, PRC Docket No. RM2017-3 (Dec. 1, 2017), at 70-73. And some commenters have urged the Commission to discount the Postal Service's rate authority on account of investments that the Commission deems imprudent. While the Commission has historically shied away from using its authority in that fashion, doing so would arguably be within its statutory authority over the rate-regulation system.

Thus, the Task Force recommendation could spur the Commission to use its existing remedial and regulatory authorities more aggressively. If it did not do so, or if some additional enforcement powers were deemed desirable, Congress could amend the statute to that effect.

Recommendation 23	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Benefits: Pursue reforms proposed to the Federal Employees Compensation Act that are included in the President's FY2019 Budget.	Legislative	Congress
Notes: The Administration's proposals are "to provide a single rate of compensation for new injuries at 66 2/3 percent of the injured workers' pay; convert retirement-age beneficiaries to a retirement annuity-level benefit; establish an up-front waiting period for benefits for all beneficiaries; increase benefits for disfigurement and burial; suspend payments to indicted medical providers; and make other changes to improve the program integrity and reduce improper payments." Off. of Mgmt. & Budget, Budget of the U.S. Government, Fiscal Year 2019: Major Savings and Reforms 169 (2018) [hereinafter "*FY2019 Major Savings & Reforms*"], https://go.usa.gov/xPJPZ. OMB estimates that these changes will save only $117 million across the entire Government over the next ten years. *Id.*		

Recommendation 24	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Benefits: Pursue reform of the Federal Employee Retirement System (FERS) that would increase employee contributions and move toward a defined contribution system.	Legislative	Congress
Notes: Currently, FERS employees contribute 0.8 to 4.4 percent of basic pay, depending on position and time of hire. The Administration has proposed to increase FERS employees' contribution rates by 1 percentage point per year, until		

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all are contributing half of the normal-cost percentage of their basic pay (i.e., 7.25 percent, under the current normal-cost percentage). The Administration has also proposed reducing FERS's liability by eliminating annuity supplements and cost-of-living adjustments and basing annuity calculations on employees' "high-5" average salary, instead of the current "high-3" calculation. *See* Letter from Jeff T.H. Pon, Director, Office of Personnel Management, to Paul D. Ryan, Speaker, House of Representatives, May 4, 2018, http://tiny.cc/OPM-FERS-proposal-letter; OMB, *FY2019 Major Savings & Reforms* at 181, 183-84.

Recommendation 25	**Policy Action, per Task Force**	**Responsible Party, per Law Department**
Benefits: Maintain but restructure the retiree health benefits liability, including the $43 billion in pre-funding payments that the USPS failed to pay into the Postal Service Retiree Health Benefits Fund (PSRHBF) and the unfunded actuarial liability, with the total liability re-amortized with a new actuarial calculation based on the population of employees at or near retirement age.	Legislative	Congress
Notes: The Task Force proposes to change how the actuarial liability is calculated, which would affect the Postal Service's annual prefunding payments to the (PSRHBF). It would not change the actual benefits that postal annuitants are eligible for, the payment of which are ultimately the responsibility of the Postal Service under the statute, either through payments to the PSRBF or through direct premium payments if the assets in the PSRHBF are exhausted.		

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UNITED STATES POSTAL SERVICE

Product Pricing Overview

(with short costing discussion)

September 2019

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Agenda

- **Regulatory Framework and Key Terms**
- **Overview of Postal Service Costing**
- **Market Dominant**
  - Overview of Market Dominant Products
  - Competition in the Mailing Industry
  - Market Dominant Price Considerations
- **Competitive**
  - Overview of Competitive Products
  - Competition in the Shipping Industry
  - Competitive Products Pricing Considerations
- **Negotiated Service Agreements (NSAs)**
  - Overview of NSAs
- **Universal Postal Union Exit**

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Part 1
Regulatory Framework and Key Terms

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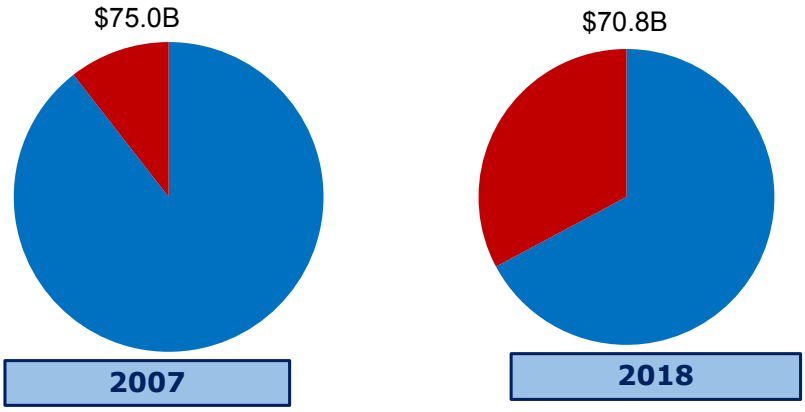
Regulatory Framework and Key Terms

The Postal Accountability and Enhancement (PAEA) enacted in 2006 created two segments of Postal Service Products and Services:

Market Dominant/Mailing

Competitive/Shipping



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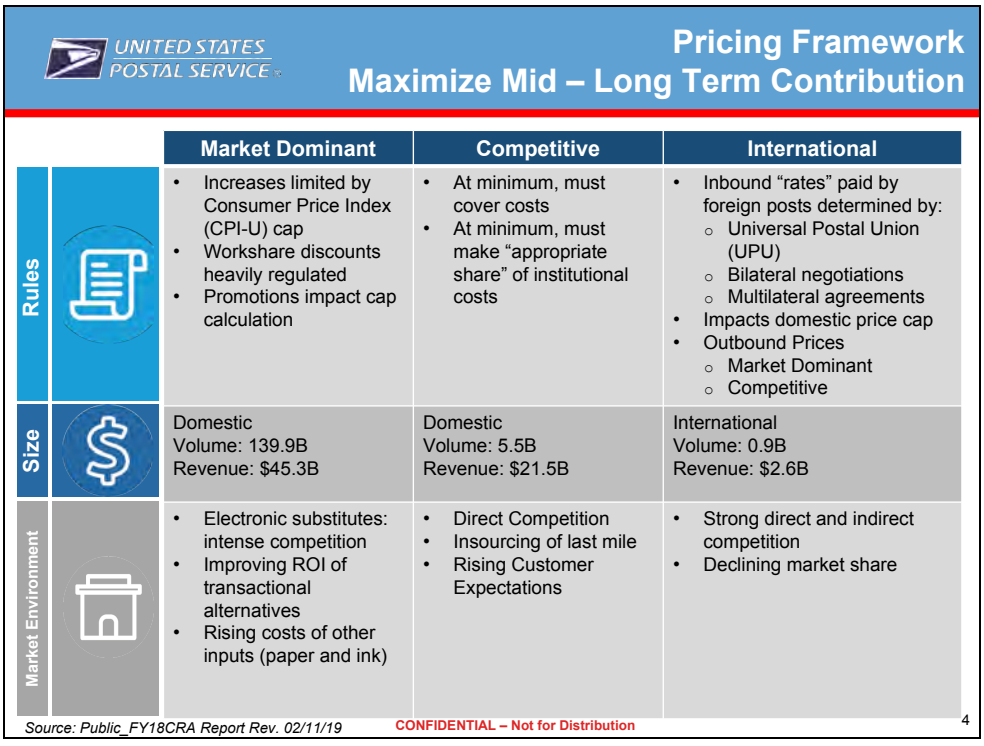

8.8% is the appropriate competitive share target for 2019

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Part 2

Overview of Postal Service Costing

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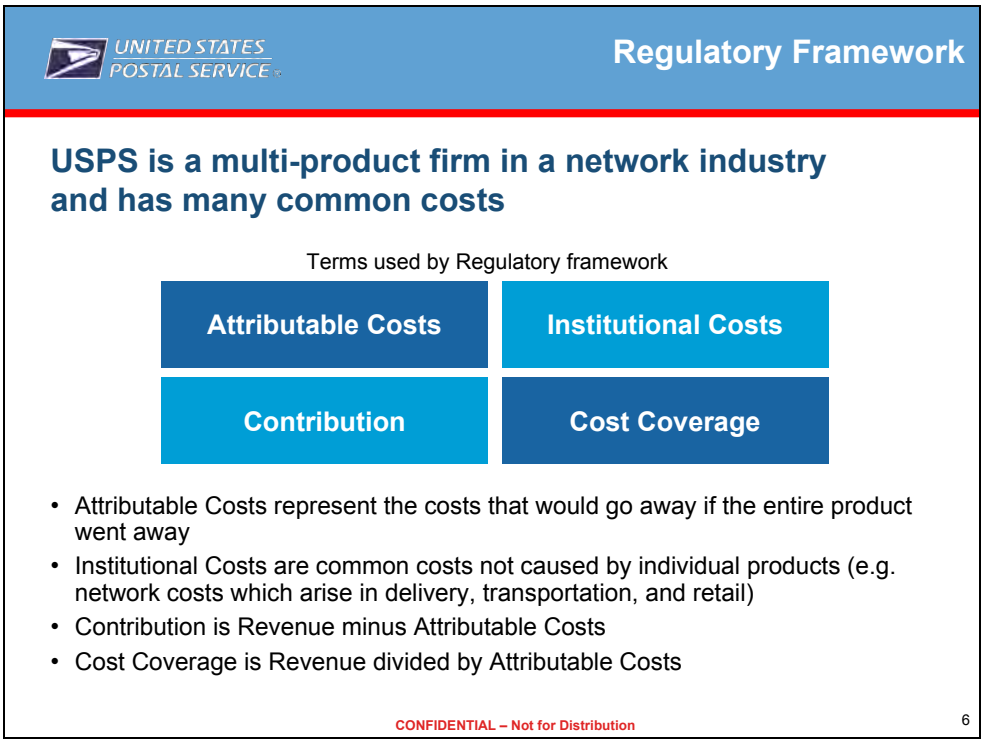

Market Dominant – Allocate CPI to products in a class to maximize contribution from growing products
Competitive – Price increase not capped but subject to a floor to cover costs

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Part 3

Market Dominant

Overview of Market Dominant Products

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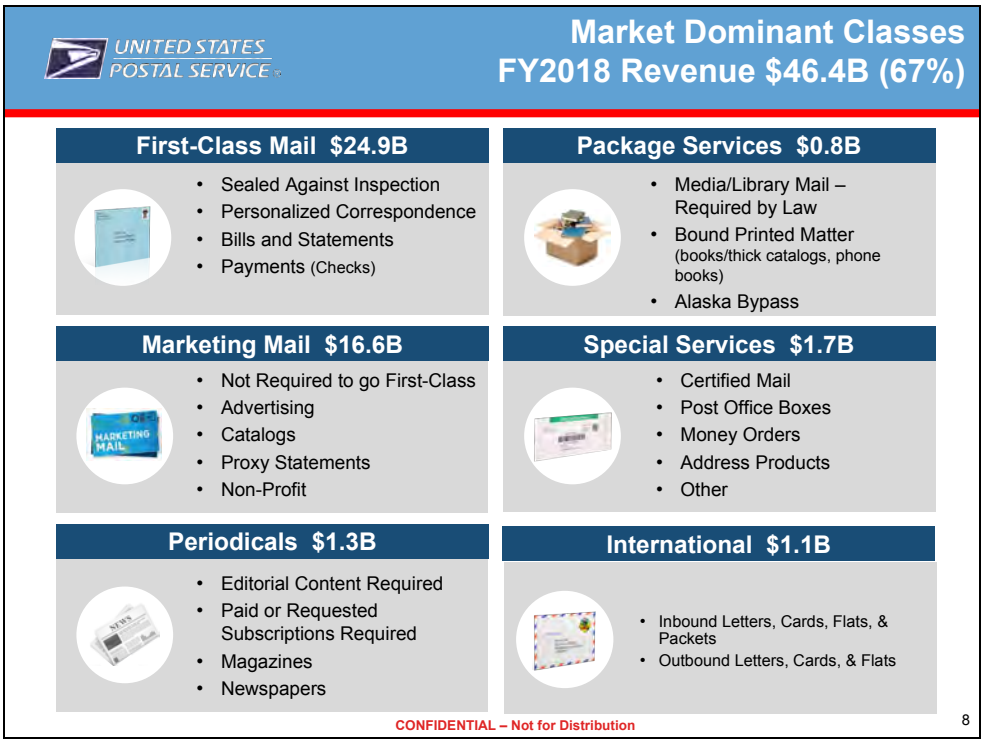

First-Class Presort letters accounted for 63% of all domestic FCM volume in FY18. With a total contribution of $9.3B or 30% of institutional costs.
Marketing Mail letters accounted for 60% of all Marketing Mail volume in FY18. With a total contribution of $4.7B or 15% of institutional costs.
Outside County Periodicals made up 90% of all Periodicals volume in FY18
BPM Flats accounted for 41% of all Package Services volume in FY18. With a total contribution of $65M or 0.2% of institutional costs.
P.O. Boxes generated $$288M revenue in FY2018 increasing 3.2% over FY17.

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Part 3a

Competition in the Mailing Industry

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First-Class Mail (FY2018)

	Mail	Electronic
Percent of Statements	72%	28%
Percent of Payments	27%	69%*

*An additional 4% is paid in person

Periodicals

- Sharp decline in periodicals delivered by Mail (21% over last 5 years)
  - Changing readership patterns
  - Diverting to electronic media

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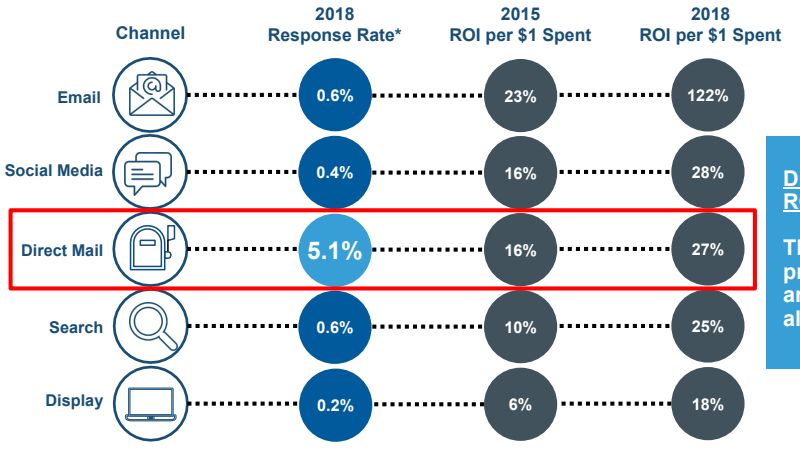
Direct Mail Response Rate Excels Against the Competition



Direct Mail ROI:

The cost of printing, ink, and paper are also factors

Source: 2015 and 2018 DMA StatBook *Response Rate for email and direct mail for list of known customers

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Part 3b

Market Dominant Price Considerations

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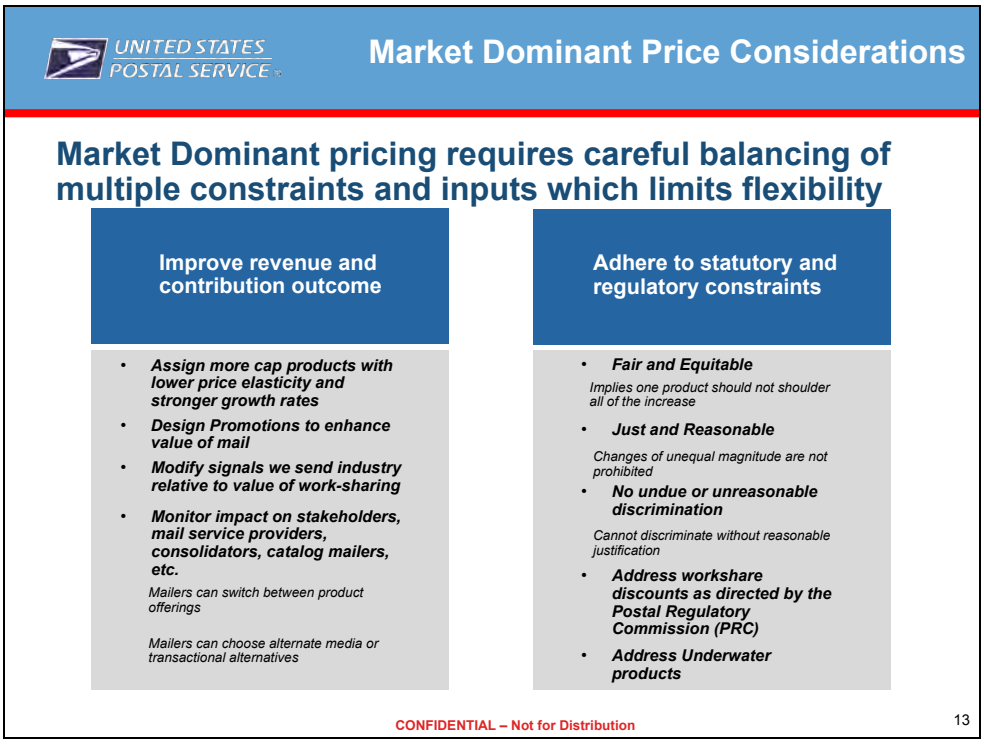

Statutory language discourages dramatic departure from norm

PRC received over 180 responses to USPS petition to change Nonprofit calculation

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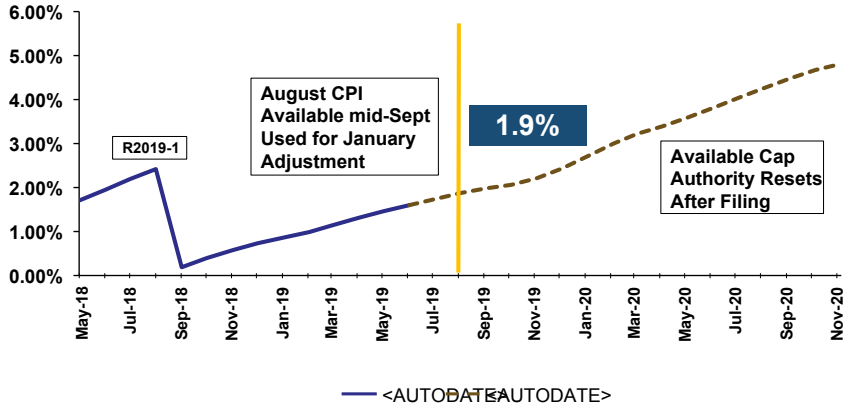
Market Dominant Price Cap

Cannot exceed change in Consumer Price Index – Urban (CPI-U)

Market Dominant price increases are capped at CLASS LEVEL

Uses previous 4 quarters of volume to calculate price change



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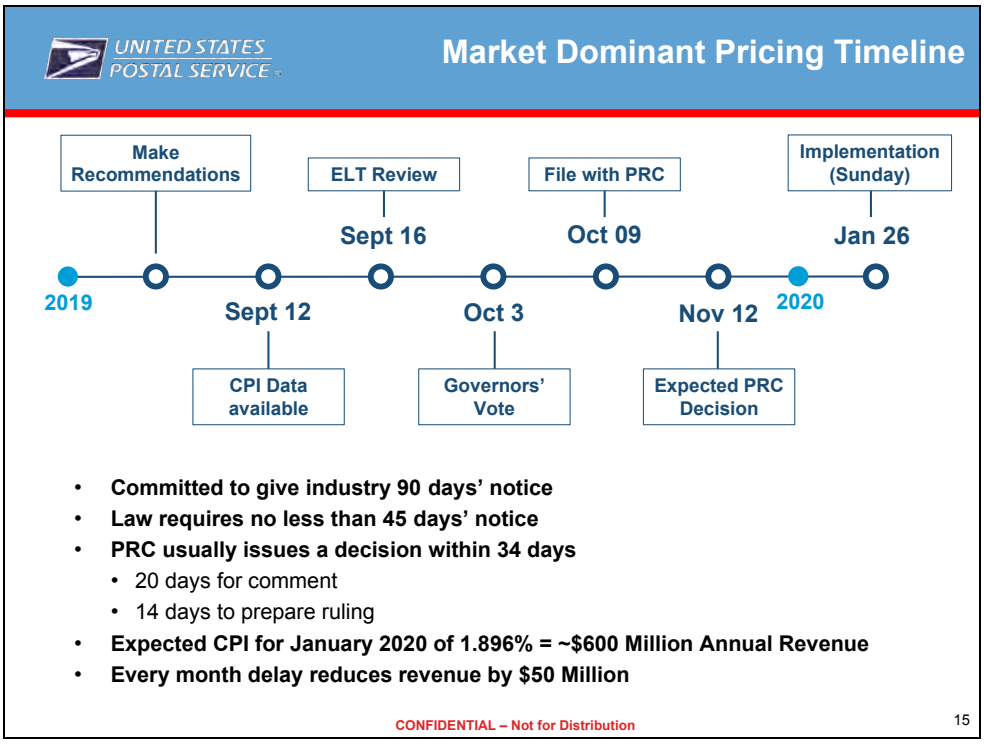

STRESS COMMITMENT TO INDUSTRY NEEDED FOR PROGRAMMING CHANGES
Back pocket risks of OCT12 or later bog date

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Part 4

Overview of Competitive Products

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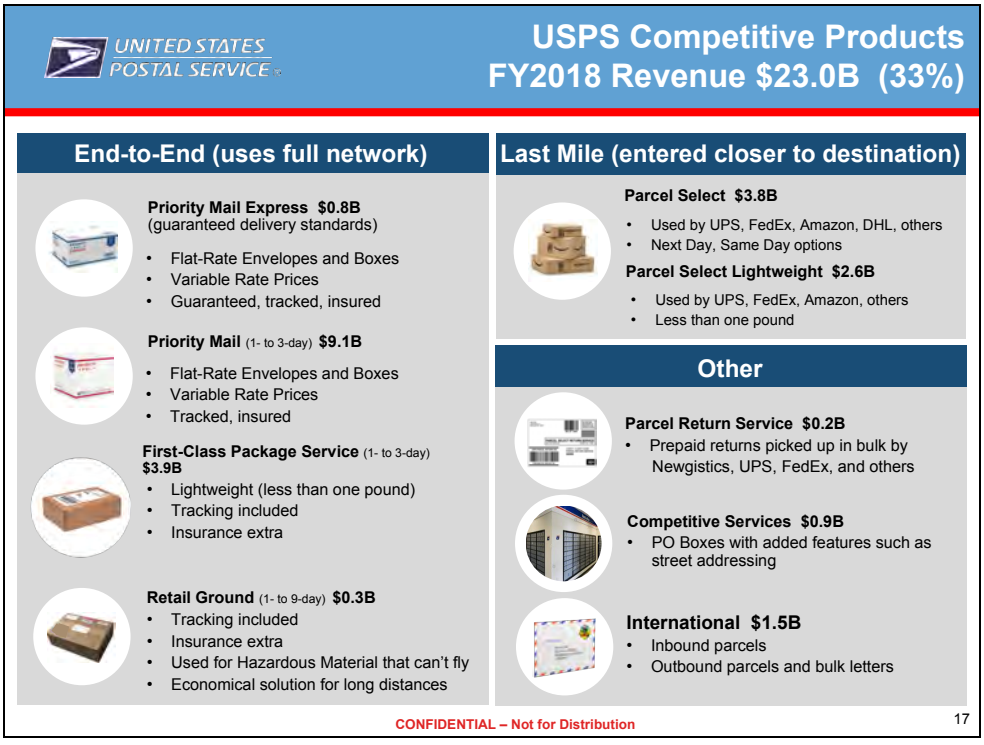

Priority Mail
- Flagship product for the Postal Service, providing expedited delivery of packages, with a suite of flat rate products
- Provided $9.1B in revenue, $2.1B in contribution, and 1.073B pieces in FY18
- +3.3% CAGR from FY16-FY18.

First-Class Package Service
- Fast growing offering for lightweight (under one pound) parcels, offering expedited, end-to-end service.
- Provided $3.9B in revenue, $1.178B in contribution, and 1.271B pieces in FY18.
- +11.2% CAGR from FY16-FY18

Parcel Select Heavyweight
- Often referred to as the Postal Service's "last mile" product, often used by competitors and large shippers such as FedEx, UPS and Amazon
- Provided $3.828B in revenue, $2.029B in contribution, and 1.1B pieces in FY18.
- +12.0% CAGR from FY16-FY18

Parcel Select Lightweight
- This product is the lightweight, under one-pound, "last mile" product, also used primarily by competitors and large shippers.
- Provided $2.580B in revenue, $989M in contribution, and 1.183B pieces in FY18.
- +12.9% CAGR from FY16-FY18

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Part 4a

Competition in the Shipping Industry

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Product Comparison

	USPS	FEDEX	UPS
	Product	Product	Product
Overnight Air Service	• Priority Mail Express (3pm)	• Standard Overnight (8pm)	• Next Day Air Saver (3pm)
2/3 Day Air Service	• Priority Mail (1-3 Days)[1] • First-Class Package Service (2-6 Days)[1]	• 2 Day (2 Days)[2,4] • Express Saver (3 Days)[4,6]	• 2nd Day Air (2 Days)[2,5] • 3 Day Select (3 Days)[2]
Ground Service	• Priority Mail (1-3 Days)[1] • Retail Ground (2-8 Days) [1] • First-Class Package Service (2-6 Days) [1] • Parcel Select • Parcel Select Lightweight (2-8 Days) [1]	• FedEx Ground/ Home Delivery (1-5 Days) [1] • SmartPost (2-7 Days) [1]	• UPS – Ground (1-5 Days) [1] • SurePost/Mail Innovations (2-7 Days) [1]

End-to-End

Processing Facility

Delivery Unit/ Post Office

Home

Last Mile

Delivery Unit/ Post Office

Home

Notes
1- Depending o
commercial
ost area
3: For remote areas
4: For residential
5: For rural
6: For

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Proposed Increases Reflect Intensified Competition as Rivals Move to Increase Density

Carriers increasing self-delivery

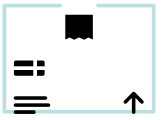
FedEx launched 7-day residential delivery year round

FedEx, UPS investing in own networks, pulling volume in-house

UPS expands residential delivery network to capture ecommerce delivery volume

Amazon in-sourcing - Recent double-digit declines in our last mile packages. Also supporting their employees to buy DSP franchises; High-rise building access contracts

Source: Sales interviews; popular press articles



Rivals expected to price competitively in 2020

FedEx OneRate product aggressively targeting Flat Rate Priority Mail customers

FedEx is cutting rates to fill capacity and create density to support in-sourcing

UPS lowers DIM factor if necessary to win business

Amazon introduced $3 shipping for parcels

Amazon hiring salesforce for their logistics business

Convenience advantage diminishing

FedEx announced drop off/pick up partnerships with Dollar General, Walgreens

UPS increasing access points via partnerships

Amazon introducing "Counter" service through Rite Aid and Kohl's retail locations

Service standard advantage in out Zones declining

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Key Point: Prices reflect intensified competition in the marketplace – competitors increased focus on areas of USPS traditional strength

1. FedEx, UPS and Amazon are all expanding delivery – 7 Day, insourcing and expanding reach

3. Competition is more aggressive
   - FedEx One Rate – targeting PM Flat rate
   - DIM factor increase
   - Amazon delivery options

4. USPS access advantage is being challenged

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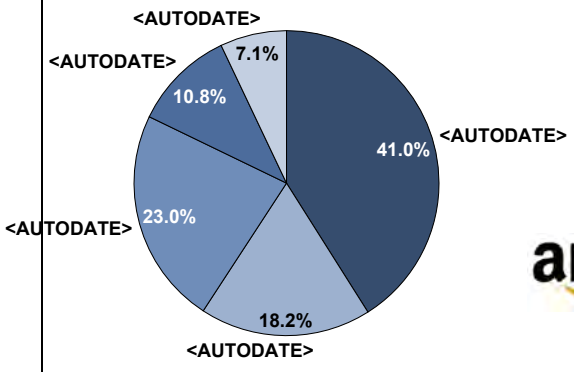
Parcel Select - Key Market Players

Parcel Select Volume



FY2019 July YTD – 93% of the Postal Service's Parcel Select volume originated from four companies

Source: As of 8/22/2019; Includes PC Postage/Nmats data, PS Ground, and PS SBP Ground PC Postage

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Part 4b

Competitive Pricing Considerations

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Competitive Pricing Considerations

- **Market Scans**
  - Compare competitor-published rate charts
    - Incorporate market intelligence on discounts and surcharges
    - Anticipate future price increase
  - Compare service promise and service performance
  - Compare customer perceptions and brand health
  - Monitor earnings calls of competitors, large customers, and partners
  - Track market share trends
- **Estimate competitor cost to deliver**
- **Anticipate customer reaction to price increase**
  - Econometric models to estimate elasticity
  - One-on-one discussions
  - Market research on value of goods
- **Leverage competitive advantages**
  - Every house every day
  - Lightweight items
  - Economies of delivery density
- **Consider impact on Negotiated Service Agreements**

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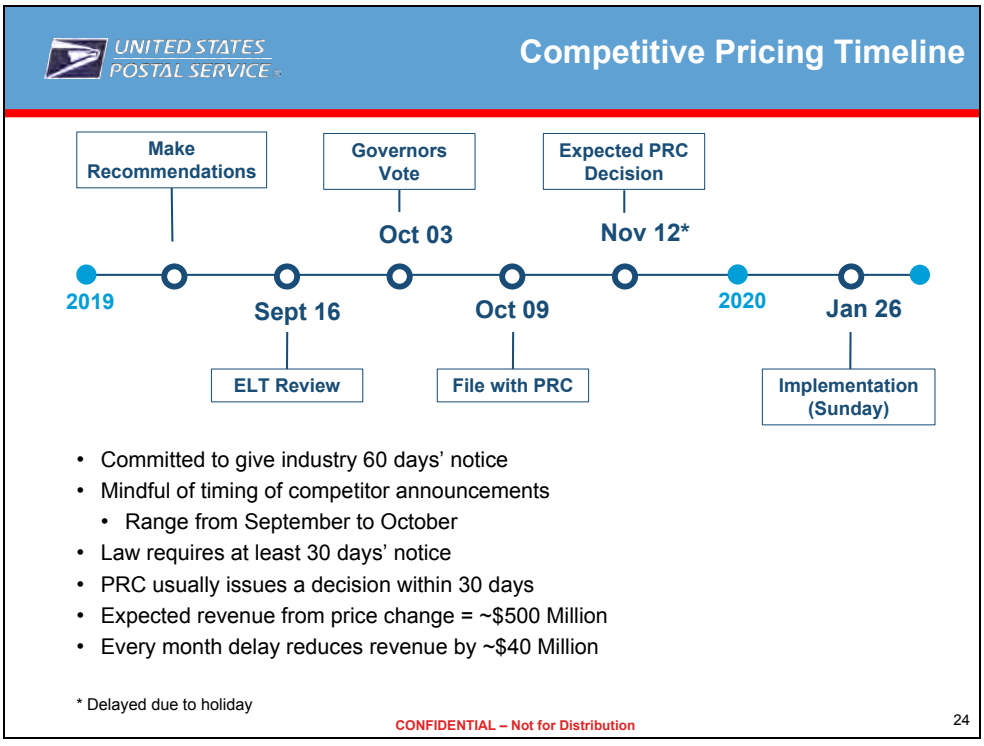

STRESS NOTICE IS IMPORTANT DUE TO STRUCTURAL CHANGES

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Part 5

Negotiated Service Agreements Overview

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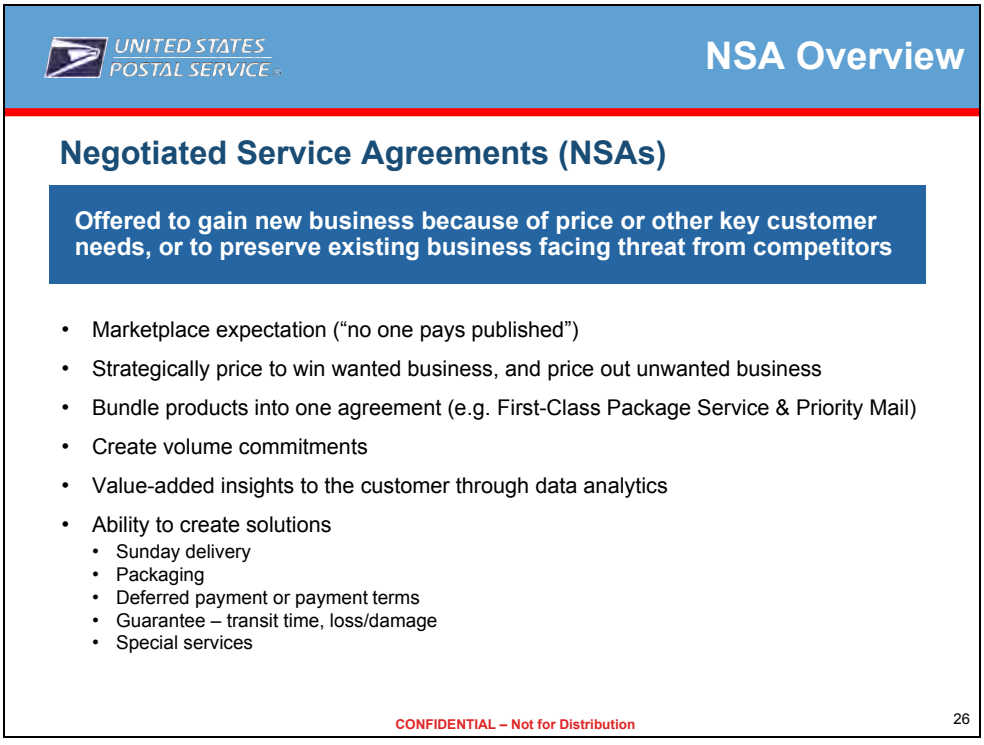

INDUSTRY NORM

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NSA Process: Governors' Role

- **Governors establish all rates not of general applicability, which includes NSAs**
- **Governors' Decision 19-1 authorizes management to enter into domestic and international competitive product NSAs that:**
  - Cover their attributable costs and require the CFO or designee to certify each NSA, the cost coverage, and the internal approval process presented to and approved by Governors, has been followed
  - Requires all necessary regulatory filings with PRC
  - Requires semiannual reporting to Governors of the cost coverage for each NSA authorized under this decision
- **Management has developed extensive cross-functional process to manage the negotiation, financial certification, and filing of NSAs**

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Part 6

Universal Postal Union (UPU) Exit

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UPU: Background for Withdrawal

- FY2018 International Mail
  - Volume 0.9B
  - Revenue: $2.6B
  - Contribution $589M

Significant price increases will materially impact future financial results

- The UPU is a specialized United Nations agency made up of 192 members that facilitates the exchange of international mail
- Administration announced self-declared rates within the UPU or withdrawal
- The UPU rate system for small packets creates economic distortions which allow foreign producers to ship goods across USA at a lower price than US domestic postage rates
- The UPU is currently revisiting and expediting the consideration of a replacement for the Terminal Dues System for small packets.

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UPU Withdrawal: Pricing Impacts

USPS will charge self-declared rates for import small packets whether we stay in the UPU or whether we exit

Proposed self-declared rates will:

- Cover their attributable costs
- Be consistent with the policies expressed in and reforms sought by the Presidential Memorandum, to include domestic parity
- Require unprecedented price increases for small packets imports from foreign postal operators:
  142% to 251%

Impact of proposed price changes:

- Anticipate significant declines in import volumes
- Import revenue on retained volume increases
- Contribution improves for import
  - Assumes USPS can effectively eliminate the costs associated with volume declines
- Contribution declines for Export
  - Foreign posts will likely reciprocate and increase their delivery charges for E-Format items in a similarly aggressive fashion
  - Costs for USPS export items will increase and contribution will decline significantly

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Appendix

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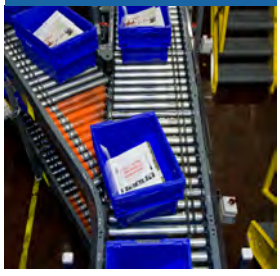
UNITED STATES POSTAL SERVICE

Terminology: Attributable Costs

Attributable Costs are Incremental Costs

Represent the cost that would go away if the entire product went away

Direct Labor	Indirect Cost	Product Specific
		
Cost of labor handling a product	Supervision, vehicle, equipment, and facility-related costs	Advertising

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Terminology: Institutional Costs

Institutional costs include:

- Common costs not caused by individual products
- Traditional fixed costs
- Network costs which arise in delivery, transportation, and retail

Delivery

Universal Service Obligations and appropriation rider language requires carriers to traverse core parts of their route daily regardless of volume

Institutional	53%
Attributable	47%

Post Office

Maintaining a network of Post Offices in every community regardless of walk-in revenue

Institutional	55%
Attributable	45%

Other

PRC, Office of Inspector General (OIG), Federal Employees Retirement System (FERS) Supplemental Liability, Retiree Health Benefit (RHB) Amortization

Institutional	86%
Attributable	14%

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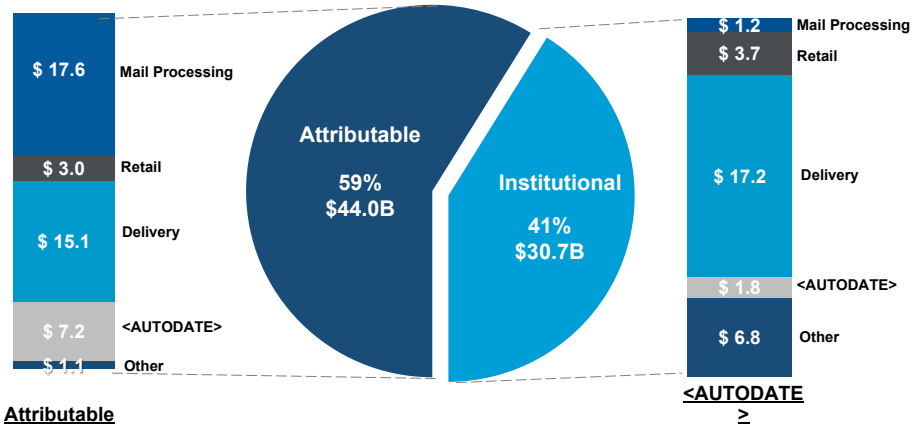
Attributable/Institutional Cost Breakout

Total Costs FY2018: $74.7B



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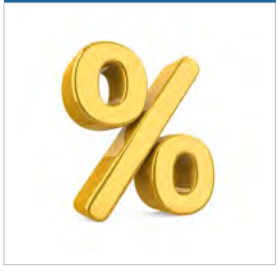
Contribution of a product is term used in lieu of "Profitability" of a product

Contribution	Cost Coverage	"Underwater" Product
		
Revenue minus attributable costs	Revenue divided by attributable costs	Products for which the revenue does not exceed the attributable costs

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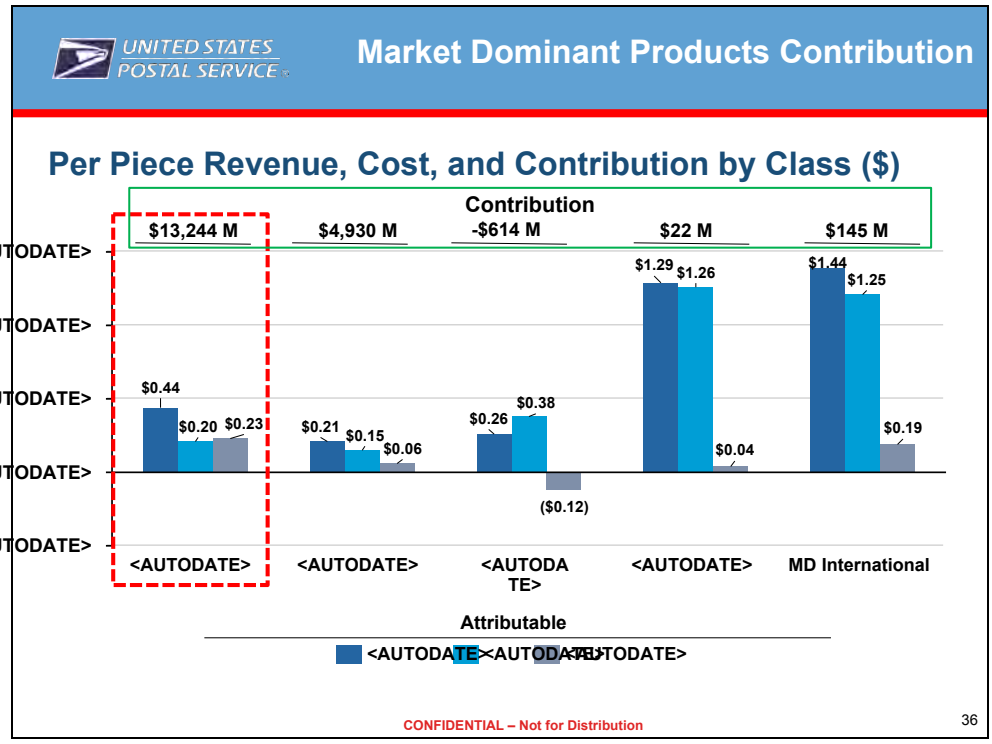

<AUTODATE> Letters

FCMI <AUTODATE>

Marketing Mail Flats

Ø36

<AUTODATE> Letters

Marketing Mail Letters

<AUTODATE>

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Implications of Market Dominant Price Cap

Current pricing regulations are too restrictive and don't allow us to price to the market

Cannot exceed change in Consumer Price Index – Urban (CPI-U)	Market Dominant price increases are capped at CLASS LEVEL	Uses previous 4 quarters of volume to calculate price change
• *CPI-U is an inflation index reflecting the change in price of a basket of goods purchased by urban consumers as defined by the Bureau of Labor Statistics*	• *Limits reaction to mail mix changes and market forces*	• *Does not account for declining volume*
• *Does not track specific inflation of USPS inputs (e.g., Labor)*	*Unable to charge more for Single-Piece letter and charge less for more price sensitive products in other classes like Marketing Mail*	• *Unwise to allocate additional "cap space" to products in steep decline, even if revenue does not cover costs (Marketing Mail Flats, Media/Library Mail)*
	• *No solution for classes with revenue far below costs (e.g., Periodicals)*	

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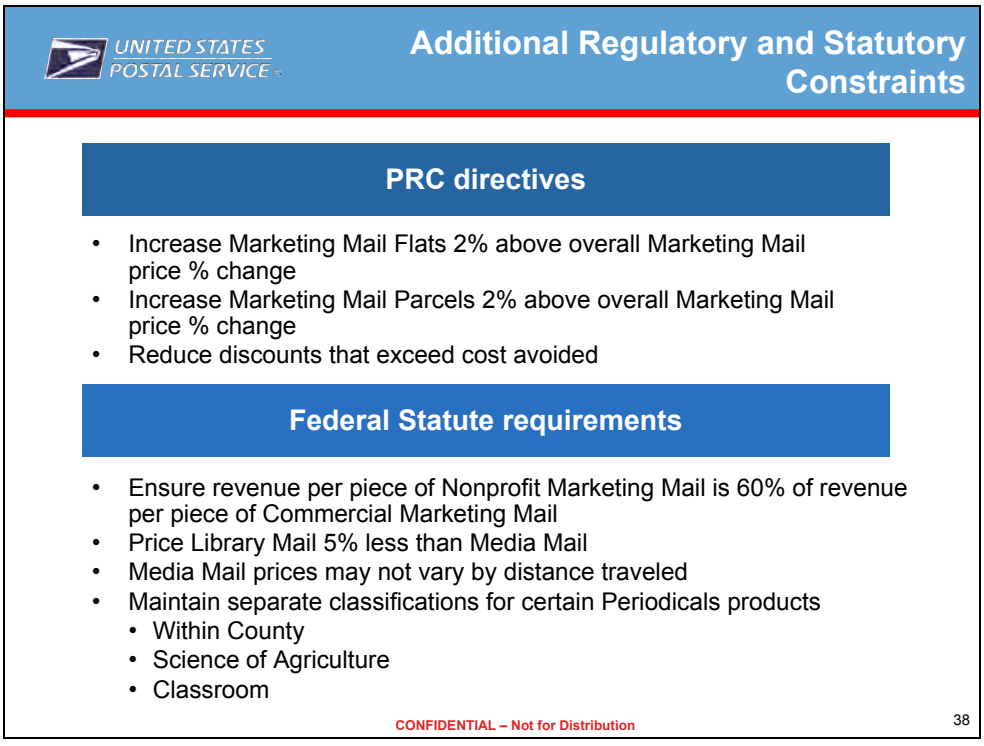

Heavily constrained. Nonprofit most difficult to manage.

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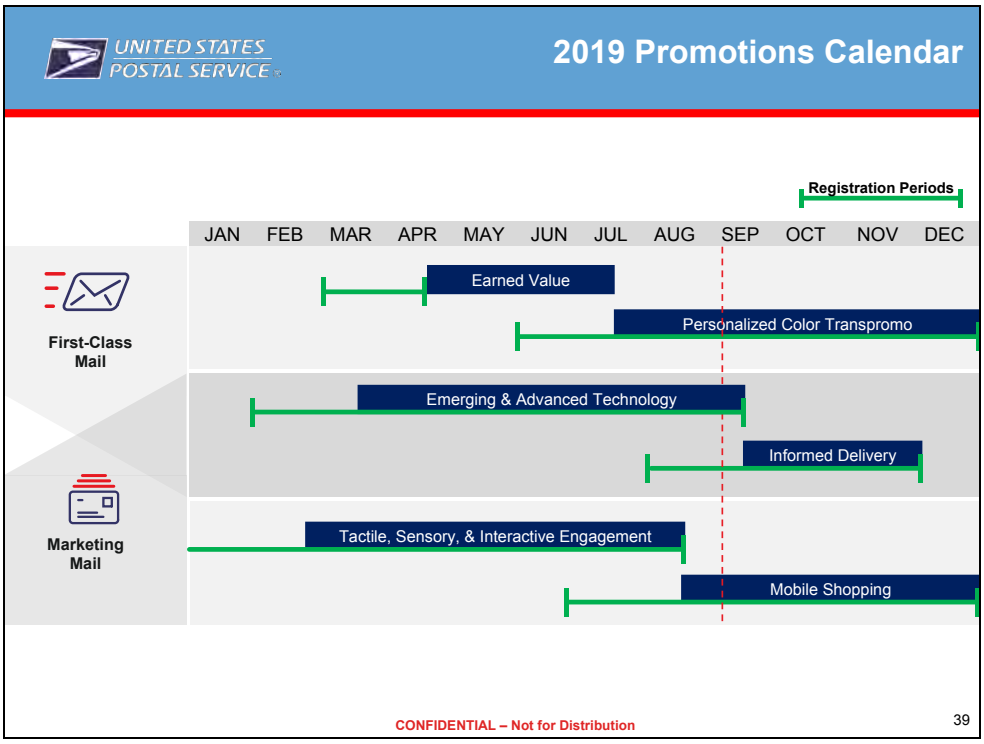

Total value of promotions (discounts)

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Earned Value Reply Mail

Encourages mailers to include Business Reply Mail (BRM), Courtesy Reply Mail (CRM) and Shared Mail envelopes and cards by providing a three-cent postage credit for each piece that is placed in the mail stream and scanned during the promotion period.

Personalized Color Transpromo

Encourages First-Class Mail mailers of bills and statements to use color messaging providing an upfront 2 percent postage discount during the promotion period.

Emerging & Advanced Technology

Provides a discount on the qualifying postage for First-Class Mail Marketing Mail letters and flats which either include affixed or embedded technology that allows the recipient to engage in a technological experience, or have been automatically generated by the recipient's applicable online activities.

Informed Delivery

Aimed to increase the adoption rate of the Postal Service's Informed Delivery platform, by offering a 2 percent discount off postage for mailings that incorporate Informed Delivery advertising campaigns.

Tactile, Sensory, & Interactive Engagement

Encourages mailers to enhance customer engagement with the mail through the use of advanced print innovations in paper and stock, substrates, inks, and finishing techniques. Regular and nonprofit USPS Marketing Mail letters and flats that meet the promotion requirements are eligible for an upfront 2 percent discount off postage.

Mobile Shopping

Encourages mailers to integrate into their mail pieces mobile technology that connects consumers to an online shopping platform. Regular and nonprofit USPS Marketing Mail letters and flats that meet the promotion requirements are eligible for an upfront 2 percent discount off postage.

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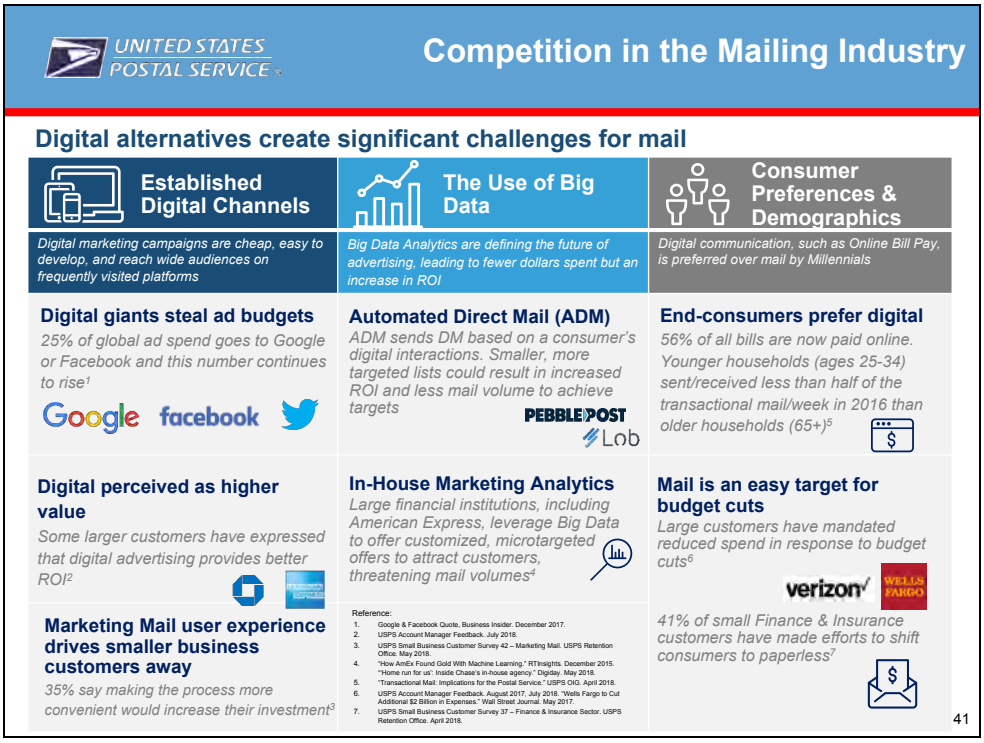

Digital ad spend $88B??
Get source from Dennis

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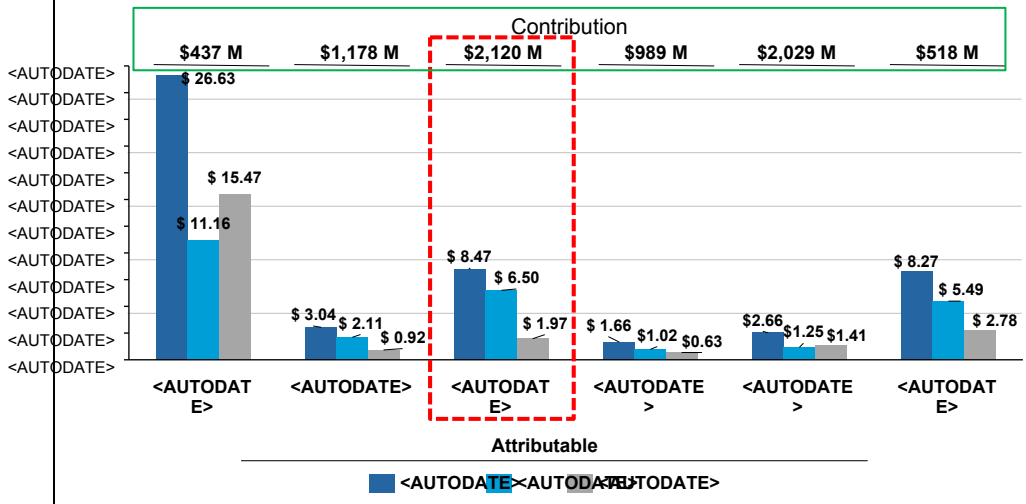
UNITED STATES POSTAL SERVICE

Competitive Products Contribution

FY2018 Per Piece Revenue, Cost, Contribution by Class



Source: Public_FY2018CRA Report Rev. 02/11/19; Cost Attribution for Parcel Select Lightweight & Heavyweight figures

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The shipping landscape is shifting and we must adapt

Competition for Last-Mile	New players shaking up delivery	Customers expect more	Pinched business budgets
UPS, FedEx, and others are building out their infrastructures to get a bigger piece of Last-Mile	*Tech companies, brick-and-mortar, and e-tailers all see opportunities with the growth of e-commerce*	*Heightened consumer expectations mean businesses must offer faster, more flexible delivery and customer service*	*Rising transportation costs are making businesses more price sensitive*
7-day delivery, year-round *FedEx announced 7-day residential delivery year-round[1]*	**VC Funding spiked 10x since 2013** *Silicon Valley is seeking to make major disruptions to the shipping market[4]*	**Faster delivery** *Same-day delivery service is now available from Target in 47 U.S. states for $9.99/order or $99 annually[6]*	**Drivers wanted** *A trucker shortage since 2018 & is expected to double over the next decade[9]*
DHL reenters US Last-Mile market *DHL announced US market reentry into urban areas for next/same-day delivery[2]*	**Brick-and-mortar efforts** *Target acquired Shipt for $500M. Walmart experimented with employee drivers to provide same-day delivery[5]*	**Heightened standards** *UPS is extending hours for next-day delivery & expanding capacity for overnight deliveries[7]*	**Pain at the pump** *FedEx moved from monthly to weekly updates of fuel surcharge pricing to keep up with shifting prices[10]*
Logistics crowding Last-Mile space *Companies like XPO and Newgistics are expanding their infrastructure[3]*	**Amazon expands First- & Last-Mile** *Amazon has launched many initiatives to insource shipping (i.e. Amazon Flex, Shipping with Amazon, and Amazon Delivery Service Partners)*	**Falling short on customer service** *Only 10% of small business customers believe USPS offers better customer service than a competitor[8]*	**Paper prices** *Paper prices are falling, causing plants to shutter to keep prices up[11]*

Reference:
1. "FedEx announced 7-day residential delivery year-round, expands SmartPost," Supply Chain Dive. March 2018.
2. "DHL Steps Back into U.S. Package Delivery," Transport Topics. March 2018.
3. "XPO takes another step forward with Last Mile expansion," Supply Chain Dive. September 2017.
4. "The New Delivery Reality; Achieving High Performance in the Post and Parcel Industry 2016." Accenture. January 2017.
5. "Target to Acquire Same-Day Delivery Platform Shipt, Inc. to Bolster Fulfillment Capabilities." Target. December 2017.
6. CNBC Report, 6/13/19.
7. CNBC Report, 6/13/19.
8. USPS Small Customer Survey 28 – Competitor Carrier Analysis. USPS Retention Office. April 2017.
9. America Trucker Association, 7/24/19.
10. Parcel Media News, 9/6/18.
11. Paper Market Update, April 2019.

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Competition at the Last Mile

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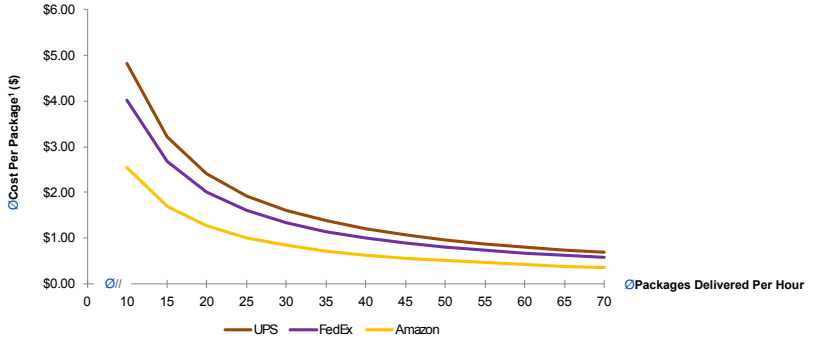
Delivery density drives the unit cost for competitor delivery



[1] FedEx represents Ground. Amazon is based average delivery driver pay plus function 4 employee to prepare packages driver packages for pickup. UPS and FedEx pay cost based on secondary and primary research. Curves include applicable marginal costs, if any, to deliver a package (e.g., carrier wage, maintenance, fuel) that UPS, FedEx and Amazon incurs.
ØSource: The Colography Group

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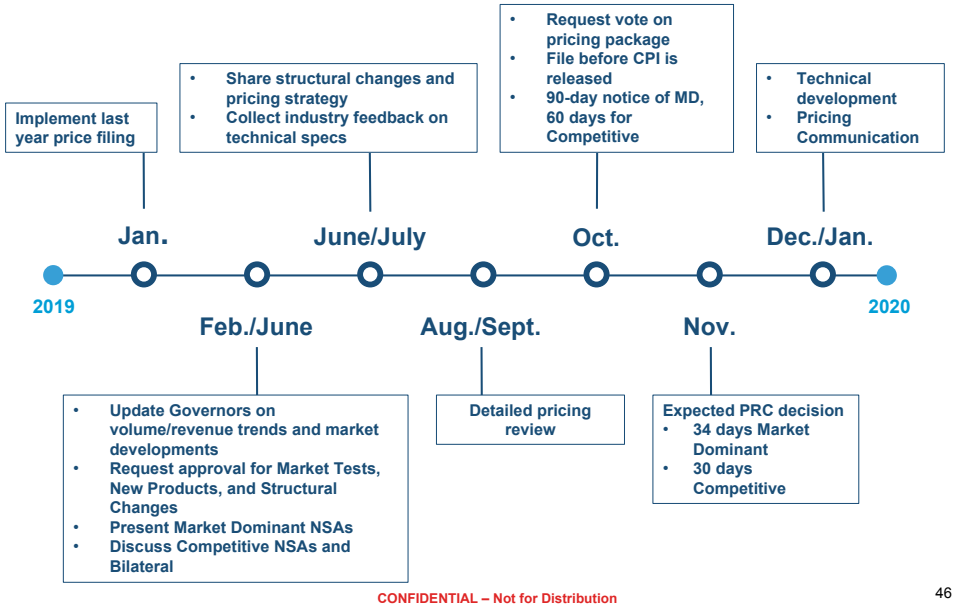
Traditional Annual Implementation Timeline



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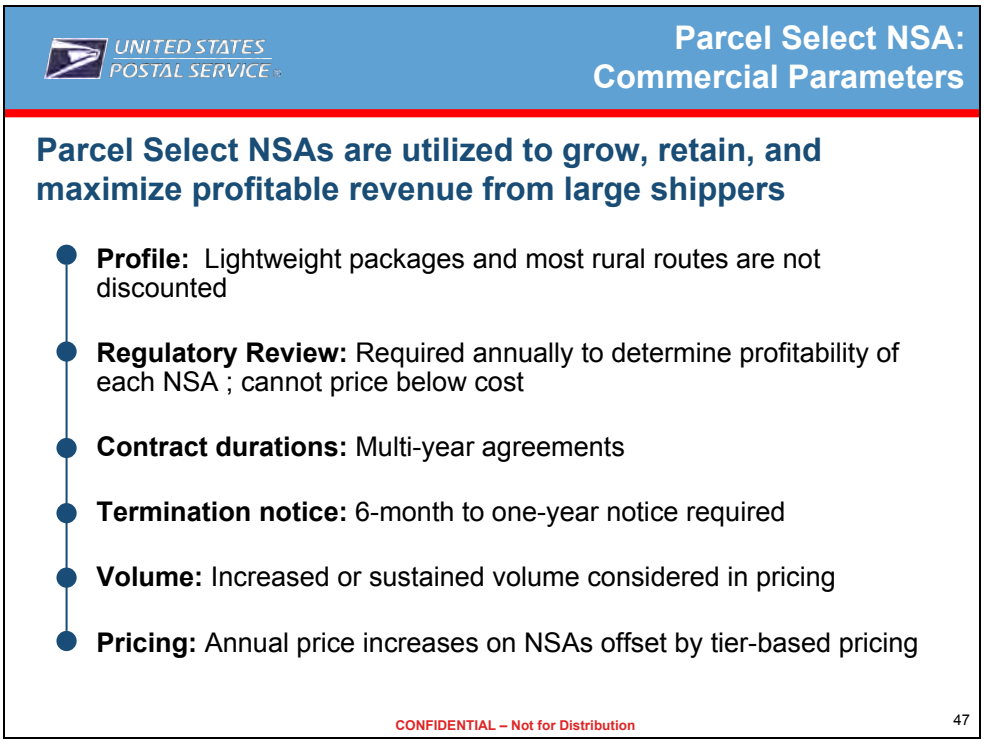

Various stages of negotiation
Retailer benefits but contract is with provider

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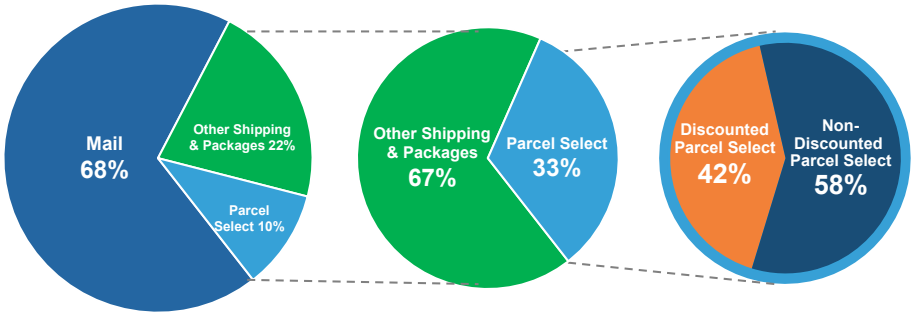
Parcel Select Pricing Overview: Published Prices and Discounted

The majority of Parcel Select revenue is earned at published prices and is not discounted

- Rural and lightweight volume is not discounted
- Discounts are applied to locations with greater delivery density to incentivize use of USPS last-mile



Total USPS Revenue | **Total Competitive Revenue** | **Total Parcel Select Revenue**

FY2019 July YTD - 42% or $2.3B of Parcel Select Revenue is discounted

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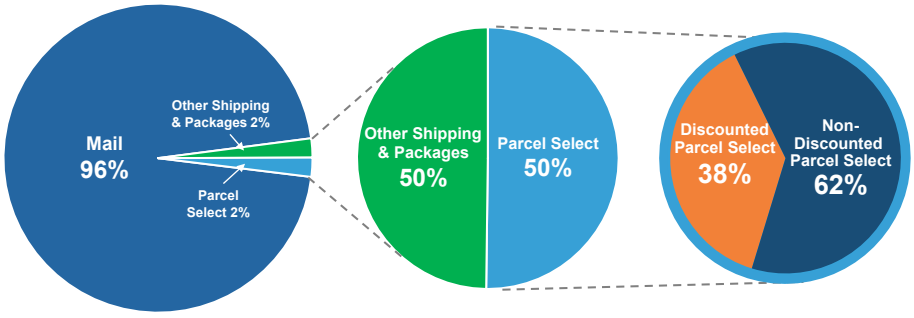
Parcel Select Pricing Overview: Published Prices and Discounted

The majority of Parcel Select Volume is sold at published prices and is not discounted

- Rural and lightweight volume is not discounted
- Discounts are applied to locations with greater delivery density to incentivize use of USPS last-mile



Total USPS Volume | **Total Competitive Volume** | **Total Parcel Select Volume**

FY2019 July YTD - 38% or 0.9B of Parcel Select Volume is discounted

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International Revenue Comprises a Small Percent of Overall Annual Revenue

- USPS's international revenue was $2.6B in FY2018
- USPS is a net exporter, with $1.5B in revenue for FY2018
- Small packet revenue is 50% ($1.306B) of all USPS international revenue (both import and export)

	Revenue ($000)	Total Cost ($000)	Contribution ($000)	Coverage
Outbound				
Priority Mail Express International	137,176	81,723	55,454	167.9%
Priority Mail International	556,673	320,839	235,834	173.5%
First Class Package International Services	377,519	204,436	173,083	184.7%
Other	435,563	434,834	728	100.2%
Total	**1,506,931**	**1,041,832**	**465,098**	**144.6%**
Inbound				
Express Mail Service	150,975	124,852	26,123	120.9%
Air Parcels (inbound Priority Mail)	66,350	46,627	19,723	142.3%
Letter Class Packets	692,935	683,607	9,328	101.4%
Letter Class Letters and Flats	87,706	77,227	10,479	113.6%
Other	125,737	61,421	64,316	204.7%
Total	**1,123,703**	**993,734**	**129,969**	**113.1%**

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2020 VISION

THE POSTAL SERVICE'S LAW DEPARTMENT IN 10 YEARS

Maureen Briody
Isabelle Dorlan
Jacob Howley
Tony Rice
Gillian Steinhauer
David Stanton

October 8, 2010

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2020 VISION
THE POSTAL SERVICE'S LAW DEPARTMENT IN 10 YEARS

The Postal Service is preparing itself for the challenges and opportunities that will exist in the year 2020. Similarly, the Law Department needs to develop strategies to address the unique issues that will arise relative to the department in the next decade. Specifically, this paper addresses the following questions:

- What changes in facilities, equipment, and technology are anticipated in 2020?

- What types of legal talent will be needed to meet the Law Department's future needs?

- What changes in work practices and work environment will be required to attract and retain quality professional and administrative employees?

EXECUTIVE SUMMARY

- At present, many attorneys are working remotely via a laptop and/or blackberry. This trend towards "mobile lawyering" is expected to continue into the future. Advances in technology will permit attorneys to participate in video-conferences, check e-mail, return calls, upload and download documents, collaborate on projects, conduct research, schedule meetings, scan documents or images, take pictures, and send or receive text, audio and video, all via a single device. As such, attorneys will be less tied to a fixed workspace or office in the future.

- The workplace will become more collaborative based on the popularity of the social media model. Internet sites such as Facebook and YouTube have revolutionized how people communicate and share information. It is likely that the government and private organizations will become more collaborative in nature through the use of more interactive websites, video-conferencing and document sharing.

- The Law Department will benefit from new software advances. Case management software can help track cases, clients and deadlines. Litigation support software is currently being developed that will aid in managing e-discovery. New software such as Adobe Acrobat 8 will make document management easier. Legal research software is also expected to become more user-friendly and less costly in the future.

- The demand for legal work is expected to increase into the future. Along with the trend for flexibility in terms of work schedule, it seems apparent that a variety of alternative flexible staffing options could also be explored

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in order to save on benefits-related costs. The use of part-time employees, whether they are retirees or employees who just want reduced hours for one reason or another, could be explored as a potential way to reduce costs, encourage retention and improve productivity. Tasks currently assigned to attorneys could possibly be shifted to paralegals or outsourced to independent contractors

- The Postal Service may wish to amend current flexible work arrangement policies to address such issues as greater telecommuting and AWS flexibility and expanding such programs to FLSA non-exempt employees.

- With the trend toward "mobile lawyering" on the rise, it is also expected that the Law Department will explore ways to save on real estate costs by consolidating office space and through the use office sharing. Other governmental agencies and private companies are exploring the concept of "hoteling", a policy whereby management could save costs spent in unnecessary office space and utility costs by having employees give up their in-office workspaces in exchange for home offices and a commitment to provide the employee with a temporary office space when needed.

- As a result of technological advances and current trends favoring telecommuting, it is expected that the Law Department will at least study the "results-only work environment" (ROWE) model. ROWE is driven by the principle that it should not matter when or where an employee works, as long as the job gets done. ROWE appears to be gaining support as an alternative option that could expand an employee's flexibility, and as such, potentially improve employee retention and productivity.

I. TECHNOLOGICAL CHANGES WILL SUPPORT A MORE EFFICIENT AND COLLABORATIVE WORK ENVIRONMENT

In the past ten years, the Law Department has seen tremendous technological advances which have dramatically changed how we work. Due to these advances, attorneys in the Law Department have the ability to work remotely and are less tied to their physical offices. The most significant technological developments have been remote computer access, BlackBerry phones and scanning.

Attorneys working remotely have the option of signing on with their own home computer or postal provided laptop. While many attorneys in Headquarters are still using desktop computers, in the Field it appears most attorneys have chosen to be

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assigned laptop computers. Access with a postal laptop is accomplished through the WebVPN portal.[1] If a home computer is used, the Remote Desktop Protocol (RDP) is used and the work computer must be left on and connected to the network. In addition to working from home, attorneys can also sign on directly to another ACE computer with their password when visiting another Postal installation.

BlackBerrys allow attorneys to check their e-mail and keep in touch with clients and co-workers no matter where the attorney is physically located. Productivity is significantly enhanced as moments of "down time" can now be used to respond to e-mails. This is particularly significant given the high percentage of daily business currently conducted via e-mail. Moreover, the Postal Service telephone system provides for simple and seamless call forwarding so that calls that come in can be redirected to the attorney's BlackBerry when he or she is out of the office.

Finally, in recent years the Law Department has implemented various protocols that have reduced the amount of paperwork and the need to be located in a fixed physical office. Case files and other important documents are now scanned, and an increasing number of administrative agencies and courts are accepting submissions via e-filing. This trend towards a more "mobile" or "virtual" office is expected to continue to expand into the future.

A. The "Virtual Office"

[1] Although the Management Instruction EL-310-2009-8, discussed later in this memorandum, does not require telecommuting employees to work from home *per se*, it requires that participants work only from an approved alternate worksite. Broadband Internet access is recommended; even though dial-up services may be used, their performance is significantly slower. If the employee uses a home wireless network, it is the employee's responsibility to ensure that the network is secured to the maximum extent allowed by the wireless device in use, with a preference of Wi-Fi Protected Access (WPA) or a higher security standard. Employees may not use third-party devices, such as public kiosks, which are not always secure.

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A "Virtual Workplace" is defined as a workplace that is not located in any one physical space. Rather, several workplaces are technologically connected (via the Internet) without regard to geographic boundaries. Employees are thus able to interface and work with one another in a collaborative environment regardless of where they are in the physical world.[2] In the workplace of the future there may be no commute, no corporate headquarters and perhaps not even an office as many more workers are telecommuting.[3] It is foreseeable that technology will be able to combine the functions of multiple pieces of hardware, such as a personal computer, phone, fax, scanner, electronic organizer, or camera into a single convenient device so the user can use these tools to participate in videoconferences, check e-mail, return calls, upload and download documents, distribute reports, collaborate on projects, conduct research, schedule virtual meetings, scan printed documents or images, and send or receive text, audio and video.[4]

1. Attorneys are increasingly using technology to support mobility.

Smart phones, such as the iPhone[5], have many different features such as a camera, phone, text-messaging, visual voicemail, portable media player, Internet web browsing and Wi-Fi[6] connectivity. In fact, even laptops may be in danger of becoming outdated as more workers are becoming more comfortable working via smart phone and/or BlackBerry; and as wireless broadband coverage continues to increase. Indeed, the concept of "mobile lawyering" is on the rise. The new high-powered cell phones

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[2] See www.wikipedia.org/wiki/Virtual_workplace.
[3] See www.abcnews.go.com, The Future of the Workplace: No Office, Headquarters in Cyberspace (Aug. 27, 2007).
[4] See www.officeofthefuture2020.com, Top Technology Tools (June 25, 2010).
[5] See www.wikipedia.org.
[6] Wi-Fi is the most widely used Wireless Local Area Network (WLAN) technology. A Wi-Fi enabled device, such as a smart phone or BlackBerry can connect to the Internet when within a range of a wireless network.

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essentially can serve as a portable office in one's pocket, giving the attorney access to contacts, calendars, calls, e-mails and the Internet all in one place.[7] The popularity of smart phones has skyrocketed in recent years.[8] Many attorneys are already using their BlackBerrys and smart phones to email their clients.[9] Seventy-one percent of ABA members stated that they sometimes telecommute from a variety of places, such as home, hotels, others' offices, libraries, courthouses, coffee shops and cafes. Many places, including libraries, are now offering free Wireless Internet access, making it even easier to telecommute. Ninety-five percent use computers away from the office, 89 percent use laptops and seventy-nine percent use BlackBerrys or smart phones.[10] Many applications are being added to these smart phones for the attorney to use in connection with his or her work, such as applications to do legal research, manage documents in Microsoft Word, Excel or PowerPoint formats, and manage tasks and to-do list.[11]

Another technology that is rising in popularity is the ability to download books to an e-reader or iPad. The iPad is a tablet computer developed by Apple that is marketed as a platform for audio and visual media such as books, periodicals, movies, music and games, as well as web content. Its size and weight are between those of most contemporary smart phones and laptop computers.[12] A recent study indicated that many more mobile workers planned to purchase an iPad in coming months, rather than

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[7] See www.entrepreneur.com, Plug in or Tune Out? (Jan. 6, 2010).
[8] See www.abanet.org, Smart Phone Buying Guide (Feb. 2010).
[9] See www.westlaw.com, Virtual Law Practices: Most Practices are Partly "Virtual" Already, What's Next? (Aug. 1, 2009).
[10] See www.abajournal.com, Survey Documents Rise of Telecommuting Lawyers (July 9, 2010); see also www.law.com, 2008 ABA Tech Survey Sees More Mobility (Nov. 24, 2008).
[11] www.abajournal.com, 70 Sizzling Apps (Oct. 1, 2009).
[12] www.wikipedia.org.

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a traditional PC for work purposes.[13] There is even a new iPad application that helps litigators with jury selection.[14]

Many people are no longer buying books, but are instead downloading them to their e-reader or iPad. As such, it is foreseeable that more businesses, including attorneys, could use e-readers in connection with their work in the future. The use of e-readers would also support the trend of mobility since instead of having to carry around voluminous files; the attorney could download all the information on one device. Instead of printing out transcripts, voluminous discovery, or investigations, it is likely the attorney could use the e-reader in order to prepare witnesses and at hearing. E-readers could also be used in meetings since each participant could download the report and follow along in the meeting on the e-reader.[15]

There are obvious security issues which companies have to consider in line with what is coming in terms of new technology. Laptops, BlackBerrys and smart phones can be easily lost and/or stolen. As a result, the information on these devices is at a significant risk. In light of these risks, the use of encryption software, anti-spyware, anti-virus software and mandatory passwords is also on the increase.[16] With the advent of this new technology and easier access to the Internet, employees also become more able to blur the lines between personal use and work use.[17]

2. The use of video is likely to increase in the legal field.

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[13] See www.gigaom.com, Connected Workers Going iPad for Connectivity (Sept. 2, 2010); www.silicon.com, iPad vs. Laptop: Can Apple's Tablet be Your Office Computer? (June 16, 2010).
[14] See www.abajournal.com, Avatars Help Litigators Select Juries in New iPad App (Aug. 2, 2010).
[15] See www.abajournal.com, The Portable Legal Library: Lawyers and e-Readers (November 2009); www.techrepublic.com, 10 Reasons Why e-Readers Make Sense in the Enterprise (August 2009).
[16] See www.abanet.org, The Year of Living Safely: How Lawyers are Securing Their Data (May, 11, 2010).
[17] See www.govtech.com, Many Bosses Unaware of Personal Devices' Popularity at Work (July 8, 2010).

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Videoconferencing is becoming cheaper and easier to do. As a consequence, it is likely we will be seeing the increased use of video in the legal profession. More attorneys will be taking video depositions and doing witness preparation via video.[18] The use of video for conferences and hearings is likely to increase. In terms of the legal community in general, the New York State courts have a video conference unit, where attorneys can make video court appearances, conduct attorney-client interviews and set up video conference meetings.[19] In Michigan, the Supreme Court posts online video of its oral arguments, administrative hearings and administrative conferences to be posted on the State Bar website.[20] The Seventh Circuit has started an e-mentoring project which permits young attorneys to have video discussions with distinguished jurists and trial lawyers.[21] The MSPB and EEOC regularly request video hearings in Postal cases, and many of the attorneys have participated in such hearings. As budgets continue to be cut, and videoconferencing becomes cheaper to use, it is likely that the trend towards the use of video in order to defray travel costs will increase in the future.

3. The Law Department could benefit from the new technology.

Attorneys currently rely upon a sometimes overextended remote network infrastructure to access their in-office desktop resources. Before adding new hardware or software, upgrading the WebVPN network should be a priority that would result in immediate productivity improvements. There is significant anecdotal evidence of problems ranging from inability to log on at the start of the work day, to getting kicked off the remote network and slow operation at certain times of the day.

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[18] See www.abanet.org, Video Depositions: Essential, Resources (April 2010).
[19] See www.courts.state.ny.us.
[20] See www.michbar.org/courts/virtualcourt.cfm.
[21] See www.abajournal.com, Video Mentors (Aug. 1, 2010).

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It is foreseeable that the Law Department will invest in laptops or other mobile devices, like e-readers or iPad-like devices, so that attorneys to have ready access to files and documents, as well as videoconferencing, wherever they are located. No longer would information access be limited to just the workplace or a home office. Nor would remote employees have to rely on the VPN network for access to files stored on their office hard drives, which would both facilitate employees' access to these files and reduce the VPN server load for purposes of access to files residing on the Law Department's shared network. This type of change will be required for the Law Department to bring its remote computing capabilities in line with other government agencies and private law firms as we move into the next decade.

B. Collaboration Based On A Social Media Model

The Law Department has begun to employ technology that permits it to be more collaborative in nature. MeetingPlace is used for teleconferencing, NetMeeting for information sharing and for limited document sharing, and the Law Department website is used exclusively for document sharing. It is not unusual to get a mass e-mail from a Managing Counsel from a Field office or from Headquarters concerning cases of national interest. Many times Headquarters holds information sessions via teleconference and/or web conference. This trend towards information sharing and collaboration in the workplace is expected to continue.

The popularity of social networking sites, online sites where users can interact with each other over the Internet and share ideas, pictures, videos, events and interests within their individual networks, such as Facebook, MySpace, Twitter, Flickr, YouTube,

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and LinkedIn is on a constant rise.[22] As SKYPE, a web service that allows callers to make video telephone calls over the Internet[23], is becoming increasingly popular, the increased use of video for further collaboration in the business context is likely.

1. Using social media to further collaboration and information sharing.

Private companies and the government are beginning to use social media websites to easily disseminate information and solicit commentary from a wide range of individuals and in a much quicker and more collaborative way through the Internet. "Blogs, microblogs and social networking sites have expanded the ways in which people and organizations communicate."[24] Social networking websites have become increasingly popular during the past few years as a way to collaborate and disseminate information among a wide range of people in a quick way.[25] The Obama Administration has signed an Executive Order calling for all departments and agencies to "establish a system of transparency, public participation and collaboration".[26] To date, nearly all major federal agencies are using social media.[27] As of June 2010, approximately 56 percent of attorneys responded that they maintain a presence in an online community/social network such as Facebook, LinkedIn, LawLink or Legal OnRamp. Respondents in the 30-39 year old age group were most like to maintain a presence (77 percent), with the 40-49 year old age group following closely behind (68 percent). The highest percentage of respondents (83 percent) maintained a presence in LinkedIn.[28]

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[22] See www.wikipedia.org.
[23] See id.
[24] See www.abanet.org, The Good, the Bad and the Ugly of Blogging, Microblogging and Social Networking for Public Lawyers (Summer 2009).
[25] See www.abanet.org, Social Media: What It Is and Why It Matters (January 2010).
[26] See www.time.com, Obama and Twitter: White House Social-Networking (May 6, 2009).
[27] See www.fcw.com, Nearly All Major Federal Agencies Use Social Media (July 22, 2010).
[28] See www.abanet.org, The Linked-in Lawyer: How Lawyers are Using Social Networks (June 22, 2010).

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Based on the popularity of social media, it is likely that in coming years we will see the use of social media change from being used in a purely personal way or as a marketing tool, to a collaborative tool to be used internally within the workplace. Younger workers have grown up using the Internet and are comfortable transitioning the use of their social networking tools into the business environment.[29] Indeed, it is already happening. Government agencies and private companies are creating internal networks based on the social media model where employees can share files, individuals can share individual knowledge and experience through the use of blogs, and forums or bulletin boards are created in order to further collaboration and to keep employees better connected.[30] General Electric has created an internal social network called Support Central, which boasts 400,000 users in more than 6,000 locations around the world.[31] NASA has created an internal networking site called Spacebook. It was created because of a need to improve teamwork, communication and access to information across the agency's diverse projects and centers.[32] The State Department is working on launching a social network called "Statebook" to link diplomats and employees via a Facebook-style system.[33] Just recently, the U.S. Merit Systems Protection Board (MSPB) announced that it has joined the information network Twitter.

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[29] See id.
[30] See www.inc.com, How to Use Internal Collaboration and Social Networking Technology (March 31, 2010).
[31] See www.itbusinessedge.com, GE Nails the Internal Social Network (July 21, 2008).
[32] See www.nasa.gov/centers/goddard/news/topstory/2009/spacebook.html; see also www.mashable.com, 5 Ways Government Works Better With Social Media (May 10, 2010).
[33] See www.socialtimes.com, State Department to Model Internal Social Network After Facebook (April 14, 2010).

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The MSPB plans to use the site for new studies or publications, oral arguments, case reports, newsletters, *Federal Register* notices, or website updates.[34]

While the social media model is not likely to go away anytime soon, the model has its weaknesses in the business setting. A business site based on such a model would have to address issues concerning appropriate content and use.[35] Another concern would be whether the data contained on the site would be subject to the FOIA, the Privacy Act, and/or e-discovery.[36] Since the social media model is Internet-based, there would be security concerns such as data protection and increased risk of cyber threats to consider as well.[37]

2. The use of videoconferencing could support collaboration.

Videoconferencing and webconferencing are emerging as a cheaper way for employees to share information and to collaborate better on projects. Fewer on-site meetings could mean reduced travel costs, less time wasted on travel and a healthier planet.[38] In the Law Department, meetings are regularly held via teleconference or via webconferencing. Video conferencing has the potential to establish rapport that can be hard to build without the benefit of face-to-face interaction.[39] As such, it is another tool the Law Department should consider to increase efficiency and promote a more collaborative environment than teleconferencing alone can promote.

3. Cloud computing could increase collaboration.

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[34] See www.twitter.com/USMSPB , News Release, U.S. Merit System Protection Board on Twitter (October 5, 2010).
[35] www.depo.com, Examining the 4 Areas of Business Social Networking Risk (August 2010).
[36] See id.
[37] See Section A.3.
[38] See www.gigaom.com, The Future of Collaboration: Video Conferencing (Oct. 1, 2009).
[39] See id.

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Cloud computing, otherwise known as Software as a Service (SaaS), refers to a category of software that is delivered over the Internet to a Web browser (like Internet Explorer) rather than installed directly onto the user's computer. The Law Department is already using cloud based computing when attorneys and paralegals use Westlaw and LexisNexis.[40] Another example of a cloud-based application would be social networking sites, such as Facebook or MySpace. Google Docs, which is a free, Web-based word processor, spreadsheet, presentation, form and data service offered by Google is also a cloud-based application. It allows users to create and edit documents online while collaborating in real-time with other users.[41]

The cloud computing model holds appeal for attorneys for a variety of reasons. Collaboration in "the cloud" allows individuals to communicate and share information easily since all the applications and data reside on the Internet, any authorized user can view documents, collaborate and generate ideas and provide information.[42] Off-site data storage is the defining characteristic of cloud computing. Instead of being saved to an individual's computer or server in the office, data would be saved to an off-site location under the administration and control of a SaaS vendor.[43] The benefits of such technology would be increased mobility and decreased need to have large servers to store data.[44] However, there are obvious concerns with the security risks of storing data in "the cloud" where the attorney does not have immediate control over the data.[45] There is also the risk of protecting the data and the increased risk for cyber threats.[46] A

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[40] See www.abanet.org, The ABCs of Cloud-Based Practice Tools (Jan. 2010).
[41] See www.wikipedia.org.
[42] See www.allthingsscrm.com, Online Collaboration Tools in a Cloud Computing World (April 30, 2010).
[43] See id.
[44] See id.
[45] See id.
[46] See www.depo.com, Examining the 4 Areas of Business Social Networking Risk (August 2010).

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company could theoretically set up an "internal or private cloud" structure in order to mitigate some of the potential security risks.[47]

4. The Law Department could benefit by exploring new collaborative options.

At this time the Postal Service is developing a Social Media Policy for possible issuance later this year. However, social media, video-conferencing and real-time collaborative tools that permit employees to work on a document from different locations in real-time remain foreign to the Law Department's work environment. Such tools could help create a more collaborative work environment and more efficient information sharing among the Law Department as a whole.

C. New Software Programs

Changes in software have radically changed the way we work and how we can be more efficient in our jobs. In the Law Department, we have seen LawManager software implemented as an update to the old Wildcats system. This software has helped us keep better track of our cases. We have also implemented Litigation Hold software in order to comply with our e-discovery obligations. It is expected that in the next ten years, attorneys will be trying to find better ways for organizing and managing their electronic documents, discovery and files.

1. Attorneys will better manage their cases and files electronically.

Case management software can help track cases, clients, and deadlines.[48] Litigation support software is designed to aid lawyers in the process of litigation, and generally includes databases for organizing, searching, and reviewing discovery

[47] See www.InformationWeek.com, Why "Private Cloud" Computing is Real—And Worth Considering (April 11, 2009).
[48] See www.abanet.org, Practice and Case Management Software: Comparison Chart.

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material including deposition transcripts, produced documents, and correspondence.[49] For litigators, deposition and transcript-review software programs, such as TextMap and Live Note, can be efficiency boosters since the attorney can annotate, bookmark, link and highlight sections of the transcript. The result is a transcript that is easier to search.[50] This software has the potential to make attorneys more efficient in their jobs.

2. Adobe Acrobat 8 will make document management easier.

Adobe Acrobat 8 has significant benefits for attorneys and paralegals. The encryption technology is easy to use. As such, it is easy to protect sensitive information from accidental disclosure. It is also easy to convert documents into a single, polished, searchable Adobe PDF package for e-filing. There is a redaction feature that makes responding to discovery responses and FOIA/Privacy Act cases much faster and easier. Attorneys and paralegals can easily Bates number their documents and combine documents for filing.[51] All of these benefits assist the Law Department in becoming more efficient.

3. Legal research software is expected to become more user-friendly and less costly.

Westlaw and LexisNexis are also planning on creating a legal research experience that users have come to expect from Google.[52] The new LexisNexis will be more user-friendly and display the results in a variety of intuitive ways. Shepard's citation service is incorporated into every case and can be viewed graphically. The new LexisNexis also provides tools for collaboration, allowing for storage to work folders for

[49] See www.abanet.org, Litigation Support Software Comparison Chart.
[50] See www.westlaw.com, Switching Gears? Let Technology Help (January 2010).
[51] See www.abanet.org, Adobe Acrobat 8 Professional: Reasons to Put it on your Shopping List (March 2007); www.abajournal.com, Acrobat 8 Does Flips for Attorneys (March 19, 2007).
[52] See www.abajournal.com, Wired (Feb. 1, 2010).

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later reference.[53] WestlawNext will also be aiming to be easier to use and more aesthetically pleasing and promises tools for workflow collaboration.[54]

In addition to the changes coming to Westlaw and LexisNexis, in recent years we have seen that the ability to do legal research for free has increased and this trend is expected to continue. In 2009, Google came out with a Google Scholar online search where anyone can type in case names, topics or key words to find relevant case law.[55] We have also seen many agencies that the Law Department deals with regularly, such as the Department of Labor, Equal Opportunity Commission, Merit Systems Protection Board and the National Labor Relations Board post laws, guidance, regulations and in some instances, case law, on their public websites.[56] The Code of Federal Regulations can also be searched for free online.[57] All of these changes will likely result in cheaper, more user friendly legal research tools.

4. The Law Department has the potential to become more efficient through the use of new software technology.

As legal software becomes more user-friendly and less costly, it is foreseeable that the Law Department will be looking into purchasing software that will make case management and litigation more efficient. In fact, the IT Department is currently looking into obtaining software in order to better manage its e-discovery obligations in accordance with the Electronic Discovery Reference Model (EDRM) model. The purpose of such software would be to better manage e-discovery in large cases, such as class actions.

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[53] See id.
[54] See id.
[55] See www.abajournal.com, Google Offers Legal Research for the Average Citizen—and Lawyers, Too (November 2009).
[56] See www.dol.gov; www.eeoc.gov; www.mspb.gov; www.nlrb.gov.
[57] See www.gpoaccess.gov.

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As it already has a contract with LexisNexis, it is also likely that the Law Department will benefit from the changes coming in the near future. It also would be helpful to disseminate information as to the free research tools available so they can be used to support the attorneys' and paralegals' legal research efforts and cut costs spent on LexisNexis and other paid legal research web sites.

II. ANTICIPATED CHANGES IN THE STAFFING PARADIGM

A. The Demand For Legal Professionals In The Next Ten Years

The Bureau of Labor Statistics (BLS) predicts that by 2020 there will be a 13 percent increase in the number of attorneys, a 28 percent increase in the number of paralegals, and an 11 percent increase in the number of administrative assistants. BLS projections are based on growth in the population, growth in legal transactions, and growth in demand for lawyers as a result of legal problems resulting from the downturn in the economy.

As set forth above, the largest predicted increase by far is the increase in paralegals. In the private sector, clients are demanding more efficient, lower cost legal services. One way of accomplishing that objective is further utilization of paralegals. Some activities currently performed by attorneys can be done by paralegals – and more cost effectively. The most frequently mentioned work shifting topics are document review and the preparation of routine documents. Paralegals could also have an expanded role in the Law Department, such as assisting in the preparation of routine filings for the Postal Regulatory Commission, drafting and responding to discovery requests, preparing MSPB Agency Files, interviewing prospective witnesses, and drafting dispositive motions, thereby freeing up attorneys to provide client advice and

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handle more complex transactional and litigation-related legal tasks. Work shifting from attorneys to paralegals may, however, be more pronounced in the private sector as the salary gap between the two positions is more pronounced.

The increased need for administrative assistants is in turn driven by the increase in attorneys and paralegals. Although attorneys and paralegals will increasingly perform their own administrative tasks, more administrative assistants will be needed to handle the larger workload and perform tasks such as scanning documents, organizing files, and preparing and mailing documents in electronic format.

B. Staffing Options

Managers in the next ten years will need a flexible organization and flexible staffing that can be quickly adjusted to address new problems and challenges. The Postal Service faces the potential for change in the next ten years even more so than most organizations. As the Postal Service's Chief Human Resources Officer, Anthony Vegliante recently told the *Washington Post*, "we don't have a continually growing environment, we have a shrinking environment so we ... need to be flexible."[58]

The current staffing model for the Law Department is comprised almost exclusively of full-time career employees. Since the Postal Service, as an employer, has much in common with other large employers, public and private, the developing staffing trends of such employers can be useful in informing the Law Department as it makes staffing decisions over the next ten years. These trends include the use of part-time employees, retirees and contractors/outsourcing. Although there is some overlap between these categories of employees, they will be discussed separately.

[58] See www.washingtonpost.com, "Negotiations start for Postal Service and top unions (9/1/2010).

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1. The increased use of part-time employees.

The U.S. Bureau of Labor Statistics considers employees working fewer than 35 hours per week to be part-time employees.[59] According to the U.S. Bureau of Labor Statistics, part-time employment now accounts for approximately 16 percent of the workforce.[60] While the recent economic downturn has generated more part-time employment as a matter of economic necessity, there is evidence of a desire among professional employees to elect part-time status.

The use of part-time staffing has obvious economic advantages to an employer, including a reduction in expenditures for wages and benefits and an increase in employee satisfaction. In addition to the tangible economic benefits of part-time employment to the employer's bottom line, there is at least one study which indicates that implementing staffing flexibility options, such as part-time employment, significantly increases employee engagement and reduces employee turnover.[61] Studies done in the last two years indicate that, among 1,100 employers with more than 50 employees, approximately 40 percent allowed some employees to migrate back and forth between part-time and full-time employment. Additionally, 53 percent of employers allowed some employees to reduce their hours prior to retirement; and 25 percent allowed most or all employees to phase into retirement.[62]

The use of part-time attorneys is gaining traction in both the private and public sectors. For example, in a study cited by the "Project for Attorney Retention", the number of part-time partners in private law firms increased from 1.6 percent in 1999 to 3

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[59] www.bls.gov/cps/lfcharacteristics.htm, "Labor Force Statistics from the Current Population Survey.
[60] Adrienne Fox, *Part-Timers Makes People Strategy Whole,* HR Magazine, August 2010.

[61] *Id.*
[62] *Id.*

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percent in 2008.[63] This same study concluded that part-time partners in private law firms made significant contributions as mentors and role models. In the Federal sector, the Department of Justice (DOJ) offers the availability of part-time scheduling for its attorneys and other employees. DOJ's policy cites "the desirability of making maximum use of available human resources, including those qualified individuals who are available for part-time employment."[64] DOJ provides for part-time work opportunities for positions in all grade levels, subject to its resources and mission requirements, and has focused anew on part-time work opportunities in order to respond to increasing numbers of childbearing-age women in the workforce, dual career and single-parent households and an aging workforce supporting elderly parents. In DOJ's assessment, part-time employment can be another valuable tool to attract and retain well-qualified employees.[65]

The Postal Service currently discourages the use of part-time employees by counting a part-time employee the same as a full-time employee for purposes of complement control. Using both the public and the private sectors as a model, we recommend that the Law Department consider the possible expanded use of part-time employees, as well as policy changes that would support such expanded use.

2. The increased use of Independent contractors/outsourcing.

The use of independent contractors/outsourcing presents another opportunity for maximum flexibility in adjusting the size and composition of the Law Department's workforce to changing needs. In the private sector, law firms are taking advantage of

[63] Cynthia Thomas Calvert, Linda Bray Chanow and Linda Marks, *Reduced Hours, Full Success: Part-Time Partners in U.S. Law Firms,* The Project for Attorney Retention, 2009.
[64] See, USDOJ: JMD*: Worklife: Part-Time Employment and Job Sharing Fact Sheet.*
[65] *Id.*

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outsourcing, including sending work overseas to countries such as India. In the years between 2002 and 2006, American law firms outsourced more than three million legal jobs to foreign countries. The Bureau of Labor Statistics estimates that by 2015, Indian employees performing outsourced legal work for private sector American law firms will generate $970 million; up from $52 million in 2002.[66] Clearly, outsourcing in the private sector legal environment is a growing trend.

The use of contractors or outsourcing carries with it the advantage of paying only for services actually rendered, without any long-term or collateral obligations for wages or benefits. This approach can also be easily adjusted to meet the current needs of the Law Department, thereby achieving maximum flexibility.

3. The potential for expanded use of retirees.

Hiring retired employees, either as part-time employees or as independent contractors, appears to be an ascending trend in the private sector, and could make good business sense for the Law Department. The Postal Service estimates that up to 300,000 of its employees will become eligible to retire in the next decade.[67] This pool of former workers could be a tremendous asset to the organization. An AARP-sponsored study of 1,500 workers aged 45 to 74 found that 69 percent planned to work in some capacity after their retirement.[68] Retirees typically work after the end of their careers not only for wages or benefits, such as health care, but also for the intangible benefits of enjoyment and a sense of purpose. Even though many want to work, often they do not wish to continue working full-time. Rather, retirees want work that offers flexibility.

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[66] Alison M. Kadzik, *Current Trend To Outsource Legal Work Abroad and the Ethical Issues Related to Such Practices,* Georgetown Journal of Legal Ethics, Summer 2006.
[67] USPS, Postal News, March 2, 2010.
[68] S. Kathi Brown, *The AARP Working In Retirement Study,* 2003

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In February 2009, legislation was introduced in Congress to facilitate the use of part-time employees and the re-employment of retirees by Federal agencies. This legislation was designed to ease the financial complications of returning retired employees, both in terms of eliminating the offset of their retirement annuity and by providing retirement credit for CSRS employees for part-time work performed for their agencies.[69]

In March 2009, the Office of Personnel Management (OPM) issued directives encouraging Federal agencies to re-employ Federal retirees possessing experience in a number of areas (e.g., human resources, contracting, project management and grants management). While the wages of re-employed retirees are offset by their annuity payments, OPM or the re-employing Federal agency can waive this offset for select returning employees with crucial skills. The Government Accountability Office (GAO), in a February 2009 study involving four Federal government agencies, found that there was a significant pool of highly qualified retired Federal employees available for employment in the Federal sector.[70]

The knowledge and experience of retired employees can provide real value to the Department as it moves forward in the next decade. Further, there is clear support in Congress for the idea of maximizing the re-employment of retired Federal employees by their former agencies. The feasibility and value of the use of retired employees as independent contractors is already well demonstrated in the Postal Service. The EEO investigation function has been outsourced to contractors, a significant number of whom are retired Postal Service employees. Using retired Law Department employees as

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[69] http://seniorjournal.com/NEWS/Retirement/2009, March 2, 2009.
[70] Government Accountability Office, *OLDER WORKERS Enhanced Communication among Federal Agencies Could Improve Strategies for Hiring and Retaining Experienced Workers.* February 2009.

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contractors to provide ancillary support service in any number of Law Department functions, such as legal research, document examination in large cases, tort claims processing, or routine motion preparation would provide a clear benefit to the Law Department. There is very little in the way of training cost for retired Law Department employees. Likewise, there is virtually no "ramp up" period for these retirees; they could be ready to fully function immediately upon starting work. PCES Executives in the Law Department have a current average age of 54 and the attorney population is only slight younger at 47. As the Postal Service Law Department workforce continues to age and retire, this avenue of human capital will become more and more available.

III. EXPANSION OF FLEXIBLE WORK ARRANGEMENTS

Telework and other alternative work arrangements comprise another area of office management in which the next decade can be expected to bring changes. The current Presidential administration and Congress have prioritized the expansion of telework in the federal government, and private-sector employers increasingly are making headlines with innovations from customizable staggered schedules to "results-only work environments." Over the next ten years, we anticipate that the Law Department may need to expand and even rethink its approach to alternative and flexible work arrangements, even beyond the parameters applicable to the Postal Service at large, in order to recruit and retain staff on par with other legal services employers.[71]

[71] As used in this memorandum, "telework" or "telecommuting" refers to an employee's ability to perform work duties at a site other than his or her work station on Postal Service premises. In Postal Service terminology, "alternative work schedule" means a schedule whereby an employee works extended days during a given period, such that the expected 40-hour work schedule is fulfilled during those days and the employee need not report to duty on the remaining day or days. This memorandum will refer to telework and AWS collectively, as well as any other arrangements that might be relevant to a given context, as "flexible work arrangements."

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A. History Of The Current Postal Service Policy

In 2005, the Law Department began a pilot program to test the feasibility of telework and AWS. Human Resources largely adopted the Law Department's model when it established the first organization-wide telework and AWS policy on September 1, 2008. Management Instruction EL-310-2008-3 allowed employees exempt from the Fair Labor Standards Act (FLSA) to work up to one day a week at an alternate worksite, subject to management approval and review, attendance and work-suitability considerations, employee certifications, and compliance with information technology (IT) and work station requirements. The 2008 Management Instruction also allowed employees to enter alternative work schedule (AWS) arrangements upon certifications and management approval and review.

The Vice President, Employee Resource Management, updated and expanded Postal Service policy in Management Instruction EL-310-2009-8 (October 9, 2009), which replaced its 2008 counterpart. The 2009 Management Instruction expanded the previous limit of one telework day per week to three days per week and also clarified the options for AWS as follows: (1) one five-day week of eight-hour days and one four-day week of ten-hour days; (2) one five-day week of four nine-hour days and one eight-hour day, and one four-day week of four nine-hour days; or (3) two four-day weeks of ten-hour days. The Law Department expanded its previous two-day-per-week telework limit to a three-days-per-week limit commensurate with the new Management Instruction.

The majority of eligible FLSA-exempt Law Department employees participate in telework arrangements, rather than in AWS arrangements. Although the Management Instruction and the General Counsel's 2008 email require employees with verbal

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managerial approval to enroll via Human Resources' Flexible Work Arrangement Application website (http://fwaa.usps.gov), anecdotal evidence indicates that at least some managers have preferred to handle telework arrangements less formally, based on week-to-week in-office staffing needs.

B. Rationale And Benefits Of Flexible Work Arrangements

As described in Management Instruction ELM-310-2009-8, the Postal Service established flexible work arrangements are "designed to increase employee morale and efficiency[.]" The Postal Service considers their purpose to be:

> to enhance the Postal Service's efforts to recruit and retain top talent, help conserve energy and reduce CO2 emissions by eliminating up to three commuting days, and to contribute to employee preparedness to work at home during emergency Continuity of Operations Plan (COOP) events.

At least the environmental and commuting-related benefits are borne out by organization-wide data. Based on a combination of Postal Service-specific and general demographic statistics, Human Resources currently estimates that if Headquarters employees spend an average of one day per week telecommuting, the program will have saved 85,804 gallons of gasoline and 839 tons of carbon dioxide emissions per year, equivalent to removing 159 cars from the road each year.[72]

Personal expense savings for employees are also palpable. According to an August 6, 2010, summary report from the Postal Service's Flexible Work Arrangement Application, 86.77 percent of the 7,024 participants surveyed primarily commute to work via car, and more than half spend over an hour commuting roundtrip each day.

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[72] These estimates focus exclusively on the environmental impact of reduced commuting. They do not account for potential inefficiencies such as, for example, the fact that more environmental resources may be spent heating, cooling, and powering the employee's alternate work site in addition to persistent environmental costs at the (likely more efficient) office worksite. *See* Brian Palmer, "How Green Is Telecommuting?," Slate.com, September 7, 2010, *available at* http://www.slate.com/id/2264177/ (citing Erasmia Kitou and Arpad Horvath, "Energy-Related Emissions from Telework," 37 ENV. SCI. TECH. 3467 (2003), *available at* http://pubs.acs.org/doi/abs/10.1021/es025849p).

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Although it is not expressly measured, one can easily infer a significant quality-of-life benefit when employees realize an additional measure of personal time that would otherwise be spent commuting.

Telecommuting offers potential to increase employee fitness, with direct and indirect effects on productivity. Less work-related commuting time can translate into more time for exercising, home meal preparation, and sleep, all of which contribute to employee health and productivity. Employees may also choose to telecommute instead of taking leave when they or family members are sick, which both increases their own productivity and reduces their colleagues' exposure and resultant potential need to take sick leave.[73]

The Postal Service's rationale and findings correspond to those cited by other federal agencies. For example, in an August 2009 report to Congress, the Director of the Office of Personnel Management (OPM) praised telework programs' demonstrated ability "to help individual employees successfully balance the responsibilities of work and family, increase the safety of neighborhoods,[74] and reduce pollution." The Director also described employees' saved commuter costs, agencies' emergency-planning needs, and the goal of "green workplaces" as underpinning telework policies.[75]

Employers can also benefit from reduced real estate and utility costs, increased productivity, and decreased sick leave and workers' compensation usage.[76] As the

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[73] Of course, managers should not require or induce employees to abstain from sick leave in favor of telecommuting. Nor should employees opt to continue working if their health and productivity would clearly suffer as a result.

[74] That is, telecommuting employees can notice, report, and even deter suspicious activity near their residences or other remote worksites during the workday hours, whereas in-office employees cannot.

[75] OPM, *Status of Telework in the Federal Government: Report to the Congress*, August 2009, *available at* http://www.telework.gov/Reports_and_Studies/Annual_Reports/2009teleworkreport.pdf.

[76] Government Accountability Office (GAO) Report No. GAO-08-261T, *Human Capital: Telework Programs Need Clear Goals and Reliable Data*, November 6, 2007, at 4-5 (citing OPM, *A Guide to*

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GAO report points out, employers also benefit indirectly from telework's direct benefits to employees, because management of commuting costs and other work/life-balance issues can increase employees' personal happiness and, consequently, their effectiveness and satisfaction in their jobs.[77] The recruitment and retention benefits of telework are especially palpable as new generations of workers "have high expectations of a technologically forward-thinking workplace."[78] The U.S. Patent and Trademark Office and the Nuclear Regulatory Commission have attributed to their telework programs an essential role in fulfilling their aggressive recruitment goals.[79] A 2007 report by the Office of the Inspector General (OIG) for the Equal Employment Opportunity Commission (EEOC) found that a "frequent telework" pilot program would increase productivity, employee work-life balance, and continuity of operations, while allowing the OIG to capture real estate savings of $2,216 *per teleworker, per year*, even where the OIG paid for the teleworkers' home office equipment and Internet connectivity.[80]

This suite of benefits has been recognized across decades of telework innovation.[81] It has also been acknowledged as underlying private firms' growing offering of telework programs in an effort to cut costs and recruit and retain legal

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Telework in the Federal Government, August 3, 2006), *available at* http://www.gao.gov/new.items/d08261t.pdf.

[77] *Id.* at 4.

[78] *Id.*

[79] *Id.* at 5-6.

[80] Memorandum from Aletha L. Brown, Inspector General, to Jeffrey Smith, Chief Financial Officer, Office of Chief Financial Officer and Administrative Services, "Transmittal of Office of Inspector General Frequent Telework Pilot Program Final Report," March 28, 2007, *available at* http://www.eeoc.gov/eeoc/oig/OIG-FrequentTeleworkPilot.cfm.

[81] *See generally* Wendell Joice, Office of Governmentwide Policy, General Services Administration, *The Evolution of Telework in the Federal Government*, February 2000 (tracing the history of federal work-from-home programs since the 1930s, particularly the boosts lent by natural disasters, global environmentalism, and traffic-related concerns), *available at* http://www.gsa.gov/graphics/ogp/Evolutiontelework.doc.

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talent.[82] Perhaps due to the intellectual nature of their work and their drive to maximize client value, private law firms in particular have been aggressive at implementing flexible work arrangements.[83]

C. Limitations of Flexible Work Arrangements

1. In general.

Discussions of telecommuting traditionally note managers' concerns about the potential for actual or perceived loss of control over employee work activities. One might reason that the home environment presents distractions absent from an office workplace, resulting in diminished productivity. While these concerns may be justified in some cases, an overwhelming majority of employees are likely to have a suitable work ethic, which can be reinforced by effective management and enhanced communication. In the Postal Service's case, the Management Instruction makes clear that telework participation is a privilege, not a right, and that it is subject to managerial planning, consultation, approval, review, communication, and even revocation. The burgeoning of telework programs in the economy at large is a testament to a growing perception that the overall productivity gains and other benefits outweigh the exceptional instances of

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[82] *See, e.g.*, Eric Sinrod, "Perspective: Making the Case for Telework," CNet.com, October 3, 2007, *at* http://news.cnet.com/Making-the-case-for-telework/2010-1022_3-6211305.html; Cisco Systems Inc. Press Release, "Cisco Study Finds Telecommuting Significantly Increases Employee Productivity, Work-Life Flexibility and Job Satisfaction," June 25, 2009 (estimating $277 million in annual productivity savings from telecommuting, and citing between 65 and 90 percent of surveyed employees who report improved performance when telecommuting, according to various metrics), *available at* http://newsroom.cisco.com/dlls/2009/prod_062609.html.

[83] *E.g.*, Debra Cassens Weiss, "Survey Documents Rise of Telecommuting Lawyers," ABAJournal.com, July 9, 2010, *at* http://www.abajournal.com/news/article/survey_documents_rise_of_telecommuting_lawyers (citing 71 percent of 806 American Bar Association members surveyed as telecommuting at least "sometimes" and 46 percent as spending between 10 and 24 percent of their time telecommuting); Debra Cassens Weiss, "Top Law Firms Named for Working Moms; 62% Allow Full-Time Telecommuting," ABAJournal.com, August 11, 2009, *at* http://www.abajournal.com/news/article/top_law_firms_named_for_working_moms_62_allow_full-time_telecommuting.

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employee exploitation. Nevertheless, the lingering presence of work-ethic concerns can be an obstacle to expansion of telework programs, due both to managerial reluctance and to employees' own lack of confidence in their productivity as telecommuters. In organizations that have implemented flexible work schedule programs, managers still often thwart participation by refusing to grant approval.

The regularity of out-of-office days under an AWS work schedule can theoretically present a risk that the office will be understaffed on a given day. As with work-ethic concerns about telecommuting, the spread of alternate work schedule programs in the American economy indicates that employers are capable of finding ways to accommodate a need for balanced staffing levels with such programs.

2. Limitations specific to the Postal Service.

Other limitations are specific to the Postal Service's policies and infrastructure. For example, the Management Instruction is limited to FLSA-exempt employees. This means that Law Department attorneys and Business Services staff are eligible for telecommuting and AWS, but paralegals and administrative assistants are not. The Management Instruction also proscribes participants from combining telework and AWS, or from taking personal leave on a day when the participant is telecommuting. As noted above, the Management Instruction sets a limit on the number of days a participant can telecommute or have free due to AWS. Although it is not expressly included in the Management Instruction, it appears that there is a general policy that managers may not engage in AWS and may telecommute only one day per week at most. The basic approach underlying the Management Instruction is that

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telecommuting is an exception to the general rule of in-office attendance, and not the other way around.

The Postal Service does not reimburse employees for utility costs incurred while telecommuting, including Internet access, home computers, or work-related telephone usage. Employees are not usually provided with workstations or other equipment in order to enable them to work at an alternate worksite, although some Law Department offices, particularly in the field, have authorized Postal Service-issued laptops at various times in recent history. Employees choosing to participate in the program using non-Postal Service-owned equipment will not receive support or service for that equipment from the Postal Service Help Desk.

D. Alternative Flexible Work Arrangement Models

The history of flexible work arrangements at large suggests that the current interest is no mere fad.[84] If anything, the number of telecommuters is expected to rise within the foreseeable future.[85] As employees' decisions are expected to revolve increasingly around the flexibility of work-life balance alongside traditional pay and benefits factors, the Law Department should keenly consider whether expansion of its own flexible work arrangements would increase employee retention and recruitment, as well as produce other benefits. Further evolution of flexible work arrangements could take many forms, from incremental adjustments of policy to expansion of their scope of application to wholesale redesign. Because of the ten-year horizon for this paper, this

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[84] *See generally* Wendell Joice, *The Evolution of Telework in the Federal Government*.
[85] *See, e.g.*, Charles Grantham, Jim Ware, and Jennifer E. Swanberg, *Flexible Work Arrangements for Nonexempt Employees* (2009), at 9 ("More than 17 million employees performed work remotely at least one day per month in 2008. That number is projected to increase to more than 25 million within five years." (citations omitted)), *available at* www.worldatwork.org/waw/adimLink?id=33622.

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section will examine modest policy changes that focus on practices in widespread use today as well as aggressive flexibility models that may yet develop into best practices.

1. Potential modifications to existing policy.

The most likely scenario for flexible work arrangement changes in the next ten years would involve expansion of already existing postal policies.

a. Expansion of telecommuting.

The Law Department could go beyond the Management Instruction by allowing an even greater number of telecommuting days per week or per pay period.

b. Expansion of personal leave policy.

Employees could also be permitted to take personal leave on a telecommuting day, subject again to supervisors' approval. This prospect could aid employer and employee alike: it could accommodate medical and personal appointments close to the employee's home, which would mean that the employee could request less leave time due to the reduced travel time. A supervisor and employee could also arrange for the employee to exercise personal leave during core office hours but make up for it with additional work time after hours. In principle, this would not represent a major shift from current practice, as attorneys must sometimes spend additional work-hours on deadline assignments while requesting personal leave at other times. The telework-plus-personal-leave approach would simply grant official sanction to the availability of such flexible work-time arrangements during an individual workday.

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c. Permit a Telework/AWS combination.

A related option would be to allow deviations from core hours to meet employee needs, or to allow the combination of telework and AWS. Some employees might desire the flexibility of AWS but decide that it is infeasible for them because of the increased in-office hours, combined with commuting time, in "on" days. The former option could be thought of as "AWS light": an employee could arrange or request a schedule that involves working on each workday but that varies from day to day in its specific parameters. This would allow the employee to have regular personal time on a workday when that would be advantageous, while only requiring a limited increase in compensatory work-hours elsewhere in the week. Combining telework and AWS, would recognize that the lack of commuting time makes telework days a prime candidate for the lengthened "on" days of an AWS schedule. If the Law Department determines this would require additional monitoring of telecommuting employees, this could be accomplished with additional supervisor involvement or record-keeping. Either option would make AWS more desireable for Law Department employees.

d. Permitting FLSA non-exempt employees to participate in the Telecommuting/AWS program.

Another possibility of going beyond the Management Instruction would be to open both telework and AWS arrangements to paralegals and administrative assistants. There is no legal proscription, even from an FLSA standpoint, for those employees to participate in such programs. It would, however, require strict monitoring and adherence to the employee's agreed-upon schedule (ELM § 444.231). It is the supervisor's job to ensure that employees do not remain on

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the clock unless they are specifically authorized to do so. Nevertheless, there is significant concern that poorly managed non-exempt telecommuting programs can create significant liability.

From a practical standpoint, it is unlikely that most Managing Counsels and Law Department offices would find workable an arrangement whereby, even depending on workload and upon the manager's discretion, paralegals could participate in telework and AWS, with administrative assistants continuing to carry out their current in-office duties requiring specialized equipment (e.g., high-speed and color scanners). In consulting with the Postal Service's Agency Telework Coordinator, the Postal Service is considering expanding AWS, but not telework, to non-exempt FLSA employees, the main issue being one of coverage during employees' "off" days. A cursory inquiry with the Telework Coordinator as to whether other federal agencies allow non-exempt FLSA employees to participate in these type of programs reveals that very few, if any, do.

2. Office Real Estate: "Hoteling".

One of telework and AWS's cost-savings propositions is the ability to consolidate office space. This concept requires a change in a fundamental premise of the traditional workplace: instead of distributing cubicles and offices among the total employees, the number of cubicles and offices are allocated based on employees' in-office time. Put another way, instead of time working remotely being seen as a perk, one can view it as the default and in-office time as the exception that requires accommodation. With enough participation in flexible work arrangements, this would allow management to rotate multiple employees at a non-dedicated work station and shed unneeded office space and utility costs.

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The U.S. Patent and Trademark Office (USPTO) has made strides in this area, which it calls "hoteling."[86] Under the USPTO's Patents Hoteling Program, more than 1,650 patent examiners agreed to give up their in-office workspaces in exchange for home offices and a commitment to reserve two days per pay period at the USPTO's temporary offices.[87] In addition, 147 trademark examiner staff have participated in a similar program, including legal instrument examiners, paralegals, legal document review clerks, and other non-attorney staff.[88] Even among the USPTO's Office of the General Counsel (OGC),

> [s]ome OGC employees have given up dedicated offices in order to enable office-sharing, where two employees can share the same office and workstation on alternate days. Although there are times an employee needs to come in on their telework day, there are hoteling offices available that they can use to access their virtual workstations on those days. OGC teleworkers have been able to design their individual telework routines, thus providing them needed flexibility without negatively impacting their coworkers or the OGC business process.[89]

The USPTO's hoteling programs are intrinsically motivated by the need to reign in real estate costs.[90] In practice, the USPTO credits the programs with enabling it to avoid $11 million in new office space purchases and to hire 1,000 employees per year without adding office or parking space.[91] A similar hoteling program at the Treasury Inspector General for Tax Administration has saved an estimated $1 million per year.[92] In the 1990s, a hoteling program enabled the Federal Railroad Administration to close

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[86] The terms "hot desking," "free address workstations," "touchdown workstations," and "desk sharing" describe minor variations on the same concept. General Services Administration, "Alternative Workplace Solutions," www.gsa.gov/portal/content/102702 (last visited September 16, 2010).
[87] PTO, *2009 Telework Annual Report* (2009), at 6-7, *available at* http://www.uspto.gov/about/offices/cao/TeleworkAnnual09FINAL_Section_508.pdf.
[88] *Id.* at 7.
[89] *Id.* at 10.
[90] Partnership for Public Service and Booz Allen Hamilton, *On Demand Government: Deploying Flexibilities to Ensure Service Continuity* (July 2010), at 7.
[91] *Id.* at 7-8.
[92] *Id.* at 8.

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18 field offices and consolidate several others, for a total savings of $251,929 (in historical dollars).[93]

Over the next ten years, however, it is possible that cost-cutting pressures could lead the Law Department to explore further consolidation within Headquarters or field offices, between offices near to one another, or even between Law Department personnel and client office space. Field personnel could "ride circuit" between local offices in their selection of convenient temporary workstations. Depending on the calculation of estimated real estate savings, it is possible that it could become cheaper to establish "telecenters" with non-dedicated work stations closer to employees' homes, in lieu of maintaining centralized office space.[94]

Apart from the real estate cost savings, it is possible that hoteling could add benefits for employees and the organization beyond those already inherent to telework and AWS. If in-office presence is deemphasized, the Law Department can recruit new employees from within a larger geographical radius, and it can retain existing employees who might be moving farther away. The USPTO recognizes this with its Trademark Geographic Expansion pilot project, whereby trademark examining attorneys with telework experience can move up to 110 miles from headquarters, so long as they report in person twice per biweekly pay period.[95] Although the prospect of a shared office workstation might turn off some employees, many would likely prefer it if it is closer to their residence than their traditional office, and the chance for more at-home

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[93] Wendell Joice, *The Evolution of Telework in the Federal Government* at 34 (citing Federal Railroad Administration's 1999 Report on Telecommuting).
[94] The General Services Administration maintains several "telecenters" around the Washington, D.C., commuting area, including one as far away as the eastern panhandle of West Virginia. GSA Telework Centers, www.gsateleworkcenters.org (last visited September 16, 2010). *See also* Joice, *The Evolution of Telework in the Federal Government*, at 24-30 (describing the establishment of telecenters in response to local emergencies).
[95] USPTO, *2009 Telework Annual Report* at 6.

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time and reduced commutes might outweigh any lingering discomfort for those employees.

Over the next ten years, we expect the Law Department and the Postal Service at large to explore the opportunity for real estate savings from flexible work arrangements. As a starting point for further study, the General Services Administration has compiled research on "alternative officing" in the private and public sectors.[96]

3. Results Only Work Environment (ROWE).

Perhaps the most extreme cultural change would be to reengineer the workplace, or components of it, as a so-called "Results Only Work Environment" (ROWE). ROWE is driven by a simple principle: it should not matter when or where an employee works, so long as the work gets done. Employees can also choose to work at times when they are most productive as individuals, even when those are outside typical work hours. In lieu of the formal strictures of personal leave and "core hours," an employee is free to attend to personal or family needs and appointments during the typical workday hours (when many other businesses and government offices are open), while finding other, more convenient times to complete her work assignments.

Instead of indirect proxies for performance like in-office attendance or reported work-hours, a ROWE relies directly on the employee's ability to meet deadlines, accomplish specified assignments, and achieve high client satisfaction. Supervisors can address productivity gaps through dialogue and workload management, as in a typical full-time office environment, but they otherwise are to let employees distribute their work time according to their own needs and proclivities. Federally-sponsored,

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[96] General Services Administration, "Alternative Officing Information," www.gsa.gov/portal/content/21270 (last visited September 16, 2010).

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empirical research by University of Minnesota researchers indicates that employees in a ROWE environment continue to work approximately the same amount of time and days per week even as their schedules become more flexible.[97] Meanwhile, the same study shows that ROWE employees perceive significantly better work schedule "fit" with their personal needs and less conflict of work matters with family time than non-ROWE employees, without a significant difference in the spillover of family matters into work time.[98] Although managers may have reservations about scrapping timeworn work-hours-based models, it appears that ROWE produces a win-win outcome: employers get the same or better performance, and employees get better work-life balance.

ROWE has been claimed to produce many of the same benefits for employers and employees as telecommuting and AWS, albeit at a much greater level. Studies of ROWEs indicate that job satisfaction, productivity, employee health, and cost savings increase drastically in a ROWE as opposed to a traditional workplace.[99] Many ROWE employees cite the system as a significant factor in their perspective on retention: for example, one survey respondent at Gap Inc. cited her company's ROWE as the decisive factor in turning down an otherwise more attractive job offer, and a survey at another employer reported a 121-percent increase in the number of employees unlikely to search for a new job within the following year.[100] Voluntary turnover rates reportedly plunge in ROWE workplaces, with a double-digit change in Best Buy's turnover rates

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[97] Phyllis Moen and Erin L. Kelly, *Flexible Work and Well-Being Study: Final Report* (2007), at 18, *available at* http://www.flexiblework.umn.edu/publications_docs/FWWB_Fall07.pdf. The study was sponsored by the National Institutes of Health and the National Institutes of Occupational Safety and Health. *Id.* at 40.
[98] *Id.* at 20-24.
[99] CultureRx, "ROWE Business Case," at 6-19, www.gorowe.com/wordpress/wp-content/uploads/2009/12/ROWE-Business-Case.pdf (last downloaded September 14, 2010) (discussing quantitative and qualitative results of studies and surveys).
[100] *Id.* at 12, 14.

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and a 40-percent drop at one non-profit organization.[101] Greater control over work hours also maximizes environmental benefits: not only can employees telecommute, but even when they come to the office, employees can do so outside of rush hours, trimming greenhouse gas emissions and non-productive time spent in traffic further.[102] ROWE can also allow employees greater flexibility than telecommuting to get more sleep, exercise, and home-prepared meals and to reduce the need for sick leave.[103] Under a ROWE, remote employees can have their children or other dependents around and thereby avoid dependent care costs, so long as performance does not suffer or non-productive work-hours are made up at another time.[104] Thus, ROWE offers the potential to intensify each of the cited benefits of telecommuting and AWS and to add new benefits.

Although ROWE is a new concept, its profile is rising. ROWE originated at Best Buy's corporate headquarters and has spread throughout the company; it has since been implemented at the corporate offices of Gap Inc., the IT department of Fairview Health Services, J.A. Counter and Associates, the non-profit Girl Scouts of San

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[101] *Id.* at 6, 14. The University of Minnesota study found that 32.5 percent fewer Best Buy employees reported turnover intentions in a ROWE, compared with only a 20.7-percent drop among employees in a control group. Moen and Kelly, *Flexible Work and Well-Being Study* at 34.

[102] After the Girl Scouts of San Gorgonio Council implemented a ROWE, 69 percent of employees shifted their commutes to avoid traffic and 40 percent reported shaving at least 10 minutes off of each direction of their commute. CultureRx, "ROWE Business Case," at 14.

[103] The same survey indicates that the number of employees getting at least 7 hours of sleep a night increased by 112 percent, with 219 percent more reporting at least good-quality sleep. Meanwhile, the number of employees who lost at least 3 work-hours per month due to illness dropped 82 percent, to 7 percent of all employees, and 71 percent reported themselves as less likely to call in sick. *Id.* at 13. The University of Minnesota study also found statistically significant increases in sleep time, exercise, doctor visits when sick, and energy and decreases in time spent in office when sick. Moen and Kelly, "Flexible Work and Well-Being Study" at 26-30. However, changes in more nebulous factors like employees' overall assessment of their health, psychological distress or well-being, emotional exhaustion, sense of mastery, or physical symptoms were not found to be statistically significant. *Id.* at 31.

[104] *See, e.g.*, OPM, "Frequently Asked Questions for ROWE Employees," May 21, 2010, at 11.

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Gorgonio Council, and the legal services outsourcing company Latitude-South.[105] The Twin Cities Metropolitan Area is encouraging local employers to convert to ROWEs in order to reduce traffic congestion.[106] The Office of Personnel Management (OPM) is currently conducting a pilot to study ROWE's application in federal workplaces.[107] The OPM study involves nearly 400 union and non-union OPM employees, from claims processors to policy makers, both within and outside of Washington, D.C. Participants were selected so as to reflect the overall federal workforce.[108] All members of participating groups are included in the ROWE pilot; participation is not seen as a perk to grant or deny, although employees whose assignments require in-office presence must commit to a necessary amount of such presence in the interest of getting the work done.[109] OPM's pilot is currently underway, and its final report is expected in February 2011.[110]

To date, it is unclear if the roster of ROWE workplaces includes law firms or other legal services providers other than the outsourcing firm mentioned above. It is also unclear whether the corporations that have adopted ROWE have applied it to their in-

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[105] The first five companies are listed on the website of CultureRx, a consulting company founded by the originators of the ROWE concept at Best Buy. CultureRx, "Rowe Approved," www.gorowe.com/know-rowe/rowe-approved-companies (last visited September 14, 2010). Latitude-South is discussed in Ronda Muir, "What Do Women Want? Changing the Diversity Myth," *Law Practice Today* (April 2010), *available at* www.abanet.org/lpm/lpt/articles/ftr04104.shtml. *See also, e.g.*, Lisa Belkin, "Flexible Work in a Recession," Motherlode: Adventures in Parenting weblog, October 2, 2009, http://parenting.blogs.nytimes.com/2009/10/02/flexible-work-in-a-recession.

[106] Federal Highway Administration, "Minneapolis Urban Partnership Agreement," www.upa.dot.gov/agreements/minneapolis.htm (last visited September 14, 2010); Minnesota Department of Transportation, "Urban Partnership Agreement Program: Telecommuting," www.dot.state.mn.us/upa/telecommute.html (last visited September 14, 2010).

[107] Statement of Jonathan Foley, Senior Advisor to the Director, U.S. Office of Personnel Management, before the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs, "Work-Life Programs: Attracting, Retaining and Empowering the Federal Workforce," May 4, 2010, *available at* www.opm.gov/News_Events/congress/testimony/111thCongress/05_04_2010.asp. CultureRx is a subcontractor for this project's implementation.

[108] *Id.*

[109] *Id.*

[110] *Id.*

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house counsel offices or, if so, how ROWE has been implemented in keeping with attorneys' internal and external schedule expectations. Finally, we were unable to determine whether OPM's pilot program includes federal attorneys, although it does include support staff "to the maximum extent possible."[111] Thus, while initial studies indicate that a well-designed ROWE can reap substantial savings and benefits for employer and employees alike, further outreach with other ROWE employers' law offices would be helpful in assessing the likely impact of a ROWE in the Law Department.

Within the next ten years, we expect that the Law Department will monitor developments on ROWE in other organizations, including OPM, and evaluate whether it could and should be implemented in the Law Department.

CONCLUSION

The American white-collar workforce is currently amid a trend that challenges the traditional assumptions that tie work performance to fixed places and hours. In the next ten years, businesses, in general, will need a flexible organization that can be adjusted quickly to address new threats and challenges. Baby boomers comprise the majority of the workforce today. By 2015, however, millennials (those born from 1977 to 1997) will overtake them. In 2020, when five generations are simultaneously employed, baby boomers are not expected to represent even a quarter of working Americans.[112] "Millennials have a different way of working, and boomers will have to adapt to stay

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[111] OPM, "Frequently Asked Questions for ROWE Employees," May 21, 2010, at 10. OPM has customized the ROWE model somewhat to account for federal leave, night differential, and general work-hour requirements. See *id.* at 4-6, 13-14. For example, employees must account for 80 hours every biweekly pay period, without further restriction except for two core hours on each of two designated days per pay period.

[112] Meryl Davids Landau, "The Retirement of the Future," U.S. News & World Report (September 14, 2010), *available at* http://money.usnews.com/money/retirement/articles/2010/09-14/the-retirement-of-the-future.html.

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relevant."[113] In the not too distant future "team leaders will routinely motivate and manage employees across the globe without ever meeting face-to-face – something today's younger generation knows about from playing online multiplayer computer games."[114] The millennials want constant feedback, but are perfectly happy to get it online.

Technology increasingly enables real-time collaboration among personnel regardless of their location. Young workers tend to desire a balance between work and personal life that allows them to fulfill personal and family ambitions, and their expectations are framed by their familiarity with the possibilities of virtual communication. Even workers approaching retirement may wish to keep working in a manner that gives them the flexibility to transition toward retirement. Since these trends are not anticipated to abate, one can reasonably expect that the Law Department of 2020 will need to expand its approach to flexible work arrangements and even rethink its approach to the work environment in order to recruit and retain talent in competition with other legal employers. We recommend the Law Department study the options, including promising options outside the current mainstream, and assess carefully the prospective costs, benefits, and possible productivity improvements.

[113] Id.
[114] Id.

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2020 VISION

THE POSTAL SERVICE'S LAW DEPARTMENT IN 10 YEARS

Maureen Briody
Isabelle Dorlan
Jacob Howley
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David Stanton

October 8, 2010

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2020 VISION
THE POSTAL SERVICE'S LAW DEPARTMENT IN 10 YEARS

The Postal Service is preparing itself for the challenges and opportunities that will exist in the year 2020. Similarly, the Law Department needs to develop strategies to address the unique issues that will arise relative to the department in the next decade. Specifically, this paper addresses the following questions:

- What changes in facilities, equipment, and technology are anticipated in 2020?

- What types of legal talent will be needed to meet the Law Department's future needs?

- What changes in work practices and work environment will be required to attract and retain quality professional and administrative employees?

EXECUTIVE SUMMARY

- At present, many attorneys are working remotely via a laptop and/or blackberry. This trend towards "mobile lawyering" is expected to continue into the future. Advances in technology will permit attorneys to participate in video-conferences, check e-mail, return calls, upload and download documents, collaborate on projects, conduct research, schedule meetings, scan documents or images, take pictures, and send or receive text, audio and video, all via a single device. As such, attorneys will be less tied to a fixed workspace or office in the future.

- The workplace will become more collaborative based on the popularity of the social media model. Internet sites such as Facebook and YouTube have revolutionized how people communicate and share information. It is likely that the government and private organizations will become more collaborative in nature through the use of more interactive websites, video-conferencing and document sharing.

- The Law Department will benefit from new software advances. Case management software can help track cases, clients and deadlines. Litigation support software is currently being developed that will aid in managing e-discovery. New software such as Adobe Acrobat 8 will make document management easier. Legal research software is also expected to become more user-friendly and less costly in the future.

- The demand for legal work is expected to increase into the future. Along with the trend for flexibility in terms of work schedule, it seems apparent that a variety of alternative flexible staffing options could also be explored

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in order to save on benefits-related costs. The use of part-time employees, whether they are retirees or employees who just want reduced hours for one reason or another, could be explored as a potential way to reduce costs, encourage retention and improve productivity. Tasks currently assigned to attorneys could possibly be shifted to paralegals or outsourced to independent contractors

- The Postal Service may wish to amend current flexible work arrangement policies to address such issues as greater telecommuting and AWS flexibility and expanding such programs to FLSA non-exempt employees.

- With the trend toward "mobile lawyering" on the rise, it is also expected that the Law Department will explore ways to save on real estate costs by consolidating office space and through the use office sharing. Other governmental agencies and private companies are exploring the concept of "hoteling", a policy whereby management could save costs spent in unnecessary office space and utility costs by having employees give up their in-office workspaces in exchange for home offices and a commitment to provide the employee with a temporary office space when needed.

- As a result of technological advances and current trends favoring telecommuting, it is expected that the Law Department will at least study the "results-only work environment" (ROWE) model. ROWE is driven by the principle that it should not matter when or where an employee works, as long as the job gets done. ROWE appears to be gaining support as an alternative option that could expand an employee's flexibility, and as such, potentially improve employee retention and productivity.

I. TECHNOLOGICAL CHANGES WILL SUPPORT A MORE EFFICIENT AND COLLABORATIVE WORK ENVIRONMENT

In the past ten years, the Law Department has seen tremendous technological advances which have dramatically changed how we work. Due to these advances, attorneys in the Law Department have the ability to work remotely and are less tied to their physical offices. The most significant technological developments have been remote computer access, BlackBerry phones and scanning.

Attorneys working remotely have the option of signing on with their own home computer or postal provided laptop. While many attorneys in Headquarters are still using desktop computers, in the Field it appears most attorneys have chosen to be

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assigned laptop computers. Access with a postal laptop is accomplished through the WebVPN portal.[1] If a home computer is used, the Remote Desktop Protocol (RDP) is used and the work computer must be left on and connected to the network. In addition to working from home, attorneys can also sign on directly to another ACE computer with their password when visiting another Postal installation.

BlackBerrys allow attorneys to check their e-mail and keep in touch with clients and co-workers no matter where the attorney is physically located. Productivity is significantly enhanced as moments of "down time" can now be used to respond to e-mails. This is particularly significant given the high percentage of daily business currently conducted via e-mail. Moreover, the Postal Service telephone system provides for simple and seamless call forwarding so that calls that come in can be redirected to the attorney's BlackBerry when he or she is out of the office.

Finally, in recent years the Law Department has implemented various protocols that have reduced the amount of paperwork and the need to be located in a fixed physical office. Case files and other important documents are now scanned, and an increasing number of administrative agencies and courts are accepting submissions via e-filing. This trend towards a more "mobile" or "virtual" office is expected to continue to expand into the future.

A. The "Virtual Office"

[1] Although the Management Instruction EL-310-2009-8, discussed later in this memorandum, does not require telecommuting employees to work from home *per se*, it requires that participants work only from an approved alternate worksite. Broadband Internet access is recommended; even though dial-up services may be used, their performance is significantly slower. If the employee uses a home wireless network, it is the employee's responsibility to ensure that the network is secured to the maximum extent allowed by the wireless device in use, with a preference of Wi-Fi Protected Access (WPA) or a higher security standard. Employees may not use third-party devices, such as public kiosks, which are not always secure.

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A "Virtual Workplace" is defined as a workplace that is not located in any one physical space. Rather, several workplaces are technologically connected (via the Internet) without regard to geographic boundaries. Employees are thus able to interface and work with one another in a collaborative environment regardless of where they are in the physical world.[2] In the workplace of the future there may be no commute, no corporate headquarters and perhaps not even an office as many more workers are telecommuting.[3] It is foreseeable that technology will be able to combine the functions of multiple pieces of hardware, such as a personal computer, phone, fax, scanner, electronic organizer, or camera into a single convenient device so the user can use these tools to participate in videoconferences, check e-mail, return calls, upload and download documents, distribute reports, collaborate on projects, conduct research, schedule virtual meetings, scan printed documents or images, and send or receive text, audio and video.[4]

1. Attorneys are increasingly using technology to support mobility.

Smart phones, such as the iPhone[5], have many different features such as a camera, phone, text-messaging, visual voicemail, portable media player, Internet web browsing and Wi-Fi[6] connectivity. In fact, even laptops may be in danger of becoming outdated as more workers are becoming more comfortable working via smart phone and/or BlackBerry; and as wireless broadband coverage continues to increase. Indeed, the concept of "mobile lawyering" is on the rise. The new high-powered cell phones

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[2] See www.wikipedia.org/wiki/Virtual_workplace.
[3] See www.abcnews.go.com, The Future of the Workplace: No Office, Headquarters in Cyberspace (Aug. 27, 2007).
[4] See www.officeofthefuture2020.com, Top Technology Tools (June 25, 2010).
[5] See www.wikipedia.org.
[6] Wi-Fi is the most widely used Wireless Local Area Network (WLAN) technology. A Wi-Fi enabled device, such as a smart phone or BlackBerry can connect to the Internet when within a range of a wireless network.

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essentially can serve as a portable office in one's pocket, giving the attorney access to contacts, calendars, calls, e-mails and the Internet all in one place.[7] The popularity of smart phones has skyrocketed in recent years.[8] Many attorneys are already using their BlackBerrys and smart phones to email their clients.[9] Seventy-one percent of ABA members stated that they sometimes telecommute from a variety of places, such as home, hotels, others' offices, libraries, courthouses, coffee shops and cafes. Many places, including libraries, are now offering free Wireless Internet access, making it even easier to telecommute. Ninety-five percent use computers away from the office, 89 percent use laptops and seventy-nine percent use BlackBerrys or smart phones.[10] Many applications are being added to these smart phones for the attorney to use in connection with his or her work, such as applications to do legal research, manage documents in Microsoft Word, Excel or PowerPoint formats, and manage tasks and to-do list.[11]

Another technology that is rising in popularity is the ability to download books to an e-reader or iPad. The iPad is a tablet computer developed by Apple that is marketed as a platform for audio and visual media such as books, periodicals, movies, music and games, as well as web content. Its size and weight are between those of most contemporary smart phones and laptop computers.[12] A recent study indicated that many more mobile workers planned to purchase an iPad in coming months, rather than

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[7] See www.entrepreneur.com, Plug in or Tune Out? (Jan. 6, 2010).
[8] See www.abanet.org, Smart Phone Buying Guide (Feb. 2010).
[9] See www.westlaw.com, Virtual Law Practices: Most Practices are Partly "Virtual" Already, What's Next? (Aug. 1, 2009).
[10] See www.abajournal.com, Survey Documents Rise of Telecommuting Lawyers (July 9, 2010); see also www.law.com, 2008 ABA Tech Survey Sees More Mobility (Nov. 24, 2008).
[11] www.abajournal.com, 70 Sizzling Apps (Oct. 1, 2009).
[12] www.wikipedia.org.

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a traditional PC for work purposes.[13] There is even a new iPad application that helps litigators with jury selection.[14]

Many people are no longer buying books, but are instead downloading them to their e-reader or iPad. As such, it is foreseeable that more businesses, including attorneys, could use e-readers in connection with their work in the future. The use of e-readers would also support the trend of mobility since instead of having to carry around voluminous files; the attorney could download all the information on one device. Instead of printing out transcripts, voluminous discovery, or investigations, it is likely the attorney could use the e-reader in order to prepare witnesses and at hearing. E-readers could also be used in meetings since each participant could download the report and follow along in the meeting on the e-reader.[15]

There are obvious security issues which companies have to consider in line with what is coming in terms of new technology. Laptops, BlackBerrys and smart phones can be easily lost and/or stolen. As a result, the information on these devices is at a significant risk. In light of these risks, the use of encryption software, anti-spyware, anti-virus software and mandatory passwords is also on the increase.[16] With the advent of this new technology and easier access to the Internet, employees also become more able to blur the lines between personal use and work use.[17]

2. The use of video is likely to increase in the legal field.

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[13] See www.gigaom.com, Connected Workers Going iPad for Connectivity (Sept. 2, 2010); www.silicon.com, iPad vs. Laptop: Can Apple's Tablet be Your Office Computer? (June 16, 2010).
[14] See www.abajournal.com, Avatars Help Litigators Select Juries in New iPad App (Aug. 2, 2010).
[15] See www.abajournal.com, The Portable Legal Library: Lawyers and e-Readers (November 2009); www.techrepublic.com, 10 Reasons Why e-Readers Make Sense in the Enterprise (August 2009).
[16] See www.abanet.org, The Year of Living Safely: How Lawyers are Securing Their Data (May, 11, 2010).
[17] See www.govtech.com, Many Bosses Unaware of Personal Devices' Popularity at Work (July 8, 2010).

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Videoconferencing is becoming cheaper and easier to do. As a consequence, it is likely we will be seeing the increased use of video in the legal profession. More attorneys will be taking video depositions and doing witness preparation via video.[18] The use of video for conferences and hearings is likely to increase. In terms of the legal community in general, the New York State courts have a video conference unit, where attorneys can make video court appearances, conduct attorney-client interviews and set up video conference meetings.[19] In Michigan, the Supreme Court posts online video of its oral arguments, administrative hearings and administrative conferences to be posted on the State Bar website.[20] The Seventh Circuit has started an e-mentoring project which permits young attorneys to have video discussions with distinguished jurists and trial lawyers.[21] The MSPB and EEOC regularly request video hearings in Postal cases, and many of the attorneys have participated in such hearings. As budgets continue to be cut, and videoconferencing becomes cheaper to use, it is likely that the trend towards the use of video in order to defray travel costs will increase in the future.

3. The Law Department could benefit from the new technology.

Attorneys currently rely upon a sometimes overextended remote network infrastructure to access their in-office desktop resources. Before adding new hardware or software, upgrading the WebVPN network should be a priority that would result in immediate productivity improvements. There is significant anecdotal evidence of problems ranging from inability to log on at the start of the work day, to getting kicked off the remote network and slow operation at certain times of the day.

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[18] See www.abanet.org, Video Depositions: Essential, Resources (April 2010).
[19] See www.courts.state.ny.us.
[20] See www.michbar.org/courts/virtualcourt.cfm.
[21] See www.abajournal.com, Video Mentors (Aug. 1, 2010).

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It is foreseeable that the Law Department will invest in laptops or other mobile devices, like e-readers or iPad-like devices, so that attorneys to have ready access to files and documents, as well as videoconferencing, wherever they are located. No longer would information access be limited to just the workplace or a home office. Nor would remote employees have to rely on the VPN network for access to files stored on their office hard drives, which would both facilitate employees' access to these files and reduce the VPN server load for purposes of access to files residing on the Law Department's shared network. This type of change will be required for the Law Department to bring its remote computing capabilities in line with other government agencies and private law firms as we move into the next decade.

B. Collaboration Based On A Social Media Model

The Law Department has begun to employ technology that permits it to be more collaborative in nature. MeetingPlace is used for teleconferencing, NetMeeting for information sharing and for limited document sharing, and the Law Department website is used exclusively for document sharing. It is not unusual to get a mass e-mail from a Managing Counsel from a Field office or from Headquarters concerning cases of national interest. Many times Headquarters holds information sessions via teleconference and/or web conference. This trend towards information sharing and collaboration in the workplace is expected to continue.

The popularity of social networking sites, online sites where users can interact with each other over the Internet and share ideas, pictures, videos, events and interests within their individual networks, such as Facebook, MySpace, Twitter, Flickr, YouTube,

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and LinkedIn is on a constant rise.[22] As SKYPE, a web service that allows callers to make video telephone calls over the Internet[23], is becoming increasingly popular, the increased use of video for further collaboration in the business context is likely.

1. Using social media to further collaboration and information sharing.

Private companies and the government are beginning to use social media websites to easily disseminate information and solicit commentary from a wide range of individuals and in a much quicker and more collaborative way through the Internet. "Blogs, microblogs and social networking sites have expanded the ways in which people and organizations communicate."[24] Social networking websites have become increasingly popular during the past few years as a way to collaborate and disseminate information among a wide range of people in a quick way.[25] The Obama Administration has signed an Executive Order calling for all departments and agencies to "establish a system of transparency, public participation and collaboration".[26] To date, nearly all major federal agencies are using social media.[27] As of June 2010, approximately 56 percent of attorneys responded that they maintain a presence in an online community/social network such as Facebook, LinkedIn, LawLink or Legal OnRamp. Respondents in the 30-39 year old age group were most like to maintain a presence (77 percent), with the 40-49 year old age group following closely behind (68 percent). The highest percentage of respondents (83 percent) maintained a presence in LinkedIn.[28]

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[22] See www.wikipedia.org.
[23] See id.
[24] See www.abanet.org, The Good, the Bad and the Ugly of Blogging, Microblogging and Social Networking for Public Lawyers (Summer 2009).
[25] See www.abanet.org, Social Media: What It Is and Why It Matters (January 2010).
[26] See www.time.com, Obama and Twitter: White House Social-Networking (May 6, 2009).
[27] See www.fcw.com, Nearly All Major Federal Agencies Use Social Media (July 22, 2010).
[28] See www.abanet.org, The Linked-in Lawyer: How Lawyers are Using Social Networks (June 22, 2010).

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Based on the popularity of social media, it is likely that in coming years we will see the use of social media change from being used in a purely personal way or as a marketing tool, to a collaborative tool to be used internally within the workplace. Younger workers have grown up using the Internet and are comfortable transitioning the use of their social networking tools into the business environment.[29] Indeed, it is already happening. Government agencies and private companies are creating internal networks based on the social media model where employees can share files, individuals can share individual knowledge and experience through the use of blogs, and forums or bulletin boards are created in order to further collaboration and to keep employees better connected.[30] General Electric has created an internal social network called Support Central, which boasts 400,000 users in more than 6,000 locations around the world.[31] NASA has created an internal networking site called Spacebook. It was created because of a need to improve teamwork, communication and access to information across the agency's diverse projects and centers.[32] The State Department is working on launching a social network called "Statebook" to link diplomats and employees via a Facebook-style system.[33] Just recently, the U.S. Merit Systems Protection Board (MSPB) announced that it has joined the information network Twitter.

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[29] See id.
[30] See www.inc.com, How to Use Internal Collaboration and Social Networking Technology (March 31, 2010).
[31] See www.itbusinessedge.com, GE Nails the Internal Social Network (July 21, 2008).
[32] See www.nasa.gov/centers/goddard/news/topstory/2009/spacebook.html; see also www.mashable.com, 5 Ways Government Works Better With Social Media (May 10, 2010).
[33] See www.socialtimes.com, State Department to Model Internal Social Network After Facebook (April 14, 2010).

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The MSPB plans to use the site for new studies or publications, oral arguments, case reports, newsletters, *Federal Register* notices, or website updates.[34]

While the social media model is not likely to go away anytime soon, the model has its weaknesses in the business setting. A business site based on such a model would have to address issues concerning appropriate content and use.[35] Another concern would be whether the data contained on the site would be subject to the FOIA, the Privacy Act, and/or e-discovery.[36] Since the social media model is Internet-based, there would be security concerns such as data protection and increased risk of cyber threats to consider as well.[37]

2. The use of videoconferencing could support collaboration.

Videoconferencing and webconferencing are emerging as a cheaper way for employees to share information and to collaborate better on projects. Fewer on-site meetings could mean reduced travel costs, less time wasted on travel and a healthier planet.[38] In the Law Department, meetings are regularly held via teleconference or via webconferencing. Video conferencing has the potential to establish rapport that can be hard to build without the benefit of face-to-face interaction.[39] As such, it is another tool the Law Department should consider to increase efficiency and promote a more collaborative environment than teleconferencing alone can promote.

3. Cloud computing could increase collaboration.

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[34] See www.twitter.com/USMSPB , News Release, U.S. Merit System Protection Board on Twitter (October 5, 2010).
[35] www.depo.com, Examining the 4 Areas of Business Social Networking Risk (August 2010).
[36] See id.
[37] See Section A.3.
[38] See www.gigaom.com, The Future of Collaboration: Video Conferencing (Oct. 1, 2009).
[39] See id.

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Cloud computing, otherwise known as Software as a Service (SaaS), refers to a category of software that is delivered over the Internet to a Web browser (like Internet Explorer) rather than installed directly onto the user's computer. The Law Department is already using cloud based computing when attorneys and paralegals use Westlaw and LexisNexis.[40] Another example of a cloud-based application would be social networking sites, such as Facebook or MySpace. Google Docs, which is a free, Web-based word processor, spreadsheet, presentation, form and data service offered by Google is also a cloud-based application. It allows users to create and edit documents online while collaborating in real-time with other users.[41]

The cloud computing model holds appeal for attorneys for a variety of reasons. Collaboration in "the cloud" allows individuals to communicate and share information easily since all the applications and data reside on the Internet, any authorized user can view documents, collaborate and generate ideas and provide information.[42] Off-site data storage is the defining characteristic of cloud computing. Instead of being saved to an individual's computer or server in the office, data would be saved to an off-site location under the administration and control of a SaaS vendor.[43] The benefits of such technology would be increased mobility and decreased need to have large servers to store data.[44] However, there are obvious concerns with the security risks of storing data in "the cloud" where the attorney does not have immediate control over the data.[45] There is also the risk of protecting the data and the increased risk for cyber threats.[46] A

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[40] See www.abanet.org, The ABCs of Cloud-Based Practice Tools (Jan. 2010).
[41] See www.wikipedia.org.
[42] See www.allthingsscrm.com, Online Collaboration Tools in a Cloud Computing World (April 30, 2010).
[43] See id.
[44] See id.
[45] See id.
[46] See www.depo.com, Examining the 4 Areas of Business Social Networking Risk (August 2010).

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company could theoretically set up an "internal or private cloud" structure in order to mitigate some of the potential security risks.[47]

4. The Law Department could benefit by exploring new collaborative options.

At this time the Postal Service is developing a Social Media Policy for possible issuance later this year. However, social media, video-conferencing and real-time collaborative tools that permit employees to work on a document from different locations in real-time remain foreign to the Law Department's work environment. Such tools could help create a more collaborative work environment and more efficient information sharing among the Law Department as a whole.

C. New Software Programs

Changes in software have radically changed the way we work and how we can be more efficient in our jobs. In the Law Department, we have seen LawManager software implemented as an update to the old Wildcats system. This software has helped us keep better track of our cases. We have also implemented Litigation Hold software in order to comply with our e-discovery obligations. It is expected that in the next ten years, attorneys will be trying to find better ways for organizing and managing their electronic documents, discovery and files.

1. Attorneys will better manage their cases and files electronically.

Case management software can help track cases, clients, and deadlines.[48] Litigation support software is designed to aid lawyers in the process of litigation, and generally includes databases for organizing, searching, and reviewing discovery

[47] See www.InformationWeek.com, Why "Private Cloud" Computing is Real—And Worth Considering (April 11, 2009).
[48] See www.abanet.org, Practice and Case Management Software: Comparison Chart.

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material including deposition transcripts, produced documents, and correspondence.[49] For litigators, deposition and transcript-review software programs, such as TextMap and Live Note, can be efficiency boosters since the attorney can annotate, bookmark, link and highlight sections of the transcript. The result is a transcript that is easier to search.[50] This software has the potential to make attorneys more efficient in their jobs.

2. Adobe Acrobat 8 will make document management easier.

Adobe Acrobat 8 has significant benefits for attorneys and paralegals. The encryption technology is easy to use. As such, it is easy to protect sensitive information from accidental disclosure. It is also easy to convert documents into a single, polished, searchable Adobe PDF package for e-filing. There is a redaction feature that makes responding to discovery responses and FOIA/Privacy Act cases much faster and easier. Attorneys and paralegals can easily Bates number their documents and combine documents for filing.[51] All of these benefits assist the Law Department in becoming more efficient.

3. Legal research software is expected to become more user-friendly and less costly.

Westlaw and LexisNexis are also planning on creating a legal research experience that users have come to expect from Google.[52] The new LexisNexis will be more user-friendly and display the results in a variety of intuitive ways. Shepard's citation service is incorporated into every case and can be viewed graphically. The new LexisNexis also provides tools for collaboration, allowing for storage to work folders for

[49] See www.abanet.org, Litigation Support Software Comparison Chart.
[50] See www.westlaw.com, Switching Gears? Let Technology Help (January 2010).
[51] See www.abanet.org, Adobe Acrobat 8 Professional: Reasons to Put it on your Shopping List (March 2007); www.abajournal.com, Acrobat 8 Does Flips for Attorneys (March 19, 2007).
[52] See www.abajournal.com, Wired (Feb. 1, 2010).

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later reference.[53] WestlawNext will also be aiming to be easier to use and more aesthetically pleasing and promises tools for workflow collaboration.[54]

In addition to the changes coming to Westlaw and LexisNexis, in recent years we have seen that the ability to do legal research for free has increased and this trend is expected to continue. In 2009, Google came out with a Google Scholar online search where anyone can type in case names, topics or key words to find relevant case law.[55] We have also seen many agencies that the Law Department deals with regularly, such as the Department of Labor, Equal Opportunity Commission, Merit Systems Protection Board and the National Labor Relations Board post laws, guidance, regulations and in some instances, case law, on their public websites.[56] The Code of Federal Regulations can also be searched for free online.[57] All of these changes will likely result in cheaper, more user friendly legal research tools.

4. The Law Department has the potential to become more efficient through the use of new software technology.

As legal software becomes more user-friendly and less costly, it is foreseeable that the Law Department will be looking into purchasing software that will make case management and litigation more efficient. In fact, the IT Department is currently looking into obtaining software in order to better manage its e-discovery obligations in accordance with the Electronic Discovery Reference Model (EDRM) model. The purpose of such software would be to better manage e-discovery in large cases, such as class actions.

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[53] See id.
[54] See id.
[55] See www.abajournal.com, Google Offers Legal Research for the Average Citizen—and Lawyers, Too (November 2009).
[56] See www.dol.gov; www.eeoc.gov; www.mspb.gov; www.nlrb.gov.
[57] See www.gpoaccess.gov.

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As it already has a contract with LexisNexis, it is also likely that the Law Department will benefit from the changes coming in the near future. It also would be helpful to disseminate information as to the free research tools available so they can be used to support the attorneys' and paralegals' legal research efforts and cut costs spent on LexisNexis and other paid legal research web sites.

II. ANTICIPATED CHANGES IN THE STAFFING PARADIGM

A. The Demand For Legal Professionals In The Next Ten Years

The Bureau of Labor Statistics (BLS) predicts that by 2020 there will be a 13 percent increase in the number of attorneys, a 28 percent increase in the number of paralegals, and an 11 percent increase in the number of administrative assistants. BLS projections are based on growth in the population, growth in legal transactions, and growth in demand for lawyers as a result of legal problems resulting from the downturn in the economy.

As set forth above, the largest predicted increase by far is the increase in paralegals. In the private sector, clients are demanding more efficient, lower cost legal services. One way of accomplishing that objective is further utilization of paralegals. Some activities currently performed by attorneys can be done by paralegals – and more cost effectively. The most frequently mentioned work shifting topics are document review and the preparation of routine documents. Paralegals could also have an expanded role in the Law Department, such as assisting in the preparation of routine filings for the Postal Regulatory Commission, drafting and responding to discovery requests, preparing MSPB Agency Files, interviewing prospective witnesses, and drafting dispositive motions, thereby freeing up attorneys to provide client advice and

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handle more complex transactional and litigation-related legal tasks. Work shifting from attorneys to paralegals may, however, be more pronounced in the private sector as the salary gap between the two positions is more pronounced.

The increased need for administrative assistants is in turn driven by the increase in attorneys and paralegals. Although attorneys and paralegals will increasingly perform their own administrative tasks, more administrative assistants will be needed to handle the larger workload and perform tasks such as scanning documents, organizing files, and preparing and mailing documents in electronic format.

B. Staffing Options

Managers in the next ten years will need a flexible organization and flexible staffing that can be quickly adjusted to address new problems and challenges. The Postal Service faces the potential for change in the next ten years even more so than most organizations. As the Postal Service's Chief Human Resources Officer, Anthony Vegliante recently told the *Washington Post*, "we don't have a continually growing environment, we have a shrinking environment so we ... need to be flexible."[58]

The current staffing model for the Law Department is comprised almost exclusively of full-time career employees. Since the Postal Service, as an employer, has much in common with other large employers, public and private, the developing staffing trends of such employers can be useful in informing the Law Department as it makes staffing decisions over the next ten years. These trends include the use of part-time employees, retirees and contractors/outsourcing. Although there is some overlap between these categories of employees, they will be discussed separately.

[58] See www.washingtonpost.com, "Negotiations start for Postal Service and top unions (9/1/2010).

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1. The increased use of part-time employees.

The U.S. Bureau of Labor Statistics considers employees working fewer than 35 hours per week to be part-time employees.[59] According to the U.S. Bureau of Labor Statistics, part-time employment now accounts for approximately 16 percent of the workforce.[60] While the recent economic downturn has generated more part-time employment as a matter of economic necessity, there is evidence of a desire among professional employees to elect part-time status.

The use of part-time staffing has obvious economic advantages to an employer, including a reduction in expenditures for wages and benefits and an increase in employee satisfaction. In addition to the tangible economic benefits of part-time employment to the employer's bottom line, there is at least one study which indicates that implementing staffing flexibility options, such as part-time employment, significantly increases employee engagement and reduces employee turnover.[61] Studies done in the last two years indicate that, among 1,100 employers with more than 50 employees, approximately 40 percent allowed some employees to migrate back and forth between part-time and full-time employment. Additionally, 53 percent of employers allowed some employees to reduce their hours prior to retirement; and 25 percent allowed most or all employees to phase into retirement.[62]

The use of part-time attorneys is gaining traction in both the private and public sectors. For example, in a study cited by the "Project for Attorney Retention", the number of part-time partners in private law firms increased from 1.6 percent in 1999 to 3

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[59] www.bls.gov/cps/lfcharacteristics.htm, "Labor Force Statistics from the Current Population Survey.
[60] Adrienne Fox, *Part-Timers Makes People Strategy Whole,* HR Magazine, August 2010.

[61] *Id.*
[62] *Id.*

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percent in 2008.[63] This same study concluded that part-time partners in private law firms made significant contributions as mentors and role models. In the Federal sector, the Department of Justice (DOJ) offers the availability of part-time scheduling for its attorneys and other employees. DOJ's policy cites "the desirability of making maximum use of available human resources, including those qualified individuals who are available for part-time employment."[64] DOJ provides for part-time work opportunities for positions in all grade levels, subject to its resources and mission requirements, and has focused anew on part-time work opportunities in order to respond to increasing numbers of childbearing-age women in the workforce, dual career and single-parent households and an aging workforce supporting elderly parents. In DOJ's assessment, part-time employment can be another valuable tool to attract and retain well-qualified employees.[65]

The Postal Service currently discourages the use of part-time employees by counting a part-time employee the same as a full-time employee for purposes of complement control. Using both the public and the private sectors as a model, we recommend that the Law Department consider the possible expanded use of part-time employees, as well as policy changes that would support such expanded use.

2. The increased use of Independent contractors/outsourcing.

The use of independent contractors/outsourcing presents another opportunity for maximum flexibility in adjusting the size and composition of the Law Department's workforce to changing needs. In the private sector, law firms are taking advantage of

[63] Cynthia Thomas Calvert, Linda Bray Chanow and Linda Marks, *Reduced Hours, Full Success: Part-Time Partners in U.S. Law Firms,* The Project for Attorney Retention, 2009.
[64] See, USDOJ: JMD*: Worklife: Part-Time Employment and Job Sharing Fact Sheet.*
[65] *Id.*

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outsourcing, including sending work overseas to countries such as India. In the years between 2002 and 2006, American law firms outsourced more than three million legal jobs to foreign countries. The Bureau of Labor Statistics estimates that by 2015, Indian employees performing outsourced legal work for private sector American law firms will generate $970 million; up from $52 million in 2002.[66] Clearly, outsourcing in the private sector legal environment is a growing trend.

The use of contractors or outsourcing carries with it the advantage of paying only for services actually rendered, without any long-term or collateral obligations for wages or benefits. This approach can also be easily adjusted to meet the current needs of the Law Department, thereby achieving maximum flexibility.

3. The potential for expanded use of retirees.

Hiring retired employees, either as part-time employees or as independent contractors, appears to be an ascending trend in the private sector, and could make good business sense for the Law Department. The Postal Service estimates that up to 300,000 of its employees will become eligible to retire in the next decade.[67] This pool of former workers could be a tremendous asset to the organization. An AARP-sponsored study of 1,500 workers aged 45 to 74 found that 69 percent planned to work in some capacity after their retirement.[68] Retirees typically work after the end of their careers not only for wages or benefits, such as health care, but also for the intangible benefits of enjoyment and a sense of purpose. Even though many want to work, often they do not wish to continue working full-time. Rather, retirees want work that offers flexibility.

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[66] Alison M. Kadzik, *Current Trend To Outsource Legal Work Abroad and the Ethical Issues Related to Such Practices,* Georgetown Journal of Legal Ethics, Summer 2006.
[67] USPS, Postal News, March 2, 2010.
[68] S. Kathi Brown, *The AARP Working In Retirement Study,* 2003

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In February 2009, legislation was introduced in Congress to facilitate the use of part-time employees and the re-employment of retirees by Federal agencies. This legislation was designed to ease the financial complications of returning retired employees, both in terms of eliminating the offset of their retirement annuity and by providing retirement credit for CSRS employees for part-time work performed for their agencies.[69]

In March 2009, the Office of Personnel Management (OPM) issued directives encouraging Federal agencies to re-employ Federal retirees possessing experience in a number of areas (e.g., human resources, contracting, project management and grants management). While the wages of re-employed retirees are offset by their annuity payments, OPM or the re-employing Federal agency can waive this offset for select returning employees with crucial skills. The Government Accountability Office (GAO), in a February 2009 study involving four Federal government agencies, found that there was a significant pool of highly qualified retired Federal employees available for employment in the Federal sector.[70]

The knowledge and experience of retired employees can provide real value to the Department as it moves forward in the next decade. Further, there is clear support in Congress for the idea of maximizing the re-employment of retired Federal employees by their former agencies. The feasibility and value of the use of retired employees as independent contractors is already well demonstrated in the Postal Service. The EEO investigation function has been outsourced to contractors, a significant number of whom are retired Postal Service employees. Using retired Law Department employees as

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[69] http://seniorjournal.com/NEWS/Retirement/2009, March 2, 2009.
[70] Government Accountability Office, *OLDER WORKERS Enhanced Communication among Federal Agencies Could Improve Strategies for Hiring and Retaining Experienced Workers.* February 2009.

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contractors to provide ancillary support service in any number of Law Department functions, such as legal research, document examination in large cases, tort claims processing, or routine motion preparation would provide a clear benefit to the Law Department. There is very little in the way of training cost for retired Law Department employees. Likewise, there is virtually no "ramp up" period for these retirees; they could be ready to fully function immediately upon starting work. PCES Executives in the Law Department have a current average age of 54 and the attorney population is only slight younger at 47. As the Postal Service Law Department workforce continues to age and retire, this avenue of human capital will become more and more available.

III. EXPANSION OF FLEXIBLE WORK ARRANGEMENTS

Telework and other alternative work arrangements comprise another area of office management in which the next decade can be expected to bring changes. The current Presidential administration and Congress have prioritized the expansion of telework in the federal government, and private-sector employers increasingly are making headlines with innovations from customizable staggered schedules to "results-only work environments." Over the next ten years, we anticipate that the Law Department may need to expand and even rethink its approach to alternative and flexible work arrangements, even beyond the parameters applicable to the Postal Service at large, in order to recruit and retain staff on par with other legal services employers.[71]

[71] As used in this memorandum, "telework" or "telecommuting" refers to an employee's ability to perform work duties at a site other than his or her work station on Postal Service premises. In Postal Service terminology, "alternative work schedule" means a schedule whereby an employee works extended days during a given period, such that the expected 40-hour work schedule is fulfilled during those days and the employee need not report to duty on the remaining day or days. This memorandum will refer to telework and AWS collectively, as well as any other arrangements that might be relevant to a given context, as "flexible work arrangements."

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A. History Of The Current Postal Service Policy

In 2005, the Law Department began a pilot program to test the feasibility of telework and AWS. Human Resources largely adopted the Law Department's model when it established the first organization-wide telework and AWS policy on September 1, 2008. Management Instruction EL-310-2008-3 allowed employees exempt from the Fair Labor Standards Act (FLSA) to work up to one day a week at an alternate worksite, subject to management approval and review, attendance and work-suitability considerations, employee certifications, and compliance with information technology (IT) and work station requirements. The 2008 Management Instruction also allowed employees to enter alternative work schedule (AWS) arrangements upon certifications and management approval and review.

The Vice President, Employee Resource Management, updated and expanded Postal Service policy in Management Instruction EL-310-2009-8 (October 9, 2009), which replaced its 2008 counterpart. The 2009 Management Instruction expanded the previous limit of one telework day per week to three days per week and also clarified the options for AWS as follows: (1) one five-day week of eight-hour days and one four-day week of ten-hour days; (2) one five-day week of four nine-hour days and one eight-hour day, and one four-day week of four nine-hour days; or (3) two four-day weeks of ten-hour days. The Law Department expanded its previous two-day-per-week telework limit to a three-days-per-week limit commensurate with the new Management Instruction.

The majority of eligible FLSA-exempt Law Department employees participate in telework arrangements, rather than in AWS arrangements. Although the Management Instruction and the General Counsel's 2008 email require employees with verbal

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managerial approval to enroll via Human Resources' Flexible Work Arrangement Application website (http://fwaa.usps.gov), anecdotal evidence indicates that at least some managers have preferred to handle telework arrangements less formally, based on week-to-week in-office staffing needs.

B. Rationale And Benefits Of Flexible Work Arrangements

As described in Management Instruction ELM-310-2009-8, the Postal Service established flexible work arrangements are "designed to increase employee morale and efficiency[.]" The Postal Service considers their purpose to be:

> to enhance the Postal Service's efforts to recruit and retain top talent, help conserve energy and reduce CO2 emissions by eliminating up to three commuting days, and to contribute to employee preparedness to work at home during emergency Continuity of Operations Plan (COOP) events.

At least the environmental and commuting-related benefits are borne out by organization-wide data. Based on a combination of Postal Service-specific and general demographic statistics, Human Resources currently estimates that if Headquarters employees spend an average of one day per week telecommuting, the program will have saved 85,804 gallons of gasoline and 839 tons of carbon dioxide emissions per year, equivalent to removing 159 cars from the road each year.[72]

Personal expense savings for employees are also palpable. According to an August 6, 2010, summary report from the Postal Service's Flexible Work Arrangement Application, 86.77 percent of the 7,024 participants surveyed primarily commute to work via car, and more than half spend over an hour commuting roundtrip each day.

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[72] These estimates focus exclusively on the environmental impact of reduced commuting. They do not account for potential inefficiencies such as, for example, the fact that more environmental resources may be spent heating, cooling, and powering the employee's alternate work site in addition to persistent environmental costs at the (likely more efficient) office worksite. *See* Brian Palmer, "How Green Is Telecommuting?," Slate.com, September 7, 2010, *available at* http://www.slate.com/id/2264177/ (citing Erasmia Kitou and Arpad Horvath, "Energy-Related Emissions from Telework," 37 ENV. SCI. TECH. 3467 (2003), *available at* http://pubs.acs.org/doi/abs/10.1021/es025849p).

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Although it is not expressly measured, one can easily infer a significant quality-of-life benefit when employees realize an additional measure of personal time that would otherwise be spent commuting.

Telecommuting offers potential to increase employee fitness, with direct and indirect effects on productivity. Less work-related commuting time can translate into more time for exercising, home meal preparation, and sleep, all of which contribute to employee health and productivity. Employees may also choose to telecommute instead of taking leave when they or family members are sick, which both increases their own productivity and reduces their colleagues' exposure and resultant potential need to take sick leave.[73]

The Postal Service's rationale and findings correspond to those cited by other federal agencies. For example, in an August 2009 report to Congress, the Director of the Office of Personnel Management (OPM) praised telework programs' demonstrated ability "to help individual employees successfully balance the responsibilities of work and family, increase the safety of neighborhoods,[74] and reduce pollution." The Director also described employees' saved commuter costs, agencies' emergency-planning needs, and the goal of "green workplaces" as underpinning telework policies.[75]

Employers can also benefit from reduced real estate and utility costs, increased productivity, and decreased sick leave and workers' compensation usage.[76] As the

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[73] Of course, managers should not require or induce employees to abstain from sick leave in favor of telecommuting. Nor should employees opt to continue working if their health and productivity would clearly suffer as a result.

[74] That is, telecommuting employees can notice, report, and even deter suspicious activity near their residences or other remote worksites during the workday hours, whereas in-office employees cannot.

[75] OPM, *Status of Telework in the Federal Government: Report to the Congress*, August 2009, *available at* http://www.telework.gov/Reports_and_Studies/Annual_Reports/2009teleworkreport.pdf.

[76] Government Accountability Office (GAO) Report No. GAO-08-261T, *Human Capital: Telework Programs Need Clear Goals and Reliable Data*, November 6, 2007, at 4-5 (citing OPM, *A Guide to*

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GAO report points out, employers also benefit indirectly from telework's direct benefits to employees, because management of commuting costs and other work/life-balance issues can increase employees' personal happiness and, consequently, their effectiveness and satisfaction in their jobs.[77] The recruitment and retention benefits of telework are especially palpable as new generations of workers "have high expectations of a technologically forward-thinking workplace."[78] The U.S. Patent and Trademark Office and the Nuclear Regulatory Commission have attributed to their telework programs an essential role in fulfilling their aggressive recruitment goals.[79] A 2007 report by the Office of the Inspector General (OIG) for the Equal Employment Opportunity Commission (EEOC) found that a "frequent telework" pilot program would increase productivity, employee work-life balance, and continuity of operations, while allowing the OIG to capture real estate savings of $2,216 *per teleworker, per year*, even where the OIG paid for the teleworkers' home office equipment and Internet connectivity.[80]

This suite of benefits has been recognized across decades of telework innovation.[81] It has also been acknowledged as underlying private firms' growing offering of telework programs in an effort to cut costs and recruit and retain legal

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Telework in the Federal Government, August 3, 2006), *available at* http://www.gao.gov/new.items/d08261t.pdf.

[77] *Id.* at 4.

[78] *Id.*

[79] *Id.* at 5-6.

[80] Memorandum from Aletha L. Brown, Inspector General, to Jeffrey Smith, Chief Financial Officer, Office of Chief Financial Officer and Administrative Services, "Transmittal of Office of Inspector General Frequent Telework Pilot Program Final Report," March 28, 2007, *available at* http://www.eeoc.gov/eeoc/oig/OIG-FrequentTeleworkPilot.cfm.

[81] *See generally* Wendell Joice, Office of Governmentwide Policy, General Services Administration, *The Evolution of Telework in the Federal Government*, February 2000 (tracing the history of federal work-from-home programs since the 1930s, particularly the boosts lent by natural disasters, global environmentalism, and traffic-related concerns), *available at* http://www.gsa.gov/graphics/ogp/Evolutiontelework.doc.

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talent.[82] Perhaps due to the intellectual nature of their work and their drive to maximize client value, private law firms in particular have been aggressive at implementing flexible work arrangements.[83]

C. Limitations of Flexible Work Arrangements

1. In general.

Discussions of telecommuting traditionally note managers' concerns about the potential for actual or perceived loss of control over employee work activities. One might reason that the home environment presents distractions absent from an office workplace, resulting in diminished productivity. While these concerns may be justified in some cases, an overwhelming majority of employees are likely to have a suitable work ethic, which can be reinforced by effective management and enhanced communication. In the Postal Service's case, the Management Instruction makes clear that telework participation is a privilege, not a right, and that it is subject to managerial planning, consultation, approval, review, communication, and even revocation. The burgeoning of telework programs in the economy at large is a testament to a growing perception that the overall productivity gains and other benefits outweigh the exceptional instances of

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[82] *See, e.g.*, Eric Sinrod, "Perspective: Making the Case for Telework," CNet.com, October 3, 2007, *at* http://news.cnet.com/Making-the-case-for-telework/2010-1022_3-6211305.html; Cisco Systems Inc. Press Release, "Cisco Study Finds Telecommuting Significantly Increases Employee Productivity, Work-Life Flexibility and Job Satisfaction," June 25, 2009 (estimating $277 million in annual productivity savings from telecommuting, and citing between 65 and 90 percent of surveyed employees who report improved performance when telecommuting, according to various metrics), *available at* http://newsroom.cisco.com/dlls/2009/prod_062609.html.

[83] *E.g.*, Debra Cassens Weiss, "Survey Documents Rise of Telecommuting Lawyers," ABAJournal.com, July 9, 2010, *at* http://www.abajournal.com/news/article/survey_documents_rise_of_telecommuting_lawyers (citing 71 percent of 806 American Bar Association members surveyed as telecommuting at least "sometimes" and 46 percent as spending between 10 and 24 percent of their time telecommuting); Debra Cassens Weiss, "Top Law Firms Named for Working Moms; 62% Allow Full-Time Telecommuting," ABAJournal.com, August 11, 2009, *at* http://www.abajournal.com/news/article/top_law_firms_named_for_working_moms_62_allow_full-time_telecommuting.

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employee exploitation. Nevertheless, the lingering presence of work-ethic concerns can be an obstacle to expansion of telework programs, due both to managerial reluctance and to employees' own lack of confidence in their productivity as telecommuters. In organizations that have implemented flexible work schedule programs, managers still often thwart participation by refusing to grant approval.

The regularity of out-of-office days under an AWS work schedule can theoretically present a risk that the office will be understaffed on a given day. As with work-ethic concerns about telecommuting, the spread of alternate work schedule programs in the American economy indicates that employers are capable of finding ways to accommodate a need for balanced staffing levels with such programs.

2. Limitations specific to the Postal Service.

Other limitations are specific to the Postal Service's policies and infrastructure. For example, the Management Instruction is limited to FLSA-exempt employees. This means that Law Department attorneys and Business Services staff are eligible for telecommuting and AWS, but paralegals and administrative assistants are not. The Management Instruction also proscribes participants from combining telework and AWS, or from taking personal leave on a day when the participant is telecommuting. As noted above, the Management Instruction sets a limit on the number of days a participant can telecommute or have free due to AWS. Although it is not expressly included in the Management Instruction, it appears that there is a general policy that managers may not engage in AWS and may telecommute only one day per week at most. The basic approach underlying the Management Instruction is that

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telecommuting is an exception to the general rule of in-office attendance, and not the other way around.

The Postal Service does not reimburse employees for utility costs incurred while telecommuting, including Internet access, home computers, or work-related telephone usage. Employees are not usually provided with workstations or other equipment in order to enable them to work at an alternate worksite, although some Law Department offices, particularly in the field, have authorized Postal Service-issued laptops at various times in recent history. Employees choosing to participate in the program using non-Postal Service-owned equipment will not receive support or service for that equipment from the Postal Service Help Desk.

D. Alternative Flexible Work Arrangement Models

The history of flexible work arrangements at large suggests that the current interest is no mere fad.[84] If anything, the number of telecommuters is expected to rise within the foreseeable future.[85] As employees' decisions are expected to revolve increasingly around the flexibility of work-life balance alongside traditional pay and benefits factors, the Law Department should keenly consider whether expansion of its own flexible work arrangements would increase employee retention and recruitment, as well as produce other benefits. Further evolution of flexible work arrangements could take many forms, from incremental adjustments of policy to expansion of their scope of application to wholesale redesign. Because of the ten-year horizon for this paper, this

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[84] *See generally* Wendell Joice, *The Evolution of Telework in the Federal Government*.
[85] *See, e.g.*, Charles Grantham, Jim Ware, and Jennifer E. Swanberg, *Flexible Work Arrangements for Nonexempt Employees* (2009), at 9 ("More than 17 million employees performed work remotely at least one day per month in 2008. That number is projected to increase to more than 25 million within five years." (citations omitted)), *available at* www.worldatwork.org/waw/adimLink?id=33622.

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section will examine modest policy changes that focus on practices in widespread use today as well as aggressive flexibility models that may yet develop into best practices.

1. Potential modifications to existing policy.

The most likely scenario for flexible work arrangement changes in the next ten years would involve expansion of already existing postal policies.

a. Expansion of telecommuting.

The Law Department could go beyond the Management Instruction by allowing an even greater number of telecommuting days per week or per pay period.

b. Expansion of personal leave policy.

Employees could also be permitted to take personal leave on a telecommuting day, subject again to supervisors' approval. This prospect could aid employer and employee alike: it could accommodate medical and personal appointments close to the employee's home, which would mean that the employee could request less leave time due to the reduced travel time. A supervisor and employee could also arrange for the employee to exercise personal leave during core office hours but make up for it with additional work time after hours. In principle, this would not represent a major shift from current practice, as attorneys must sometimes spend additional work-hours on deadline assignments while requesting personal leave at other times. The telework-plus-personal-leave approach would simply grant official sanction to the availability of such flexible work-time arrangements during an individual workday.

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c. Permit a Telework/AWS combination.

A related option would be to allow deviations from core hours to meet employee needs, or to allow the combination of telework and AWS. Some employees might desire the flexibility of AWS but decide that it is infeasible for them because of the increased in-office hours, combined with commuting time, in "on" days. The former option could be thought of as "AWS light": an employee could arrange or request a schedule that involves working on each workday but that varies from day to day in its specific parameters. This would allow the employee to have regular personal time on a workday when that would be advantageous, while only requiring a limited increase in compensatory work-hours elsewhere in the week. Combining telework and AWS, would recognize that the lack of commuting time makes telework days a prime candidate for the lengthened "on" days of an AWS schedule. If the Law Department determines this would require additional monitoring of telecommuting employees, this could be accomplished with additional supervisor involvement or record-keeping. Either option would make AWS more desireable for Law Department employees.

d. Permitting FLSA non-exempt employees to participate in the Telecommuting/AWS program.

Another possibility of going beyond the Management Instruction would be to open both telework and AWS arrangements to paralegals and administrative assistants. There is no legal proscription, even from an FLSA standpoint, for those employees to participate in such programs. It would, however, require strict monitoring and adherence to the employee's agreed-upon schedule (ELM § 444.231). It is the supervisor's job to ensure that employees do not remain on

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the clock unless they are specifically authorized to do so. Nevertheless, there is significant concern that poorly managed non-exempt telecommuting programs can create significant liability.

From a practical standpoint, it is unlikely that most Managing Counsels and Law Department offices would find workable an arrangement whereby, even depending on workload and upon the manager's discretion, paralegals could participate in telework and AWS, with administrative assistants continuing to carry out their current in-office duties requiring specialized equipment (e.g., high-speed and color scanners). In consulting with the Postal Service's Agency Telework Coordinator, the Postal Service is considering expanding AWS, but not telework, to non-exempt FLSA employees, the main issue being one of coverage during employees' "off" days. A cursory inquiry with the Telework Coordinator as to whether other federal agencies allow non-exempt FLSA employees to participate in these type of programs reveals that very few, if any, do.

2. Office Real Estate: "Hoteling".

One of telework and AWS's cost-savings propositions is the ability to consolidate office space. This concept requires a change in a fundamental premise of the traditional workplace: instead of distributing cubicles and offices among the total employees, the number of cubicles and offices are allocated based on employees' in-office time. Put another way, instead of time working remotely being seen as a perk, one can view it as the default and in-office time as the exception that requires accommodation. With enough participation in flexible work arrangements, this would allow management to rotate multiple employees at a non-dedicated work station and shed unneeded office space and utility costs.

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The U.S. Patent and Trademark Office (USPTO) has made strides in this area, which it calls "hoteling."[86] Under the USPTO's Patents Hoteling Program, more than 1,650 patent examiners agreed to give up their in-office workspaces in exchange for home offices and a commitment to reserve two days per pay period at the USPTO's temporary offices.[87] In addition, 147 trademark examiner staff have participated in a similar program, including legal instrument examiners, paralegals, legal document review clerks, and other non-attorney staff.[88] Even among the USPTO's Office of the General Counsel (OGC),

> [s]ome OGC employees have given up dedicated offices in order to enable office-sharing, where two employees can share the same office and workstation on alternate days. Although there are times an employee needs to come in on their telework day, there are hoteling offices available that they can use to access their virtual workstations on those days. OGC teleworkers have been able to design their individual telework routines, thus providing them needed flexibility without negatively impacting their coworkers or the OGC business process.[89]

The USPTO's hoteling programs are intrinsically motivated by the need to reign in real estate costs.[90] In practice, the USPTO credits the programs with enabling it to avoid $11 million in new office space purchases and to hire 1,000 employees per year without adding office or parking space.[91] A similar hoteling program at the Treasury Inspector General for Tax Administration has saved an estimated $1 million per year.[92] In the 1990s, a hoteling program enabled the Federal Railroad Administration to close

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[86] The terms "hot desking," "free address workstations," "touchdown workstations," and "desk sharing" describe minor variations on the same concept. General Services Administration, "Alternative Workplace Solutions," www.gsa.gov/portal/content/102702 (last visited September 16, 2010).
[87] PTO, *2009 Telework Annual Report* (2009), at 6-7, *available at* http://www.uspto.gov/about/offices/cao/TeleworkAnnual09FINAL_Section_508.pdf.
[88] *Id.* at 7.
[89] *Id.* at 10.
[90] Partnership for Public Service and Booz Allen Hamilton, *On Demand Government: Deploying Flexibilities to Ensure Service Continuity* (July 2010), at 7.
[91] *Id.* at 7-8.
[92] *Id.* at 8.

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18 field offices and consolidate several others, for a total savings of $251,929 (in historical dollars).[93]

Over the next ten years, however, it is possible that cost-cutting pressures could lead the Law Department to explore further consolidation within Headquarters or field offices, between offices near to one another, or even between Law Department personnel and client office space. Field personnel could "ride circuit" between local offices in their selection of convenient temporary workstations. Depending on the calculation of estimated real estate savings, it is possible that it could become cheaper to establish "telecenters" with non-dedicated work stations closer to employees' homes, in lieu of maintaining centralized office space.[94]

Apart from the real estate cost savings, it is possible that hoteling could add benefits for employees and the organization beyond those already inherent to telework and AWS. If in-office presence is deemphasized, the Law Department can recruit new employees from within a larger geographical radius, and it can retain existing employees who might be moving farther away. The USPTO recognizes this with its Trademark Geographic Expansion pilot project, whereby trademark examining attorneys with telework experience can move up to 110 miles from headquarters, so long as they report in person twice per biweekly pay period.[95] Although the prospect of a shared office workstation might turn off some employees, many would likely prefer it if it is closer to their residence than their traditional office, and the chance for more at-home

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[93] Wendell Joice, *The Evolution of Telework in the Federal Government* at 34 (citing Federal Railroad Administration's 1999 Report on Telecommuting).
[94] The General Services Administration maintains several "telecenters" around the Washington, D.C., commuting area, including one as far away as the eastern panhandle of West Virginia. GSA Telework Centers, www.gsateleworkcenters.org (last visited September 16, 2010). *See also* Joice, *The Evolution of Telework in the Federal Government*, at 24-30 (describing the establishment of telecenters in response to local emergencies).
[95] USPTO, *2009 Telework Annual Report* at 6.

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time and reduced commutes might outweigh any lingering discomfort for those employees.

Over the next ten years, we expect the Law Department and the Postal Service at large to explore the opportunity for real estate savings from flexible work arrangements. As a starting point for further study, the General Services Administration has compiled research on "alternative officing" in the private and public sectors.[96]

3. Results Only Work Environment (ROWE).

Perhaps the most extreme cultural change would be to reengineer the workplace, or components of it, as a so-called "Results Only Work Environment" (ROWE). ROWE is driven by a simple principle: it should not matter when or where an employee works, so long as the work gets done. Employees can also choose to work at times when they are most productive as individuals, even when those are outside typical work hours. In lieu of the formal strictures of personal leave and "core hours," an employee is free to attend to personal or family needs and appointments during the typical workday hours (when many other businesses and government offices are open), while finding other, more convenient times to complete her work assignments.

Instead of indirect proxies for performance like in-office attendance or reported work-hours, a ROWE relies directly on the employee's ability to meet deadlines, accomplish specified assignments, and achieve high client satisfaction. Supervisors can address productivity gaps through dialogue and workload management, as in a typical full-time office environment, but they otherwise are to let employees distribute their work time according to their own needs and proclivities. Federally-sponsored,

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[96] General Services Administration, "Alternative Officing Information," www.gsa.gov/portal/content/21270 (last visited September 16, 2010).

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empirical research by University of Minnesota researchers indicates that employees in a ROWE environment continue to work approximately the same amount of time and days per week even as their schedules become more flexible.[97] Meanwhile, the same study shows that ROWE employees perceive significantly better work schedule "fit" with their personal needs and less conflict of work matters with family time than non-ROWE employees, without a significant difference in the spillover of family matters into work time.[98] Although managers may have reservations about scrapping timeworn work-hours-based models, it appears that ROWE produces a win-win outcome: employers get the same or better performance, and employees get better work-life balance.

ROWE has been claimed to produce many of the same benefits for employers and employees as telecommuting and AWS, albeit at a much greater level. Studies of ROWEs indicate that job satisfaction, productivity, employee health, and cost savings increase drastically in a ROWE as opposed to a traditional workplace.[99] Many ROWE employees cite the system as a significant factor in their perspective on retention: for example, one survey respondent at Gap Inc. cited her company's ROWE as the decisive factor in turning down an otherwise more attractive job offer, and a survey at another employer reported a 121-percent increase in the number of employees unlikely to search for a new job within the following year.[100] Voluntary turnover rates reportedly plunge in ROWE workplaces, with a double-digit change in Best Buy's turnover rates

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[97] Phyllis Moen and Erin L. Kelly, *Flexible Work and Well-Being Study: Final Report* (2007), at 18, *available at* http://www.flexiblework.umn.edu/publications_docs/FWWB_Fall07.pdf. The study was sponsored by the National Institutes of Health and the National Institutes of Occupational Safety and Health. *Id.* at 40.
[98] *Id.* at 20-24.
[99] CultureRx, "ROWE Business Case," at 6-19, www.gorowe.com/wordpress/wp-content/uploads/2009/12/ROWE-Business-Case.pdf (last downloaded September 14, 2010) (discussing quantitative and qualitative results of studies and surveys).
[100] *Id.* at 12, 14.

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and a 40-percent drop at one non-profit organization.[101] Greater control over work hours also maximizes environmental benefits: not only can employees telecommute, but even when they come to the office, employees can do so outside of rush hours, trimming greenhouse gas emissions and non-productive time spent in traffic further.[102] ROWE can also allow employees greater flexibility than telecommuting to get more sleep, exercise, and home-prepared meals and to reduce the need for sick leave.[103] Under a ROWE, remote employees can have their children or other dependents around and thereby avoid dependent care costs, so long as performance does not suffer or non-productive work-hours are made up at another time.[104] Thus, ROWE offers the potential to intensify each of the cited benefits of telecommuting and AWS and to add new benefits.

Although ROWE is a new concept, its profile is rising. ROWE originated at Best Buy's corporate headquarters and has spread throughout the company; it has since been implemented at the corporate offices of Gap Inc., the IT department of Fairview Health Services, J.A. Counter and Associates, the non-profit Girl Scouts of San

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[101] *Id.* at 6, 14. The University of Minnesota study found that 32.5 percent fewer Best Buy employees reported turnover intentions in a ROWE, compared with only a 20.7-percent drop among employees in a control group. Moen and Kelly, *Flexible Work and Well-Being Study* at 34.

[102] After the Girl Scouts of San Gorgonio Council implemented a ROWE, 69 percent of employees shifted their commutes to avoid traffic and 40 percent reported shaving at least 10 minutes off of each direction of their commute. CultureRx, "ROWE Business Case," at 14.

[103] The same survey indicates that the number of employees getting at least 7 hours of sleep a night increased by 112 percent, with 219 percent more reporting at least good-quality sleep. Meanwhile, the number of employees who lost at least 3 work-hours per month due to illness dropped 82 percent, to 7 percent of all employees, and 71 percent reported themselves as less likely to call in sick. *Id.* at 13. The University of Minnesota study also found statistically significant increases in sleep time, exercise, doctor visits when sick, and energy and decreases in time spent in office when sick. Moen and Kelly, "Flexible Work and Well-Being Study" at 26-30. However, changes in more nebulous factors like employees' overall assessment of their health, psychological distress or well-being, emotional exhaustion, sense of mastery, or physical symptoms were not found to be statistically significant. *Id.* at 31.

[104] *See, e.g.*, OPM, "Frequently Asked Questions for ROWE Employees," May 21, 2010, at 11.

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Gorgonio Council, and the legal services outsourcing company Latitude-South.[105] The Twin Cities Metropolitan Area is encouraging local employers to convert to ROWEs in order to reduce traffic congestion.[106] The Office of Personnel Management (OPM) is currently conducting a pilot to study ROWE's application in federal workplaces.[107] The OPM study involves nearly 400 union and non-union OPM employees, from claims processors to policy makers, both within and outside of Washington, D.C. Participants were selected so as to reflect the overall federal workforce.[108] All members of participating groups are included in the ROWE pilot; participation is not seen as a perk to grant or deny, although employees whose assignments require in-office presence must commit to a necessary amount of such presence in the interest of getting the work done.[109] OPM's pilot is currently underway, and its final report is expected in February 2011.[110]

To date, it is unclear if the roster of ROWE workplaces includes law firms or other legal services providers other than the outsourcing firm mentioned above. It is also unclear whether the corporations that have adopted ROWE have applied it to their in-

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[105] The first five companies are listed on the website of CultureRx, a consulting company founded by the originators of the ROWE concept at Best Buy. CultureRx, "Rowe Approved," www.gorowe.com/know-rowe/rowe-approved-companies (last visited September 14, 2010). Latitude-South is discussed in Ronda Muir, "What Do Women Want? Changing the Diversity Myth," *Law Practice Today* (April 2010), *available at* www.abanet.org/lpm/lpt/articles/ftr04104.shtml. *See also, e.g.*, Lisa Belkin, "Flexible Work in a Recession," Motherlode: Adventures in Parenting weblog, October 2, 2009, http://parenting.blogs.nytimes.com/2009/10/02/flexible-work-in-a-recession.

[106] Federal Highway Administration, "Minneapolis Urban Partnership Agreement," www.upa.dot.gov/agreements/minneapolis.htm (last visited September 14, 2010); Minnesota Department of Transportation, "Urban Partnership Agreement Program: Telecommuting," www.dot.state.mn.us/upa/telecommute.html (last visited September 14, 2010).

[107] Statement of Jonathan Foley, Senior Advisor to the Director, U.S. Office of Personnel Management, before the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs, "Work-Life Programs: Attracting, Retaining and Empowering the Federal Workforce," May 4, 2010, *available at* www.opm.gov/News_Events/congress/testimony/111thCongress/05_04_2010.asp. CultureRx is a subcontractor for this project's implementation.

[108] *Id.*

[109] *Id.*

[110] *Id.*

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house counsel offices or, if so, how ROWE has been implemented in keeping with attorneys' internal and external schedule expectations. Finally, we were unable to determine whether OPM's pilot program includes federal attorneys, although it does include support staff "to the maximum extent possible."[111] Thus, while initial studies indicate that a well-designed ROWE can reap substantial savings and benefits for employer and employees alike, further outreach with other ROWE employers' law offices would be helpful in assessing the likely impact of a ROWE in the Law Department.

Within the next ten years, we expect that the Law Department will monitor developments on ROWE in other organizations, including OPM, and evaluate whether it could and should be implemented in the Law Department.

CONCLUSION

The American white-collar workforce is currently amid a trend that challenges the traditional assumptions that tie work performance to fixed places and hours. In the next ten years, businesses, in general, will need a flexible organization that can be adjusted quickly to address new threats and challenges. Baby boomers comprise the majority of the workforce today. By 2015, however, millennials (those born from 1977 to 1997) will overtake them. In 2020, when five generations are simultaneously employed, baby boomers are not expected to represent even a quarter of working Americans.[112] "Millennials have a different way of working, and boomers will have to adapt to stay

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[111] OPM, "Frequently Asked Questions for ROWE Employees," May 21, 2010, at 10. OPM has customized the ROWE model somewhat to account for federal leave, night differential, and general work-hour requirements. See *id.* at 4-6, 13-14. For example, employees must account for 80 hours every biweekly pay period, without further restriction except for two core hours on each of two designated days per pay period.

[112] Meryl Davids Landau, "The Retirement of the Future," U.S. News & World Report (September 14, 2010), *available at* http://money.usnews.com/money/retirement/articles/2010/09-14/the-retirement-of-the-future.html.

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relevant."[113] In the not too distant future "team leaders will routinely motivate and manage employees across the globe without ever meeting face-to-face – something today's younger generation knows about from playing online multiplayer computer games."[114] The millennials want constant feedback, but are perfectly happy to get it online.

Technology increasingly enables real-time collaboration among personnel regardless of their location. Young workers tend to desire a balance between work and personal life that allows them to fulfill personal and family ambitions, and their expectations are framed by their familiarity with the possibilities of virtual communication. Even workers approaching retirement may wish to keep working in a manner that gives them the flexibility to transition toward retirement. Since these trends are not anticipated to abate, one can reasonably expect that the Law Department of 2020 will need to expand its approach to flexible work arrangements and even rethink its approach to the work environment in order to recruit and retain talent in competition with other legal employers. We recommend the Law Department study the options, including promising options outside the current mainstream, and assess carefully the prospective costs, benefits, and possible productivity improvements.

[113] Id.
[114] Id.

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2020 VISION

THE POSTAL SERVICE'S LAW DEPARTMENT IN 10 YEARS

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October 8, 2010

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2020 VISION
THE POSTAL SERVICE'S LAW DEPARTMENT IN 10 YEARS

The Postal Service is preparing itself for the challenges and opportunities that will exist in the year 2020. Similarly, the Law Department needs to develop strategies to address the unique issues that will arise relative to the department in the next decade. Specifically, this paper addresses the following questions:

- What changes in facilities, equipment, and technology are anticipated in 2020?

- What types of legal talent will be needed to meet the Law Department's future needs?

- What changes in work practices and work environment will be required to attract and retain quality professional and administrative employees?

EXECUTIVE SUMMARY

- At present, many attorneys are working remotely via a laptop and/or blackberry. This trend towards "mobile lawyering" is expected to continue into the future. Advances in technology will permit attorneys to participate in video-conferences, check e-mail, return calls, upload and download documents, collaborate on projects, conduct research, schedule meetings, scan documents or images, take pictures, and send or receive text, audio and video, all via a single device. As such, attorneys will be less tied to a fixed workspace or office in the future.

- The workplace will become more collaborative based on the popularity of the social media model. Internet sites such as Facebook and YouTube have revolutionized how people communicate and share information. It is likely that the government and private organizations will become more collaborative in nature through the use of more interactive websites, video-conferencing and document sharing.

- The Law Department will benefit from new software advances. Case management software can help track cases, clients and deadlines. Litigation support software is currently being developed that will aid in managing e-discovery. New software such as Adobe Acrobat 8 will make document management easier. Legal research software is also expected to become more user-friendly and less costly in the future.

- The demand for legal work is expected to increase into the future. Along with the trend for flexibility in terms of work schedule, it seems apparent that a variety of alternative flexible staffing options could also be explored

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in order to save on benefits-related costs. The use of part-time employees, whether they are retirees or employees who just want reduced hours for one reason or another, could be explored as a potential way to reduce costs, encourage retention and improve productivity. Tasks currently assigned to attorneys could possibly be shifted to paralegals or outsourced to independent contractors

- The Postal Service may wish to amend current flexible work arrangement policies to address such issues as greater telecommuting and AWS flexibility and expanding such programs to FLSA non-exempt employees.

- With the trend toward "mobile lawyering" on the rise, it is also expected that the Law Department will explore ways to save on real estate costs by consolidating office space and through the use office sharing. Other governmental agencies and private companies are exploring the concept of "hoteling", a policy whereby management could save costs spent in unnecessary office space and utility costs by having employees give up their in-office workspaces in exchange for home offices and a commitment to provide the employee with a temporary office space when needed.

- As a result of technological advances and current trends favoring telecommuting, it is expected that the Law Department will at least study the "results-only work environment" (ROWE) model. ROWE is driven by the principle that it should not matter when or where an employee works, as long as the job gets done. ROWE appears to be gaining support as an alternative option that could expand an employee's flexibility, and as such, potentially improve employee retention and productivity.

I. TECHNOLOGICAL CHANGES WILL SUPPORT A MORE EFFICIENT AND COLLABORATIVE WORK ENVIRONMENT

In the past ten years, the Law Department has seen tremendous technological advances which have dramatically changed how we work. Due to these advances, attorneys in the Law Department have the ability to work remotely and are less tied to their physical offices. The most significant technological developments have been remote computer access, BlackBerry phones and scanning.

Attorneys working remotely have the option of signing on with their own home computer or postal provided laptop. While many attorneys in Headquarters are still using desktop computers, in the Field it appears most attorneys have chosen to be

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assigned laptop computers. Access with a postal laptop is accomplished through the WebVPN portal.[1] If a home computer is used, the Remote Desktop Protocol (RDP) is used and the work computer must be left on and connected to the network. In addition to working from home, attorneys can also sign on directly to another ACE computer with their password when visiting another Postal installation.

BlackBerrys allow attorneys to check their e-mail and keep in touch with clients and co-workers no matter where the attorney is physically located. Productivity is significantly enhanced as moments of "down time" can now be used to respond to e-mails. This is particularly significant given the high percentage of daily business currently conducted via e-mail. Moreover, the Postal Service telephone system provides for simple and seamless call forwarding so that calls that come in can be redirected to the attorney's BlackBerry when he or she is out of the office.

Finally, in recent years the Law Department has implemented various protocols that have reduced the amount of paperwork and the need to be located in a fixed physical office. Case files and other important documents are now scanned, and an increasing number of administrative agencies and courts are accepting submissions via e-filing. This trend towards a more "mobile" or "virtual" office is expected to continue to expand into the future.

A. The "Virtual Office"

[1] Although the Management Instruction EL-310-2009-8, discussed later in this memorandum, does not require telecommuting employees to work from home *per se*, it requires that participants work only from an approved alternate worksite. Broadband Internet access is recommended; even though dial-up services may be used, their performance is significantly slower. If the employee uses a home wireless network, it is the employee's responsibility to ensure that the network is secured to the maximum extent allowed by the wireless device in use, with a preference of Wi-Fi Protected Access (WPA) or a higher security standard. Employees may not use third-party devices, such as public kiosks, which are not always secure.

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A "Virtual Workplace" is defined as a workplace that is not located in any one physical space. Rather, several workplaces are technologically connected (via the Internet) without regard to geographic boundaries. Employees are thus able to interface and work with one another in a collaborative environment regardless of where they are in the physical world.[2] In the workplace of the future there may be no commute, no corporate headquarters and perhaps not even an office as many more workers are telecommuting.[3] It is foreseeable that technology will be able to combine the functions of multiple pieces of hardware, such as a personal computer, phone, fax, scanner, electronic organizer, or camera into a single convenient device so the user can use these tools to participate in videoconferences, check e-mail, return calls, upload and download documents, distribute reports, collaborate on projects, conduct research, schedule virtual meetings, scan printed documents or images, and send or receive text, audio and video.[4]

1. Attorneys are increasingly using technology to support mobility.

Smart phones, such as the iPhone[5], have many different features such as a camera, phone, text-messaging, visual voicemail, portable media player, Internet web browsing and Wi-Fi[6] connectivity. In fact, even laptops may be in danger of becoming outdated as more workers are becoming more comfortable working via smart phone and/or BlackBerry; and as wireless broadband coverage continues to increase. Indeed, the concept of "mobile lawyering" is on the rise. The new high-powered cell phones

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[2] See www.wikipedia.org/wiki/Virtual_workplace.
[3] See www.abcnews.go.com, The Future of the Workplace: No Office, Headquarters in Cyberspace (Aug. 27, 2007).
[4] See www.officeofthefuture2020.com, Top Technology Tools (June 25, 2010).
[5] See www.wikipedia.org.
[6] Wi-Fi is the most widely used Wireless Local Area Network (WLAN) technology. A Wi-Fi enabled device, such as a smart phone or BlackBerry can connect to the Internet when within a range of a wireless network.

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essentially can serve as a portable office in one's pocket, giving the attorney access to contacts, calendars, calls, e-mails and the Internet all in one place.[7] The popularity of smart phones has skyrocketed in recent years.[8] Many attorneys are already using their BlackBerrys and smart phones to email their clients.[9] Seventy-one percent of ABA members stated that they sometimes telecommute from a variety of places, such as home, hotels, others' offices, libraries, courthouses, coffee shops and cafes. Many places, including libraries, are now offering free Wireless Internet access, making it even easier to telecommute. Ninety-five percent use computers away from the office, 89 percent use laptops and seventy-nine percent use BlackBerrys or smart phones.[10] Many applications are being added to these smart phones for the attorney to use in connection with his or her work, such as applications to do legal research, manage documents in Microsoft Word, Excel or PowerPoint formats, and manage tasks and to-do list.[11]

Another technology that is rising in popularity is the ability to download books to an e-reader or iPad. The iPad is a tablet computer developed by Apple that is marketed as a platform for audio and visual media such as books, periodicals, movies, music and games, as well as web content. Its size and weight are between those of most contemporary smart phones and laptop computers.[12] A recent study indicated that many more mobile workers planned to purchase an iPad in coming months, rather than

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[7] See www.entrepreneur.com, Plug in or Tune Out? (Jan. 6, 2010).
[8] See www.abanet.org, Smart Phone Buying Guide (Feb. 2010).
[9] See www.westlaw.com, Virtual Law Practices: Most Practices are Partly "Virtual" Already, What's Next? (Aug. 1, 2009).
[10] See www.abajournal.com, Survey Documents Rise of Telecommuting Lawyers (July 9, 2010); see also www.law.com, 2008 ABA Tech Survey Sees More Mobility (Nov. 24, 2008).
[11] www.abajournal.com, 70 Sizzling Apps (Oct. 1, 2009).
[12] www.wikipedia.org.

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a traditional PC for work purposes.[13] There is even a new iPad application that helps litigators with jury selection.[14]

Many people are no longer buying books, but are instead downloading them to their e-reader or iPad. As such, it is foreseeable that more businesses, including attorneys, could use e-readers in connection with their work in the future. The use of e-readers would also support the trend of mobility since instead of having to carry around voluminous files; the attorney could download all the information on one device. Instead of printing out transcripts, voluminous discovery, or investigations, it is likely the attorney could use the e-reader in order to prepare witnesses and at hearing. E-readers could also be used in meetings since each participant could download the report and follow along in the meeting on the e-reader.[15]

There are obvious security issues which companies have to consider in line with what is coming in terms of new technology. Laptops, BlackBerrys and smart phones can be easily lost and/or stolen. As a result, the information on these devices is at a significant risk. In light of these risks, the use of encryption software, anti-spyware, anti-virus software and mandatory passwords is also on the increase.[16] With the advent of this new technology and easier access to the Internet, employees also become more able to blur the lines between personal use and work use.[17]

2. The use of video is likely to increase in the legal field.

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[13] See www.gigaom.com, Connected Workers Going iPad for Connectivity (Sept. 2, 2010); www.silicon.com, iPad vs. Laptop: Can Apple's Tablet be Your Office Computer? (June 16, 2010).
[14] See www.abajournal.com, Avatars Help Litigators Select Juries in New iPad App (Aug. 2, 2010).
[15] See www.abajournal.com, The Portable Legal Library: Lawyers and e-Readers (November 2009); www.techrepublic.com, 10 Reasons Why e-Readers Make Sense in the Enterprise (August 2009).
[16] See www.abanet.org, The Year of Living Safely: How Lawyers are Securing Their Data (May, 11, 2010).
[17] See www.govtech.com, Many Bosses Unaware of Personal Devices' Popularity at Work (July 8, 2010).

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Videoconferencing is becoming cheaper and easier to do. As a consequence, it is likely we will be seeing the increased use of video in the legal profession. More attorneys will be taking video depositions and doing witness preparation via video.[18] The use of video for conferences and hearings is likely to increase. In terms of the legal community in general, the New York State courts have a video conference unit, where attorneys can make video court appearances, conduct attorney-client interviews and set up video conference meetings.[19] In Michigan, the Supreme Court posts online video of its oral arguments, administrative hearings and administrative conferences to be posted on the State Bar website.[20] The Seventh Circuit has started an e-mentoring project which permits young attorneys to have video discussions with distinguished jurists and trial lawyers.[21] The MSPB and EEOC regularly request video hearings in Postal cases, and many of the attorneys have participated in such hearings. As budgets continue to be cut, and videoconferencing becomes cheaper to use, it is likely that the trend towards the use of video in order to defray travel costs will increase in the future.

3. The Law Department could benefit from the new technology.

Attorneys currently rely upon a sometimes overextended remote network infrastructure to access their in-office desktop resources. Before adding new hardware or software, upgrading the WebVPN network should be a priority that would result in immediate productivity improvements. There is significant anecdotal evidence of problems ranging from inability to log on at the start of the work day, to getting kicked off the remote network and slow operation at certain times of the day.

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[18] See www.abanet.org, Video Depositions: Essential, Resources (April 2010).
[19] See www.courts.state.ny.us.
[20] See www.michbar.org/courts/virtualcourt.cfm.
[21] See www.abajournal.com, Video Mentors (Aug. 1, 2010).

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It is foreseeable that the Law Department will invest in laptops or other mobile devices, like e-readers or iPad-like devices, so that attorneys to have ready access to files and documents, as well as videoconferencing, wherever they are located. No longer would information access be limited to just the workplace or a home office. Nor would remote employees have to rely on the VPN network for access to files stored on their office hard drives, which would both facilitate employees' access to these files and reduce the VPN server load for purposes of access to files residing on the Law Department's shared network. This type of change will be required for the Law Department to bring its remote computing capabilities in line with other government agencies and private law firms as we move into the next decade.

B. Collaboration Based On A Social Media Model

The Law Department has begun to employ technology that permits it to be more collaborative in nature. MeetingPlace is used for teleconferencing, NetMeeting for information sharing and for limited document sharing, and the Law Department website is used exclusively for document sharing. It is not unusual to get a mass e-mail from a Managing Counsel from a Field office or from Headquarters concerning cases of national interest. Many times Headquarters holds information sessions via teleconference and/or web conference. This trend towards information sharing and collaboration in the workplace is expected to continue.

The popularity of social networking sites, online sites where users can interact with each other over the Internet and share ideas, pictures, videos, events and interests within their individual networks, such as Facebook, MySpace, Twitter, Flickr, YouTube,

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and LinkedIn is on a constant rise.[22] As SKYPE, a web service that allows callers to make video telephone calls over the Internet[23], is becoming increasingly popular, the increased use of video for further collaboration in the business context is likely.

1. Using social media to further collaboration and information sharing.

Private companies and the government are beginning to use social media websites to easily disseminate information and solicit commentary from a wide range of individuals and in a much quicker and more collaborative way through the Internet. "Blogs, microblogs and social networking sites have expanded the ways in which people and organizations communicate."[24] Social networking websites have become increasingly popular during the past few years as a way to collaborate and disseminate information among a wide range of people in a quick way.[25] The Obama Administration has signed an Executive Order calling for all departments and agencies to "establish a system of transparency, public participation and collaboration".[26] To date, nearly all major federal agencies are using social media.[27] As of June 2010, approximately 56 percent of attorneys responded that they maintain a presence in an online community/social network such as Facebook, LinkedIn, LawLink or Legal OnRamp. Respondents in the 30-39 year old age group were most like to maintain a presence (77 percent), with the 40-49 year old age group following closely behind (68 percent). The highest percentage of respondents (83 percent) maintained a presence in LinkedIn.[28]

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[22] See www.wikipedia.org.
[23] See id.
[24] See www.abanet.org, The Good, the Bad and the Ugly of Blogging, Microblogging and Social Networking for Public Lawyers (Summer 2009).
[25] See www.abanet.org, Social Media: What It Is and Why It Matters (January 2010).
[26] See www.time.com, Obama and Twitter: White House Social-Networking (May 6, 2009).
[27] See www.fcw.com, Nearly All Major Federal Agencies Use Social Media (July 22, 2010).
[28] See www.abanet.org, The Linked-in Lawyer: How Lawyers are Using Social Networks (June 22, 2010).

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Based on the popularity of social media, it is likely that in coming years we will see the use of social media change from being used in a purely personal way or as a marketing tool, to a collaborative tool to be used internally within the workplace. Younger workers have grown up using the Internet and are comfortable transitioning the use of their social networking tools into the business environment.[29] Indeed, it is already happening. Government agencies and private companies are creating internal networks based on the social media model where employees can share files, individuals can share individual knowledge and experience through the use of blogs, and forums or bulletin boards are created in order to further collaboration and to keep employees better connected.[30] General Electric has created an internal social network called Support Central, which boasts 400,000 users in more than 6,000 locations around the world.[31] NASA has created an internal networking site called Spacebook. It was created because of a need to improve teamwork, communication and access to information across the agency's diverse projects and centers.[32] The State Department is working on launching a social network called "Statebook" to link diplomats and employees via a Facebook-style system.[33] Just recently, the U.S. Merit Systems Protection Board (MSPB) announced that it has joined the information network Twitter.

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[29] See id.
[30] See www.inc.com, How to Use Internal Collaboration and Social Networking Technology (March 31, 2010).
[31] See www.itbusinessedge.com, GE Nails the Internal Social Network (July 21, 2008).
[32] See www.nasa.gov/centers/goddard/news/topstory/2009/spacebook.html; see also www.mashable.com, 5 Ways Government Works Better With Social Media (May 10, 2010).
[33] See www.socialtimes.com, State Department to Model Internal Social Network After Facebook (April 14, 2010).

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The MSPB plans to use the site for new studies or publications, oral arguments, case reports, newsletters, *Federal Register* notices, or website updates.[34]

While the social media model is not likely to go away anytime soon, the model has its weaknesses in the business setting. A business site based on such a model would have to address issues concerning appropriate content and use.[35] Another concern would be whether the data contained on the site would be subject to the FOIA, the Privacy Act, and/or e-discovery.[36] Since the social media model is Internet-based, there would be security concerns such as data protection and increased risk of cyber threats to consider as well.[37]

2. The use of videoconferencing could support collaboration.

Videoconferencing and webconferencing are emerging as a cheaper way for employees to share information and to collaborate better on projects. Fewer on-site meetings could mean reduced travel costs, less time wasted on travel and a healthier planet.[38] In the Law Department, meetings are regularly held via teleconference or via webconferencing. Video conferencing has the potential to establish rapport that can be hard to build without the benefit of face-to-face interaction.[39] As such, it is another tool the Law Department should consider to increase efficiency and promote a more collaborative environment than teleconferencing alone can promote.

3. Cloud computing could increase collaboration.

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[34] See www.twitter.com/USMSPB , News Release, U.S. Merit System Protection Board on Twitter (October 5, 2010).
[35] www.depo.com, Examining the 4 Areas of Business Social Networking Risk (August 2010).
[36] See id.
[37] See Section A.3.
[38] See www.gigaom.com, The Future of Collaboration: Video Conferencing (Oct. 1, 2009).
[39] See id.

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Cloud computing, otherwise known as Software as a Service (SaaS), refers to a category of software that is delivered over the Internet to a Web browser (like Internet Explorer) rather than installed directly onto the user's computer. The Law Department is already using cloud based computing when attorneys and paralegals use Westlaw and LexisNexis.[40] Another example of a cloud-based application would be social networking sites, such as Facebook or MySpace. Google Docs, which is a free, Web-based word processor, spreadsheet, presentation, form and data service offered by Google is also a cloud-based application. It allows users to create and edit documents online while collaborating in real-time with other users.[41]

The cloud computing model holds appeal for attorneys for a variety of reasons. Collaboration in "the cloud" allows individuals to communicate and share information easily since all the applications and data reside on the Internet, any authorized user can view documents, collaborate and generate ideas and provide information.[42] Off-site data storage is the defining characteristic of cloud computing. Instead of being saved to an individual's computer or server in the office, data would be saved to an off-site location under the administration and control of a SaaS vendor.[43] The benefits of such technology would be increased mobility and decreased need to have large servers to store data.[44] However, there are obvious concerns with the security risks of storing data in "the cloud" where the attorney does not have immediate control over the data.[45] There is also the risk of protecting the data and the increased risk for cyber threats.[46] A

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[40] See www.abanet.org, The ABCs of Cloud-Based Practice Tools (Jan. 2010).
[41] See www.wikipedia.org.
[42] See www.allthingsscrm.com, Online Collaboration Tools in a Cloud Computing World (April 30, 2010).
[43] See id.
[44] See id.
[45] See id.
[46] See www.depo.com, Examining the 4 Areas of Business Social Networking Risk (August 2010).

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company could theoretically set up an "internal or private cloud" structure in order to mitigate some of the potential security risks.[47]

4. The Law Department could benefit by exploring new collaborative options.

At this time the Postal Service is developing a Social Media Policy for possible issuance later this year. However, social media, video-conferencing and real-time collaborative tools that permit employees to work on a document from different locations in real-time remain foreign to the Law Department's work environment. Such tools could help create a more collaborative work environment and more efficient information sharing among the Law Department as a whole.

C. New Software Programs

Changes in software have radically changed the way we work and how we can be more efficient in our jobs. In the Law Department, we have seen LawManager software implemented as an update to the old Wildcats system. This software has helped us keep better track of our cases. We have also implemented Litigation Hold software in order to comply with our e-discovery obligations. It is expected that in the next ten years, attorneys will be trying to find better ways for organizing and managing their electronic documents, discovery and files.

1. Attorneys will better manage their cases and files electronically.

Case management software can help track cases, clients, and deadlines.[48] Litigation support software is designed to aid lawyers in the process of litigation, and generally includes databases for organizing, searching, and reviewing discovery

[47] See www.InformationWeek.com, Why "Private Cloud" Computing is Real—And Worth Considering (April 11, 2009).
[48] See www.abanet.org, Practice and Case Management Software: Comparison Chart.

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material including deposition transcripts, produced documents, and correspondence.[49] For litigators, deposition and transcript-review software programs, such as TextMap and Live Note, can be efficiency boosters since the attorney can annotate, bookmark, link and highlight sections of the transcript. The result is a transcript that is easier to search.[50] This software has the potential to make attorneys more efficient in their jobs.

2. Adobe Acrobat 8 will make document management easier.

Adobe Acrobat 8 has significant benefits for attorneys and paralegals. The encryption technology is easy to use. As such, it is easy to protect sensitive information from accidental disclosure. It is also easy to convert documents into a single, polished, searchable Adobe PDF package for e-filing. There is a redaction feature that makes responding to discovery responses and FOIA/Privacy Act cases much faster and easier. Attorneys and paralegals can easily Bates number their documents and combine documents for filing.[51] All of these benefits assist the Law Department in becoming more efficient.

3. Legal research software is expected to become more user-friendly and less costly.

Westlaw and LexisNexis are also planning on creating a legal research experience that users have come to expect from Google.[52] The new LexisNexis will be more user-friendly and display the results in a variety of intuitive ways. Shepard's citation service is incorporated into every case and can be viewed graphically. The new LexisNexis also provides tools for collaboration, allowing for storage to work folders for

[49] See www.abanet.org, Litigation Support Software Comparison Chart.
[50] See www.westlaw.com, Switching Gears? Let Technology Help (January 2010).
[51] See www.abanet.org, Adobe Acrobat 8 Professional: Reasons to Put it on your Shopping List (March 2007); www.abajournal.com, Acrobat 8 Does Flips for Attorneys (March 19, 2007).
[52] See www.abajournal.com, Wired (Feb. 1, 2010).

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later reference.[53] WestlawNext will also be aiming to be easier to use and more aesthetically pleasing and promises tools for workflow collaboration.[54]

In addition to the changes coming to Westlaw and LexisNexis, in recent years we have seen that the ability to do legal research for free has increased and this trend is expected to continue. In 2009, Google came out with a Google Scholar online search where anyone can type in case names, topics or key words to find relevant case law.[55] We have also seen many agencies that the Law Department deals with regularly, such as the Department of Labor, Equal Opportunity Commission, Merit Systems Protection Board and the National Labor Relations Board post laws, guidance, regulations and in some instances, case law, on their public websites.[56] The Code of Federal Regulations can also be searched for free online.[57] All of these changes will likely result in cheaper, more user friendly legal research tools.

4. The Law Department has the potential to become more efficient through the use of new software technology.

As legal software becomes more user-friendly and less costly, it is foreseeable that the Law Department will be looking into purchasing software that will make case management and litigation more efficient. In fact, the IT Department is currently looking into obtaining software in order to better manage its e-discovery obligations in accordance with the Electronic Discovery Reference Model (EDRM) model. The purpose of such software would be to better manage e-discovery in large cases, such as class actions.

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[53] See id.
[54] See id.
[55] See www.abajournal.com, Google Offers Legal Research for the Average Citizen—and Lawyers, Too (November 2009).
[56] See www.dol.gov; www.eeoc.gov; www.mspb.gov; www.nlrb.gov.
[57] See www.gpoaccess.gov.

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As it already has a contract with LexisNexis, it is also likely that the Law Department will benefit from the changes coming in the near future. It also would be helpful to disseminate information as to the free research tools available so they can be used to support the attorneys' and paralegals' legal research efforts and cut costs spent on LexisNexis and other paid legal research web sites.

II. ANTICIPATED CHANGES IN THE STAFFING PARADIGM

A. The Demand For Legal Professionals In The Next Ten Years

The Bureau of Labor Statistics (BLS) predicts that by 2020 there will be a 13 percent increase in the number of attorneys, a 28 percent increase in the number of paralegals, and an 11 percent increase in the number of administrative assistants. BLS projections are based on growth in the population, growth in legal transactions, and growth in demand for lawyers as a result of legal problems resulting from the downturn in the economy.

As set forth above, the largest predicted increase by far is the increase in paralegals. In the private sector, clients are demanding more efficient, lower cost legal services. One way of accomplishing that objective is further utilization of paralegals. Some activities currently performed by attorneys can be done by paralegals – and more cost effectively. The most frequently mentioned work shifting topics are document review and the preparation of routine documents. Paralegals could also have an expanded role in the Law Department, such as assisting in the preparation of routine filings for the Postal Regulatory Commission, drafting and responding to discovery requests, preparing MSPB Agency Files, interviewing prospective witnesses, and drafting dispositive motions, thereby freeing up attorneys to provide client advice and

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handle more complex transactional and litigation-related legal tasks. Work shifting from attorneys to paralegals may, however, be more pronounced in the private sector as the salary gap between the two positions is more pronounced.

The increased need for administrative assistants is in turn driven by the increase in attorneys and paralegals. Although attorneys and paralegals will increasingly perform their own administrative tasks, more administrative assistants will be needed to handle the larger workload and perform tasks such as scanning documents, organizing files, and preparing and mailing documents in electronic format.

B. Staffing Options

Managers in the next ten years will need a flexible organization and flexible staffing that can be quickly adjusted to address new problems and challenges. The Postal Service faces the potential for change in the next ten years even more so than most organizations. As the Postal Service's Chief Human Resources Officer, Anthony Vegliante recently told the *Washington Post*, "we don't have a continually growing environment, we have a shrinking environment so we ... need to be flexible."[58]

The current staffing model for the Law Department is comprised almost exclusively of full-time career employees. Since the Postal Service, as an employer, has much in common with other large employers, public and private, the developing staffing trends of such employers can be useful in informing the Law Department as it makes staffing decisions over the next ten years. These trends include the use of part-time employees, retirees and contractors/outsourcing. Although there is some overlap between these categories of employees, they will be discussed separately.

[58] See www.washingtonpost.com, "Negotiations start for Postal Service and top unions (9/1/2010).

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1. The increased use of part-time employees.

The U.S. Bureau of Labor Statistics considers employees working fewer than 35 hours per week to be part-time employees.[59] According to the U.S. Bureau of Labor Statistics, part-time employment now accounts for approximately 16 percent of the workforce.[60] While the recent economic downturn has generated more part-time employment as a matter of economic necessity, there is evidence of a desire among professional employees to elect part-time status.

The use of part-time staffing has obvious economic advantages to an employer, including a reduction in expenditures for wages and benefits and an increase in employee satisfaction. In addition to the tangible economic benefits of part-time employment to the employer's bottom line, there is at least one study which indicates that implementing staffing flexibility options, such as part-time employment, significantly increases employee engagement and reduces employee turnover.[61] Studies done in the last two years indicate that, among 1,100 employers with more than 50 employees, approximately 40 percent allowed some employees to migrate back and forth between part-time and full-time employment. Additionally, 53 percent of employers allowed some employees to reduce their hours prior to retirement; and 25 percent allowed most or all employees to phase into retirement.[62]

The use of part-time attorneys is gaining traction in both the private and public sectors. For example, in a study cited by the "Project for Attorney Retention", the number of part-time partners in private law firms increased from 1.6 percent in 1999 to 3

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[59] www.bls.gov/cps/lfcharacteristics.htm, "Labor Force Statistics from the Current Population Survey.
[60] Adrienne Fox, *Part-Timers Makes People Strategy Whole,* HR Magazine, August 2010.

[61] *Id.*
[62] *Id.*

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percent in 2008.[63] This same study concluded that part-time partners in private law firms made significant contributions as mentors and role models. In the Federal sector, the Department of Justice (DOJ) offers the availability of part-time scheduling for its attorneys and other employees. DOJ's policy cites "the desirability of making maximum use of available human resources, including those qualified individuals who are available for part-time employment."[64] DOJ provides for part-time work opportunities for positions in all grade levels, subject to its resources and mission requirements, and has focused anew on part-time work opportunities in order to respond to increasing numbers of childbearing-age women in the workforce, dual career and single-parent households and an aging workforce supporting elderly parents. In DOJ's assessment, part-time employment can be another valuable tool to attract and retain well-qualified employees.[65]

The Postal Service currently discourages the use of part-time employees by counting a part-time employee the same as a full-time employee for purposes of complement control. Using both the public and the private sectors as a model, we recommend that the Law Department consider the possible expanded use of part-time employees, as well as policy changes that would support such expanded use.

2. The increased use of Independent contractors/outsourcing.

The use of independent contractors/outsourcing presents another opportunity for maximum flexibility in adjusting the size and composition of the Law Department's workforce to changing needs. In the private sector, law firms are taking advantage of

[63] Cynthia Thomas Calvert, Linda Bray Chanow and Linda Marks, *Reduced Hours, Full Success: Part-Time Partners in U.S. Law Firms,* The Project for Attorney Retention, 2009.
[64] See, USDOJ: JMD*: Worklife: Part-Time Employment and Job Sharing Fact Sheet.*
[65] *Id.*

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outsourcing, including sending work overseas to countries such as India. In the years between 2002 and 2006, American law firms outsourced more than three million legal jobs to foreign countries. The Bureau of Labor Statistics estimates that by 2015, Indian employees performing outsourced legal work for private sector American law firms will generate $970 million; up from $52 million in 2002.[66] Clearly, outsourcing in the private sector legal environment is a growing trend.

The use of contractors or outsourcing carries with it the advantage of paying only for services actually rendered, without any long-term or collateral obligations for wages or benefits. This approach can also be easily adjusted to meet the current needs of the Law Department, thereby achieving maximum flexibility.

3. The potential for expanded use of retirees.

Hiring retired employees, either as part-time employees or as independent contractors, appears to be an ascending trend in the private sector, and could make good business sense for the Law Department. The Postal Service estimates that up to 300,000 of its employees will become eligible to retire in the next decade.[67] This pool of former workers could be a tremendous asset to the organization. An AARP-sponsored study of 1,500 workers aged 45 to 74 found that 69 percent planned to work in some capacity after their retirement.[68] Retirees typically work after the end of their careers not only for wages or benefits, such as health care, but also for the intangible benefits of enjoyment and a sense of purpose. Even though many want to work, often they do not wish to continue working full-time. Rather, retirees want work that offers flexibility.

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[66] Alison M. Kadzik, *Current Trend To Outsource Legal Work Abroad and the Ethical Issues Related to Such Practices,* Georgetown Journal of Legal Ethics, Summer 2006.
[67] USPS, Postal News, March 2, 2010.
[68] S. Kathi Brown, *The AARP Working In Retirement Study,* 2003

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In February 2009, legislation was introduced in Congress to facilitate the use of part-time employees and the re-employment of retirees by Federal agencies. This legislation was designed to ease the financial complications of returning retired employees, both in terms of eliminating the offset of their retirement annuity and by providing retirement credit for CSRS employees for part-time work performed for their agencies.[69]

In March 2009, the Office of Personnel Management (OPM) issued directives encouraging Federal agencies to re-employ Federal retirees possessing experience in a number of areas (e.g., human resources, contracting, project management and grants management). While the wages of re-employed retirees are offset by their annuity payments, OPM or the re-employing Federal agency can waive this offset for select returning employees with crucial skills. The Government Accountability Office (GAO), in a February 2009 study involving four Federal government agencies, found that there was a significant pool of highly qualified retired Federal employees available for employment in the Federal sector.[70]

The knowledge and experience of retired employees can provide real value to the Department as it moves forward in the next decade. Further, there is clear support in Congress for the idea of maximizing the re-employment of retired Federal employees by their former agencies. The feasibility and value of the use of retired employees as independent contractors is already well demonstrated in the Postal Service. The EEO investigation function has been outsourced to contractors, a significant number of whom are retired Postal Service employees. Using retired Law Department employees as

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[69] http://seniorjournal.com/NEWS/Retirement/2009, March 2, 2009.
[70] Government Accountability Office, *OLDER WORKERS Enhanced Communication among Federal Agencies Could Improve Strategies for Hiring and Retaining Experienced Workers.* February 2009.

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contractors to provide ancillary support service in any number of Law Department functions, such as legal research, document examination in large cases, tort claims processing, or routine motion preparation would provide a clear benefit to the Law Department. There is very little in the way of training cost for retired Law Department employees. Likewise, there is virtually no "ramp up" period for these retirees; they could be ready to fully function immediately upon starting work. PCES Executives in the Law Department have a current average age of 54 and the attorney population is only slight younger at 47. As the Postal Service Law Department workforce continues to age and retire, this avenue of human capital will become more and more available.

III. EXPANSION OF FLEXIBLE WORK ARRANGEMENTS

Telework and other alternative work arrangements comprise another area of office management in which the next decade can be expected to bring changes. The current Presidential administration and Congress have prioritized the expansion of telework in the federal government, and private-sector employers increasingly are making headlines with innovations from customizable staggered schedules to "results-only work environments." Over the next ten years, we anticipate that the Law Department may need to expand and even rethink its approach to alternative and flexible work arrangements, even beyond the parameters applicable to the Postal Service at large, in order to recruit and retain staff on par with other legal services employers.[71]

[71] As used in this memorandum, "telework" or "telecommuting" refers to an employee's ability to perform work duties at a site other than his or her work station on Postal Service premises. In Postal Service terminology, "alternative work schedule" means a schedule whereby an employee works extended days during a given period, such that the expected 40-hour work schedule is fulfilled during those days and the employee need not report to duty on the remaining day or days. This memorandum will refer to telework and AWS collectively, as well as any other arrangements that might be relevant to a given context, as "flexible work arrangements."

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A. History Of The Current Postal Service Policy

In 2005, the Law Department began a pilot program to test the feasibility of telework and AWS. Human Resources largely adopted the Law Department's model when it established the first organization-wide telework and AWS policy on September 1, 2008. Management Instruction EL-310-2008-3 allowed employees exempt from the Fair Labor Standards Act (FLSA) to work up to one day a week at an alternate worksite, subject to management approval and review, attendance and work-suitability considerations, employee certifications, and compliance with information technology (IT) and work station requirements. The 2008 Management Instruction also allowed employees to enter alternative work schedule (AWS) arrangements upon certifications and management approval and review.

The Vice President, Employee Resource Management, updated and expanded Postal Service policy in Management Instruction EL-310-2009-8 (October 9, 2009), which replaced its 2008 counterpart. The 2009 Management Instruction expanded the previous limit of one telework day per week to three days per week and also clarified the options for AWS as follows: (1) one five-day week of eight-hour days and one four-day week of ten-hour days; (2) one five-day week of four nine-hour days and one eight-hour day, and one four-day week of four nine-hour days; or (3) two four-day weeks of ten-hour days. The Law Department expanded its previous two-day-per-week telework limit to a three-days-per-week limit commensurate with the new Management Instruction.

The majority of eligible FLSA-exempt Law Department employees participate in telework arrangements, rather than in AWS arrangements. Although the Management Instruction and the General Counsel's 2008 email require employees with verbal

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managerial approval to enroll via Human Resources' Flexible Work Arrangement Application website (http://fwaa.usps.gov), anecdotal evidence indicates that at least some managers have preferred to handle telework arrangements less formally, based on week-to-week in-office staffing needs.

B. Rationale And Benefits Of Flexible Work Arrangements

As described in Management Instruction ELM-310-2009-8, the Postal Service established flexible work arrangements are "designed to increase employee morale and efficiency[.]" The Postal Service considers their purpose to be:

> to enhance the Postal Service's efforts to recruit and retain top talent, help conserve energy and reduce CO2 emissions by eliminating up to three commuting days, and to contribute to employee preparedness to work at home during emergency Continuity of Operations Plan (COOP) events.

At least the environmental and commuting-related benefits are borne out by organization-wide data. Based on a combination of Postal Service-specific and general demographic statistics, Human Resources currently estimates that if Headquarters employees spend an average of one day per week telecommuting, the program will have saved 85,804 gallons of gasoline and 839 tons of carbon dioxide emissions per year, equivalent to removing 159 cars from the road each year.[72]

Personal expense savings for employees are also palpable. According to an August 6, 2010, summary report from the Postal Service's Flexible Work Arrangement Application, 86.77 percent of the 7,024 participants surveyed primarily commute to work via car, and more than half spend over an hour commuting roundtrip each day.

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[72] These estimates focus exclusively on the environmental impact of reduced commuting. They do not account for potential inefficiencies such as, for example, the fact that more environmental resources may be spent heating, cooling, and powering the employee's alternate work site in addition to persistent environmental costs at the (likely more efficient) office worksite. *See* Brian Palmer, "How Green Is Telecommuting?," Slate.com, September 7, 2010, *available at* http://www.slate.com/id/2264177/ (citing Erasmia Kitou and Arpad Horvath, "Energy-Related Emissions from Telework," 37 ENV. SCI. TECH. 3467 (2003), *available at* http://pubs.acs.org/doi/abs/10.1021/es025849p).

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Although it is not expressly measured, one can easily infer a significant quality-of-life benefit when employees realize an additional measure of personal time that would otherwise be spent commuting.

Telecommuting offers potential to increase employee fitness, with direct and indirect effects on productivity. Less work-related commuting time can translate into more time for exercising, home meal preparation, and sleep, all of which contribute to employee health and productivity. Employees may also choose to telecommute instead of taking leave when they or family members are sick, which both increases their own productivity and reduces their colleagues' exposure and resultant potential need to take sick leave.[73]

The Postal Service's rationale and findings correspond to those cited by other federal agencies. For example, in an August 2009 report to Congress, the Director of the Office of Personnel Management (OPM) praised telework programs' demonstrated ability "to help individual employees successfully balance the responsibilities of work and family, increase the safety of neighborhoods,[74] and reduce pollution." The Director also described employees' saved commuter costs, agencies' emergency-planning needs, and the goal of "green workplaces" as underpinning telework policies.[75]

Employers can also benefit from reduced real estate and utility costs, increased productivity, and decreased sick leave and workers' compensation usage.[76] As the

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[73] Of course, managers should not require or induce employees to abstain from sick leave in favor of telecommuting. Nor should employees opt to continue working if their health and productivity would clearly suffer as a result.

[74] That is, telecommuting employees can notice, report, and even deter suspicious activity near their residences or other remote worksites during the workday hours, whereas in-office employees cannot.

[75] OPM, *Status of Telework in the Federal Government: Report to the Congress*, August 2009, *available at* http://www.telework.gov/Reports_and_Studies/Annual_Reports/2009teleworkreport.pdf.

[76] Government Accountability Office (GAO) Report No. GAO-08-261T, *Human Capital: Telework Programs Need Clear Goals and Reliable Data*, November 6, 2007, at 4-5 (citing OPM, *A Guide to*

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GAO report points out, employers also benefit indirectly from telework's direct benefits to employees, because management of commuting costs and other work/life-balance issues can increase employees' personal happiness and, consequently, their effectiveness and satisfaction in their jobs.[77] The recruitment and retention benefits of telework are especially palpable as new generations of workers "have high expectations of a technologically forward-thinking workplace."[78] The U.S. Patent and Trademark Office and the Nuclear Regulatory Commission have attributed to their telework programs an essential role in fulfilling their aggressive recruitment goals.[79] A 2007 report by the Office of the Inspector General (OIG) for the Equal Employment Opportunity Commission (EEOC) found that a "frequent telework" pilot program would increase productivity, employee work-life balance, and continuity of operations, while allowing the OIG to capture real estate savings of $2,216 *per teleworker, per year*, even where the OIG paid for the teleworkers' home office equipment and Internet connectivity.[80]

This suite of benefits has been recognized across decades of telework innovation.[81] It has also been acknowledged as underlying private firms' growing offering of telework programs in an effort to cut costs and recruit and retain legal

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Telework in the Federal Government, August 3, 2006), *available at* http://www.gao.gov/new.items/d08261t.pdf.

[77] *Id.* at 4.

[78] *Id.*

[79] *Id.* at 5-6.

[80] Memorandum from Aletha L. Brown, Inspector General, to Jeffrey Smith, Chief Financial Officer, Office of Chief Financial Officer and Administrative Services, "Transmittal of Office of Inspector General Frequent Telework Pilot Program Final Report," March 28, 2007, *available at* http://www.eeoc.gov/eeoc/oig/OIG-FrequentTeleworkPilot.cfm.

[81] *See generally* Wendell Joice, Office of Governmentwide Policy, General Services Administration, *The Evolution of Telework in the Federal Government*, February 2000 (tracing the history of federal work-from-home programs since the 1930s, particularly the boosts lent by natural disasters, global environmentalism, and traffic-related concerns), *available at* http://www.gsa.gov/graphics/ogp/Evolutiontelework.doc.

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talent.[82] Perhaps due to the intellectual nature of their work and their drive to maximize client value, private law firms in particular have been aggressive at implementing flexible work arrangements.[83]

C. Limitations of Flexible Work Arrangements

1. In general.

Discussions of telecommuting traditionally note managers' concerns about the potential for actual or perceived loss of control over employee work activities. One might reason that the home environment presents distractions absent from an office workplace, resulting in diminished productivity. While these concerns may be justified in some cases, an overwhelming majority of employees are likely to have a suitable work ethic, which can be reinforced by effective management and enhanced communication. In the Postal Service's case, the Management Instruction makes clear that telework participation is a privilege, not a right, and that it is subject to managerial planning, consultation, approval, review, communication, and even revocation. The burgeoning of telework programs in the economy at large is a testament to a growing perception that the overall productivity gains and other benefits outweigh the exceptional instances of

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[82] *See, e.g.*, Eric Sinrod, "Perspective: Making the Case for Telework," CNet.com, October 3, 2007, *at* http://news.cnet.com/Making-the-case-for-telework/2010-1022_3-6211305.html; Cisco Systems Inc. Press Release, "Cisco Study Finds Telecommuting Significantly Increases Employee Productivity, Work-Life Flexibility and Job Satisfaction," June 25, 2009 (estimating $277 million in annual productivity savings from telecommuting, and citing between 65 and 90 percent of surveyed employees who report improved performance when telecommuting, according to various metrics), *available at* http://newsroom.cisco.com/dlls/2009/prod_062609.html.

[83] *E.g.*, Debra Cassens Weiss, "Survey Documents Rise of Telecommuting Lawyers," ABAJournal.com, July 9, 2010, *at* http://www.abajournal.com/news/article/survey_documents_rise_of_telecommuting_lawyers (citing 71 percent of 806 American Bar Association members surveyed as telecommuting at least "sometimes" and 46 percent as spending between 10 and 24 percent of their time telecommuting); Debra Cassens Weiss, "Top Law Firms Named for Working Moms; 62% Allow Full-Time Telecommuting," ABAJournal.com, August 11, 2009, *at* http://www.abajournal.com/news/article/top_law_firms_named_for_working_moms_62_allow_full-time_telecommuting.

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employee exploitation. Nevertheless, the lingering presence of work-ethic concerns can be an obstacle to expansion of telework programs, due both to managerial reluctance and to employees' own lack of confidence in their productivity as telecommuters. In organizations that have implemented flexible work schedule programs, managers still often thwart participation by refusing to grant approval.

The regularity of out-of-office days under an AWS work schedule can theoretically present a risk that the office will be understaffed on a given day. As with work-ethic concerns about telecommuting, the spread of alternate work schedule programs in the American economy indicates that employers are capable of finding ways to accommodate a need for balanced staffing levels with such programs.

2. Limitations specific to the Postal Service.

Other limitations are specific to the Postal Service's policies and infrastructure. For example, the Management Instruction is limited to FLSA-exempt employees. This means that Law Department attorneys and Business Services staff are eligible for telecommuting and AWS, but paralegals and administrative assistants are not. The Management Instruction also proscribes participants from combining telework and AWS, or from taking personal leave on a day when the participant is telecommuting. As noted above, the Management Instruction sets a limit on the number of days a participant can telecommute or have free due to AWS. Although it is not expressly included in the Management Instruction, it appears that there is a general policy that managers may not engage in AWS and may telecommute only one day per week at most. The basic approach underlying the Management Instruction is that

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telecommuting is an exception to the general rule of in-office attendance, and not the other way around.

The Postal Service does not reimburse employees for utility costs incurred while telecommuting, including Internet access, home computers, or work-related telephone usage. Employees are not usually provided with workstations or other equipment in order to enable them to work at an alternate worksite, although some Law Department offices, particularly in the field, have authorized Postal Service-issued laptops at various times in recent history. Employees choosing to participate in the program using non-Postal Service-owned equipment will not receive support or service for that equipment from the Postal Service Help Desk.

D. Alternative Flexible Work Arrangement Models

The history of flexible work arrangements at large suggests that the current interest is no mere fad.[84] If anything, the number of telecommuters is expected to rise within the foreseeable future.[85] As employees' decisions are expected to revolve increasingly around the flexibility of work-life balance alongside traditional pay and benefits factors, the Law Department should keenly consider whether expansion of its own flexible work arrangements would increase employee retention and recruitment, as well as produce other benefits. Further evolution of flexible work arrangements could take many forms, from incremental adjustments of policy to expansion of their scope of application to wholesale redesign. Because of the ten-year horizon for this paper, this

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[84] *See generally* Wendell Joice, *The Evolution of Telework in the Federal Government*.
[85] *See, e.g.*, Charles Grantham, Jim Ware, and Jennifer E. Swanberg, *Flexible Work Arrangements for Nonexempt Employees* (2009), at 9 ("More than 17 million employees performed work remotely at least one day per month in 2008. That number is projected to increase to more than 25 million within five years." (citations omitted)), *available at* www.worldatwork.org/waw/adimLink?id=33622.

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section will examine modest policy changes that focus on practices in widespread use today as well as aggressive flexibility models that may yet develop into best practices.

1. Potential modifications to existing policy.

The most likely scenario for flexible work arrangement changes in the next ten years would involve expansion of already existing postal policies.

a. Expansion of telecommuting.

The Law Department could go beyond the Management Instruction by allowing an even greater number of telecommuting days per week or per pay period.

b. Expansion of personal leave policy.

Employees could also be permitted to take personal leave on a telecommuting day, subject again to supervisors' approval. This prospect could aid employer and employee alike: it could accommodate medical and personal appointments close to the employee's home, which would mean that the employee could request less leave time due to the reduced travel time. A supervisor and employee could also arrange for the employee to exercise personal leave during core office hours but make up for it with additional work time after hours. In principle, this would not represent a major shift from current practice, as attorneys must sometimes spend additional work-hours on deadline assignments while requesting personal leave at other times. The telework-plus-personal-leave approach would simply grant official sanction to the availability of such flexible work-time arrangements during an individual workday.

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c. Permit a Telework/AWS combination.

A related option would be to allow deviations from core hours to meet employee needs, or to allow the combination of telework and AWS. Some employees might desire the flexibility of AWS but decide that it is infeasible for them because of the increased in-office hours, combined with commuting time, in "on" days. The former option could be thought of as "AWS light": an employee could arrange or request a schedule that involves working on each workday but that varies from day to day in its specific parameters. This would allow the employee to have regular personal time on a workday when that would be advantageous, while only requiring a limited increase in compensatory work-hours elsewhere in the week. Combining telework and AWS, would recognize that the lack of commuting time makes telework days a prime candidate for the lengthened "on" days of an AWS schedule. If the Law Department determines this would require additional monitoring of telecommuting employees, this could be accomplished with additional supervisor involvement or record-keeping. Either option would make AWS more desireable for Law Department employees.

d. Permitting FLSA non-exempt employees to participate in the Telecommuting/AWS program.

Another possibility of going beyond the Management Instruction would be to open both telework and AWS arrangements to paralegals and administrative assistants. There is no legal proscription, even from an FLSA standpoint, for those employees to participate in such programs. It would, however, require strict monitoring and adherence to the employee's agreed-upon schedule (ELM § 444.231). It is the supervisor's job to ensure that employees do not remain on

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the clock unless they are specifically authorized to do so. Nevertheless, there is significant concern that poorly managed non-exempt telecommuting programs can create significant liability.

From a practical standpoint, it is unlikely that most Managing Counsels and Law Department offices would find workable an arrangement whereby, even depending on workload and upon the manager's discretion, paralegals could participate in telework and AWS, with administrative assistants continuing to carry out their current in-office duties requiring specialized equipment (e.g., high-speed and color scanners). In consulting with the Postal Service's Agency Telework Coordinator, the Postal Service is considering expanding AWS, but not telework, to non-exempt FLSA employees, the main issue being one of coverage during employees' "off" days. A cursory inquiry with the Telework Coordinator as to whether other federal agencies allow non-exempt FLSA employees to participate in these type of programs reveals that very few, if any, do.

2. Office Real Estate: "Hoteling".

One of telework and AWS's cost-savings propositions is the ability to consolidate office space. This concept requires a change in a fundamental premise of the traditional workplace: instead of distributing cubicles and offices among the total employees, the number of cubicles and offices are allocated based on employees' in-office time. Put another way, instead of time working remotely being seen as a perk, one can view it as the default and in-office time as the exception that requires accommodation. With enough participation in flexible work arrangements, this would allow management to rotate multiple employees at a non-dedicated work station and shed unneeded office space and utility costs.

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The U.S. Patent and Trademark Office (USPTO) has made strides in this area, which it calls "hoteling."[86] Under the USPTO's Patents Hoteling Program, more than 1,650 patent examiners agreed to give up their in-office workspaces in exchange for home offices and a commitment to reserve two days per pay period at the USPTO's temporary offices.[87] In addition, 147 trademark examiner staff have participated in a similar program, including legal instrument examiners, paralegals, legal document review clerks, and other non-attorney staff.[88] Even among the USPTO's Office of the General Counsel (OGC),

> [s]ome OGC employees have given up dedicated offices in order to enable office-sharing, where two employees can share the same office and workstation on alternate days. Although there are times an employee needs to come in on their telework day, there are hoteling offices available that they can use to access their virtual workstations on those days. OGC teleworkers have been able to design their individual telework routines, thus providing them needed flexibility without negatively impacting their coworkers or the OGC business process.[89]

The USPTO's hoteling programs are intrinsically motivated by the need to reign in real estate costs.[90] In practice, the USPTO credits the programs with enabling it to avoid $11 million in new office space purchases and to hire 1,000 employees per year without adding office or parking space.[91] A similar hoteling program at the Treasury Inspector General for Tax Administration has saved an estimated $1 million per year.[92] In the 1990s, a hoteling program enabled the Federal Railroad Administration to close

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[86] The terms "hot desking," "free address workstations," "touchdown workstations," and "desk sharing" describe minor variations on the same concept. General Services Administration, "Alternative Workplace Solutions," www.gsa.gov/portal/content/102702 (last visited September 16, 2010).
[87] PTO, *2009 Telework Annual Report* (2009), at 6-7, *available at* http://www.uspto.gov/about/offices/cao/TeleworkAnnual09FINAL_Section_508.pdf.
[88] *Id.* at 7.
[89] *Id.* at 10.
[90] Partnership for Public Service and Booz Allen Hamilton, *On Demand Government: Deploying Flexibilities to Ensure Service Continuity* (July 2010), at 7.
[91] *Id.* at 7-8.
[92] *Id.* at 8.

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18 field offices and consolidate several others, for a total savings of $251,929 (in historical dollars).[93]

Over the next ten years, however, it is possible that cost-cutting pressures could lead the Law Department to explore further consolidation within Headquarters or field offices, between offices near to one another, or even between Law Department personnel and client office space. Field personnel could "ride circuit" between local offices in their selection of convenient temporary workstations. Depending on the calculation of estimated real estate savings, it is possible that it could become cheaper to establish "telecenters" with non-dedicated work stations closer to employees' homes, in lieu of maintaining centralized office space.[94]

Apart from the real estate cost savings, it is possible that hoteling could add benefits for employees and the organization beyond those already inherent to telework and AWS. If in-office presence is deemphasized, the Law Department can recruit new employees from within a larger geographical radius, and it can retain existing employees who might be moving farther away. The USPTO recognizes this with its Trademark Geographic Expansion pilot project, whereby trademark examining attorneys with telework experience can move up to 110 miles from headquarters, so long as they report in person twice per biweekly pay period.[95] Although the prospect of a shared office workstation might turn off some employees, many would likely prefer it if it is closer to their residence than their traditional office, and the chance for more at-home

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[93] Wendell Joice, *The Evolution of Telework in the Federal Government* at 34 (citing Federal Railroad Administration's 1999 Report on Telecommuting).
[94] The General Services Administration maintains several "telecenters" around the Washington, D.C., commuting area, including one as far away as the eastern panhandle of West Virginia. GSA Telework Centers, www.gsateleworkcenters.org (last visited September 16, 2010). *See also* Joice, *The Evolution of Telework in the Federal Government*, at 24-30 (describing the establishment of telecenters in response to local emergencies).
[95] USPTO, *2009 Telework Annual Report* at 6.

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time and reduced commutes might outweigh any lingering discomfort for those employees.

Over the next ten years, we expect the Law Department and the Postal Service at large to explore the opportunity for real estate savings from flexible work arrangements. As a starting point for further study, the General Services Administration has compiled research on "alternative officing" in the private and public sectors.[96]

3. Results Only Work Environment (ROWE).

Perhaps the most extreme cultural change would be to reengineer the workplace, or components of it, as a so-called "Results Only Work Environment" (ROWE). ROWE is driven by a simple principle: it should not matter when or where an employee works, so long as the work gets done. Employees can also choose to work at times when they are most productive as individuals, even when those are outside typical work hours. In lieu of the formal strictures of personal leave and "core hours," an employee is free to attend to personal or family needs and appointments during the typical workday hours (when many other businesses and government offices are open), while finding other, more convenient times to complete her work assignments.

Instead of indirect proxies for performance like in-office attendance or reported work-hours, a ROWE relies directly on the employee's ability to meet deadlines, accomplish specified assignments, and achieve high client satisfaction. Supervisors can address productivity gaps through dialogue and workload management, as in a typical full-time office environment, but they otherwise are to let employees distribute their work time according to their own needs and proclivities. Federally-sponsored,

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[96] General Services Administration, "Alternative Officing Information," www.gsa.gov/portal/content/21270 (last visited September 16, 2010).

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empirical research by University of Minnesota researchers indicates that employees in a ROWE environment continue to work approximately the same amount of time and days per week even as their schedules become more flexible.[97] Meanwhile, the same study shows that ROWE employees perceive significantly better work schedule "fit" with their personal needs and less conflict of work matters with family time than non-ROWE employees, without a significant difference in the spillover of family matters into work time.[98] Although managers may have reservations about scrapping timeworn work-hours-based models, it appears that ROWE produces a win-win outcome: employers get the same or better performance, and employees get better work-life balance.

ROWE has been claimed to produce many of the same benefits for employers and employees as telecommuting and AWS, albeit at a much greater level. Studies of ROWEs indicate that job satisfaction, productivity, employee health, and cost savings increase drastically in a ROWE as opposed to a traditional workplace.[99] Many ROWE employees cite the system as a significant factor in their perspective on retention: for example, one survey respondent at Gap Inc. cited her company's ROWE as the decisive factor in turning down an otherwise more attractive job offer, and a survey at another employer reported a 121-percent increase in the number of employees unlikely to search for a new job within the following year.[100] Voluntary turnover rates reportedly plunge in ROWE workplaces, with a double-digit change in Best Buy's turnover rates

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[97] Phyllis Moen and Erin L. Kelly, *Flexible Work and Well-Being Study: Final Report* (2007), at 18, *available at* http://www.flexiblework.umn.edu/publications_docs/FWWB_Fall07.pdf. The study was sponsored by the National Institutes of Health and the National Institutes of Occupational Safety and Health. *Id.* at 40.
[98] *Id.* at 20-24.
[99] CultureRx, "ROWE Business Case," at 6-19, www.gorowe.com/wordpress/wp-content/uploads/2009/12/ROWE-Business-Case.pdf (last downloaded September 14, 2010) (discussing quantitative and qualitative results of studies and surveys).
[100] *Id.* at 12, 14.

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and a 40-percent drop at one non-profit organization.[101] Greater control over work hours also maximizes environmental benefits: not only can employees telecommute, but even when they come to the office, employees can do so outside of rush hours, trimming greenhouse gas emissions and non-productive time spent in traffic further.[102] ROWE can also allow employees greater flexibility than telecommuting to get more sleep, exercise, and home-prepared meals and to reduce the need for sick leave.[103] Under a ROWE, remote employees can have their children or other dependents around and thereby avoid dependent care costs, so long as performance does not suffer or non-productive work-hours are made up at another time.[104] Thus, ROWE offers the potential to intensify each of the cited benefits of telecommuting and AWS and to add new benefits.

Although ROWE is a new concept, its profile is rising. ROWE originated at Best Buy's corporate headquarters and has spread throughout the company; it has since been implemented at the corporate offices of Gap Inc., the IT department of Fairview Health Services, J.A. Counter and Associates, the non-profit Girl Scouts of San

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[101] *Id.* at 6, 14. The University of Minnesota study found that 32.5 percent fewer Best Buy employees reported turnover intentions in a ROWE, compared with only a 20.7-percent drop among employees in a control group. Moen and Kelly, *Flexible Work and Well-Being Study* at 34.

[102] After the Girl Scouts of San Gorgonio Council implemented a ROWE, 69 percent of employees shifted their commutes to avoid traffic and 40 percent reported shaving at least 10 minutes off of each direction of their commute. CultureRx, "ROWE Business Case," at 14.

[103] The same survey indicates that the number of employees getting at least 7 hours of sleep a night increased by 112 percent, with 219 percent more reporting at least good-quality sleep. Meanwhile, the number of employees who lost at least 3 work-hours per month due to illness dropped 82 percent, to 7 percent of all employees, and 71 percent reported themselves as less likely to call in sick. *Id.* at 13. The University of Minnesota study also found statistically significant increases in sleep time, exercise, doctor visits when sick, and energy and decreases in time spent in office when sick. Moen and Kelly, "Flexible Work and Well-Being Study" at 26-30. However, changes in more nebulous factors like employees' overall assessment of their health, psychological distress or well-being, emotional exhaustion, sense of mastery, or physical symptoms were not found to be statistically significant. *Id.* at 31.

[104] *See, e.g.*, OPM, "Frequently Asked Questions for ROWE Employees," May 21, 2010, at 11.

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Gorgonio Council, and the legal services outsourcing company Latitude-South.[105] The Twin Cities Metropolitan Area is encouraging local employers to convert to ROWEs in order to reduce traffic congestion.[106] The Office of Personnel Management (OPM) is currently conducting a pilot to study ROWE's application in federal workplaces.[107] The OPM study involves nearly 400 union and non-union OPM employees, from claims processors to policy makers, both within and outside of Washington, D.C. Participants were selected so as to reflect the overall federal workforce.[108] All members of participating groups are included in the ROWE pilot; participation is not seen as a perk to grant or deny, although employees whose assignments require in-office presence must commit to a necessary amount of such presence in the interest of getting the work done.[109] OPM's pilot is currently underway, and its final report is expected in February 2011.[110]

To date, it is unclear if the roster of ROWE workplaces includes law firms or other legal services providers other than the outsourcing firm mentioned above. It is also unclear whether the corporations that have adopted ROWE have applied it to their in-

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[105] The first five companies are listed on the website of CultureRx, a consulting company founded by the originators of the ROWE concept at Best Buy. CultureRx, "Rowe Approved," www.gorowe.com/know-rowe/rowe-approved-companies (last visited September 14, 2010). Latitude-South is discussed in Ronda Muir, "What Do Women Want? Changing the Diversity Myth," *Law Practice Today* (April 2010), *available at* www.abanet.org/lpm/lpt/articles/ftr04104.shtml. *See also, e.g.*, Lisa Belkin, "Flexible Work in a Recession," Motherlode: Adventures in Parenting weblog, October 2, 2009, http://parenting.blogs.nytimes.com/2009/10/02/flexible-work-in-a-recession.

[106] Federal Highway Administration, "Minneapolis Urban Partnership Agreement," www.upa.dot.gov/agreements/minneapolis.htm (last visited September 14, 2010); Minnesota Department of Transportation, "Urban Partnership Agreement Program: Telecommuting," www.dot.state.mn.us/upa/telecommute.html (last visited September 14, 2010).

[107] Statement of Jonathan Foley, Senior Advisor to the Director, U.S. Office of Personnel Management, before the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs, "Work-Life Programs: Attracting, Retaining and Empowering the Federal Workforce," May 4, 2010, *available at* www.opm.gov/News_Events/congress/testimony/111thCongress/05_04_2010.asp. CultureRx is a subcontractor for this project's implementation.

[108] *Id.*

[109] *Id.*

[110] *Id.*

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house counsel offices or, if so, how ROWE has been implemented in keeping with attorneys' internal and external schedule expectations. Finally, we were unable to determine whether OPM's pilot program includes federal attorneys, although it does include support staff "to the maximum extent possible."[111] Thus, while initial studies indicate that a well-designed ROWE can reap substantial savings and benefits for employer and employees alike, further outreach with other ROWE employers' law offices would be helpful in assessing the likely impact of a ROWE in the Law Department.

Within the next ten years, we expect that the Law Department will monitor developments on ROWE in other organizations, including OPM, and evaluate whether it could and should be implemented in the Law Department.

CONCLUSION

The American white-collar workforce is currently amid a trend that challenges the traditional assumptions that tie work performance to fixed places and hours. In the next ten years, businesses, in general, will need a flexible organization that can be adjusted quickly to address new threats and challenges. Baby boomers comprise the majority of the workforce today. By 2015, however, millennials (those born from 1977 to 1997) will overtake them. In 2020, when five generations are simultaneously employed, baby boomers are not expected to represent even a quarter of working Americans.[112] "Millennials have a different way of working, and boomers will have to adapt to stay

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[111] OPM, "Frequently Asked Questions for ROWE Employees," May 21, 2010, at 10. OPM has customized the ROWE model somewhat to account for federal leave, night differential, and general work-hour requirements. See *id.* at 4-6, 13-14. For example, employees must account for 80 hours every biweekly pay period, without further restriction except for two core hours on each of two designated days per pay period.

[112] Meryl Davids Landau, "The Retirement of the Future," U.S. News & World Report (September 14, 2010), *available at* http://money.usnews.com/money/retirement/articles/2010/09-14/the-retirement-of-the-future.html.

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relevant."[113] In the not too distant future "team leaders will routinely motivate and manage employees across the globe without ever meeting face-to-face – something today's younger generation knows about from playing online multiplayer computer games."[114] The millennials want constant feedback, but are perfectly happy to get it online.

Technology increasingly enables real-time collaboration among personnel regardless of their location. Young workers tend to desire a balance between work and personal life that allows them to fulfill personal and family ambitions, and their expectations are framed by their familiarity with the possibilities of virtual communication. Even workers approaching retirement may wish to keep working in a manner that gives them the flexibility to transition toward retirement. Since these trends are not anticipated to abate, one can reasonably expect that the Law Department of 2020 will need to expand its approach to flexible work arrangements and even rethink its approach to the work environment in order to recruit and retain talent in competition with other legal employers. We recommend the Law Department study the options, including promising options outside the current mainstream, and assess carefully the prospective costs, benefits, and possible productivity improvements.

[113] Id.
[114] Id.

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THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

March 23, 2020

Ms. Maria Bonner
Deputy Director
White House Domestic Policy Council
EOP Office of Policy Development
Washington, DC 20504-0002

RE: Essential Public Service Provided by the Postal Service as a Part of the Nation's Critical Infrastructure

Dear Deputy Director Bonner:

As a follow-up from our conversation on March 20, 2020, the Postal Service is committed to continuing to fulfill its role as a provider of essential government services, and to assist the Administration in whatever way we can during this national emergency. We are working closely with federal, state, and local authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public. However, we are concerned that the implementation of state and local government actions restricting commercial and personal activities in response to the Coronavirus Disease 2019 (COVID-19) pandemic will inadvertently interfere with operations. This letter provides information concerning the Postal Service's status and our exemption from these state and local directives, as we are both a provider of essential services and part of the federal government.

Essential Government Service

The Postal Service's role as a provider of essential government services under federal law is clear. The postal system is used to deliver, among other things, important governmental information and benefits, mail that is essential to the functioning of our economy, elections materials, and packages containing vital necessities. For instance, the Postal Service assists with elections, the Census, and the provision of government benefits, like social security checks. We deliver transactional mail that is essential to the financial services industry and other commercial firms. We deliver medications and other necessary purchases made online. We consistently and continually fulfill our essential function as set forth by statute and Administration policy.

We are mandated by statute to operate "as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by an Act of Congress, and supported by the people."[1] 39 U.S.C. §101(a). The Postal Service performs this role as "an independent establishment of the executive branch of the Government of the United States."[2] Pursuant to our statute, we are mandated to provide prompt, reliable, and efficient universal postal services throughout the United States.

In addition to this statutory mandate, the Postal Service carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy (established for national emergencies pursuant to Presidential Directive and implemented by

[1] 39 U.S.C. §101(a).

[2] *Id.* § 201.

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FEMA). Specifically, "the delivery of postal services to the American Public" is defined as a Primary Mission Essential Function necessary for the continuation of critical government services.[3]

As background, Presidential Policy Directive 40 established that "it is the policy of the United States to maintain a comprehensive and effective continuity capability through Continuity of Operations (COOP), Continuity of Government (COG), and Enduring Constitutional Government (ECG) programs, ensuring the resilience and preservation of government structure under the United States Constitution and the continuous performance of National Essential Functions (NEFs) under all conditions."[4] National Security Presidential Directive 51 then instructed Executive Departments and Agencies to identify and submit a list of Primary Mission Essential Functions (PMEFs) that the Department or Agency plans in support of the NEFs.[5] PMEFs are those mission essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, and in the aftermath of an emergency.[6]

In addition to the PMEF designation, "postal and shipping workers" are considered essential critical infrastructure workers, as defined in recent guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA).[7] In its guidance materials issued on March 19, 2020, CISA explained that promoting the ability of essential critical infrastructure workers "to continue to work during periods of community restriction, access management, social distancing, or closure orders/directives is crucial to community resilience and continuity of essential functions."

White House Guidance further provides that if individuals work in a critical infrastructure industry, as defined by the Department of Homeland Security, they have a responsibility to maintain their normal work schedule, while following CDC guidance to protect individuals' health at work.[8]

In addition to our employees, the Postal Service relies heavily on our contractors, suppliers, and industry partners. Contractors and suppliers support all aspects of our operations, including in the transportation and delivery of the mail. This network of contractors and suppliers are likewise critical to the provision of this essential function. In addition, our mailing and printing industry partners are vital because they print and mail the critical items that are sent through the mail, and hence ensure that the government and businesses can access the mail. Our industry partners are also important in ensuring the efficiency of our package delivery network, through which we deliver vital necessities, including medicines and other goods. Moreover, the DHS guidance regarding essential critical infrastructure workers is not specific to the Postal Service, but rather extends to postal and shipping

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[3] *See* List of List of Validated PMEFs by Department/Agency (available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefs_by_department_v2_fema.pdf).

[4] U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3 (January 17, 2017) (available at: https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf).

[5] National Security Presidential Directive/NSPB 51 (available at: https://fas.org/irp/offdocs/nspd/nspd-51.htm).

[6] *See, e.g.,* U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, 16, Annex B.

[7] Krebs, Christopher C., Director Cybersecurity and Infrastructure Security Agency (CISA), Memorandum on Identification of Essential Critical Infrastructure Workers During COVID-19 Response (March 19, 2020) (available at: https://www.cisa.gov/sites/default/files/publications/CISA-Guidance-on-Essential-Critical-Infrastructure-Workers-1-20-508c.pdf.).

[8] https://www.whitehouse.gov/wp-content/uploads/2020/03/03.16.20_coronavirus-guidance_8.5x11_315PM.pdf.

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workers, including those in the private sector. We believe this reasonably includes our contractors, suppliers, and industry partners.

Given all of the above, we believe it is clear that the Postal Service is exempt from state and local ordinances restricting commercial and personal activities, and that this exemption should also apply as a general matter to our contractors and suppliers who are critical for our operations, and our industry partners who are printing, distributing, and entering items into the postal system. We are already seeing, however, that there is some confusion in the implementation of these ordinances. And the text of several such ordinances does not make clear that the Postal Service, and others in our supply chain, are excluded.

Supremacy Clause

The above conclusions are further buttressed by the Supremacy Clause of the United States Constitution, which otherwise limits the ability of state and local laws to affect the performance of federal functions. First, the "intergovernmental immunity" doctrine provides that states and localities are not allowed to directly regulate the actions of any arm of the federal government,[9] unless the federal government clearly and unambiguously submits to state regulation.[10] Second, the "preemption" doctrine provides that state and local laws are preempted by federal law if they seek to regulate an activity that is the subject of a comprehensive federal scheme, or would otherwise frustrate the achievement of the purposes and objectives of federal law.

The U.S. Constitution grants to Congress the enumerated power "to establish post offices and post roads,"[11] a power which "embraces the regulation of the entire Postal System of the country."[12] As noted above, Congress has in turn established the U.S. Postal Service as an "independent establishment of the executive branch of the Government of the United States" to provide postal services throughout the Nation. [13] To support this mission, Congress delegated to the Postal Service the power "to construct, operate, lease, and maintain buildings, facilities, equipment, and any improvements on any property owned or controlled by it."[14] Postal facilities serve the basic function of providing prompt, reliable, and efficient postal services nationwide, and must be maintained in "such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services."[15] Congress also granted comprehensive powers to the Postal Service to direct and maintain its operations, including the right to enter into contracts,[16] and broad personnel rights to hire its own

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[9] U.S. CONST. art. 6, cl. 2 ("This Constitution, and the laws of the United States which shall be made in pursuance thereof . . . shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding."); *M'Culloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 406 (1819) ("The government of the United States, then, though limited in its powers, is supreme; and its laws, when made in pursuance of the constitution, form the supreme law of the land, 'anything in the constitution or laws of any state to the contrary notwithstanding.'").

[10] *Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 180 (1988) ("It is well settled that the activities of federal installations are shielded by the Supremacy Clause from direct state regulation unless Congress provides 'clear and unambiguous' authorization for such regulation.") (citations omitted).

[11] U.S. Const. art. I, § 8, cl. 7.

[10] *Ex parte Jackson*, 96 U.S. 727, 732 (1878).

[13] 39 U.S.C. § 201. *See also id.* § 101, 403.

[14] 39 U.S.C. § 401(6).

[15] *Id.* §§ 101(a), 403(b)(3).

[16] *Id.* § 401(3).

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employees and direct the performance of their duties and "to take whatever actions may be necessary to carry out its mission in emergency situations."[17]

In light of the clear congressional mandate that the Postal Service provide economical and efficient mail service on a nationwide basis – including during times of emergency – courts have consistently found that Congress intended the Postal Service to have broad immunity from state or local regulation.[18] Where local regulation affecting Postal Service operations is inconsistent with postal regulations, courts will deem it to be preempted under the Supremacy Clause as "an unconstitutional obstacle to the accomplishment and execution of the full purposes and objectives of Congress."[19] Thus, any state or local law purportedly directing postal employees to follow procedures inconsistent with Postal Service authority presents a clear conflict with federal law, which entrusts the Postal Service with the task of maintaining facilities and operations in accordance with federal law: "[W]here a postal worker is performing duties pursuant to federal law, a state cannot impose requirements that interfere with the performance of those duties."[20]

Moreover, the express authority allocated to the Postal Service to "operate" and "maintain" its facilities in the service of providing an efficient network of postal services on a nationwide basis and "to take whatever actions may be necessary to carry out its mission in emergency situations" "leaves no room" for state or local regulatory authority over health or safety matters and evidences a "federal

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[17] *Id.* § 1001(e) ("The Postal Service shall have the right, consistent with . . . applicable laws, regulations, and collective-bargaining agreements—(1) to direct officers and employees of the Postal Service in the performance of official duties; . . . (4) to maintain the efficiency of the operations entrusted to it; (5) to determine the methods, means, and personnel by which such operations are to be conducted; . . . and (7) to take whatever actions may be necessary to carry out its mission in emergency situations.").

[18] *See, e.g., Goldsmith v. U.S.*, 42 Fed.Cl. 664, 669, n.3 (Fed. Cl. 1999) ("The Postal Service may ignore local town or city requirements by virtue of the powers conferred by the Supremacy Clause of the United States Constitution.") (citation omitted); *Barbieri v. Hartsdale Post Office*, 863 F.Supp. 152 (S.D.N.Y. 1994) (holding local taxing authority to be preempted to the extent it purported to interfere with Postal Service's ability to correct erroneous postmarks); *Grover City v. U.S. Postal Service*, 391 F.Supp. 982, 986-87 (C.D.Cal. 1975) (dismissing city's suit to require door delivery on Supremacy Clause preemption grounds). Particularly in the area of municipal regulation, a long line of case law supports the supremacy of Postal Service regulations. *See, e.g., U.S. v. City of Pittsburg, Cal.*, 661 F.2d 783 (9th Cir.1981) (trespass ordinance); *U.S. Postal Service v. Town of Greenwich, Conn.*, 901 F.Supp. 500 (D.Conn., 1995) (construction code); *Middletown Tp. v. N/E Regional Office, U.S. Postal Service*, 601 F.Supp. 125 (D.N.J., 1985) (zoning ordinance); *Crivello v. Board of Adjustment of Borough of Middlesex*, 183 F.Supp. 826 (D.N.J.1960) (zoning ordinance); *City of N. Miami, Fla. v. Grant–Sholk Constr. Co.*, 237 F.Supp. 573 (S.D.Fla., 1965) (zoning ordinance); *Breeze v. Town of Bethlehem*, 573 N.Y.S.2d 122 (N.Y.Sup., 1991) (zoning and land use); *Thanet Corp. v. Bd. of Adjustment of Princeton Tp.*, 260 A.2d 1 (N.J.Super.A.D., 1969) (zoning ordinance); *Stewart v. U.S. Postal Service*, 508 F.Supp. 112, 115 (N.D.Cal.1980) (zoning ordinance).

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AMERICAN OVERSIGHT

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While it does not specifically invoke the Supremacy Clause, the Attorney General issued a memorandum to all United States Attorneys on March 20, 2020, in which he requested that they communicate with state and local law enforcement partners "to ensure that local law enforcement officials enforcing travel restrictions are aware of the fact that federal employees must be allowed to travel and commute to perform law enforcement and other functions and should not be prevented from doing so, even when travel restrictions are in place." This is consistent with the fact that the state and local ordinances should not apply to the Postal Service as part of the federal government, even if we were not providing an essential service as defined by the relevant ordinance.

Finally, to the extent that state and local ordinances would impede the Postal Service's functions, those ordinances are subject to the same preemption analysis regardless of whether the functions are performed by postal employees or contractors.[23] This principle has already been applied to Postal Service contractors.[24]

Conclusion

As stated at the outset, we are committed to continuing to fulfill our role as a provider of essential government services, and we appreciate your consideration of this information. Thank you for your time last Friday and for any assistance you can provide to reinforce the conclusions of this memorandum.

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AMERICAN OVERSIGHT

THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

March 23, 2020

Ms. Maria Bonner
Deputy Director
White House Domestic Policy Council
EOP Office of Policy Development
Washington, DC 20504-0002

RE: Essential Public Service Provided by the Postal Service as a Part of the Nation's Critical Infrastructure

Dear Deputy Director Bonner:

As a follow-up from our conversation on March 20, 2020, the Postal Service is committed to continuing to fulfill its role as a provider of essential government services, and to assist the Administration in whatever way we can during this national emergency. We are working closely with federal, state, and local authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public. However, we are concerned that the implementation of state and local government actions restricting commercial and personal activities in response to the Coronavirus Disease 2019 (COVID-19) pandemic will inadvertently interfere with operations. This letter provides information concerning the Postal Service's status and our exemption from these state and local directives, as we are both a provider of essential services and part of the federal government.

Essential Government Service

The Postal Service's role as a provider of essential government services under federal law is clear. The postal system is used to deliver, among other things, important governmental information and benefits, mail that is essential to the functioning of our economy, elections materials, and packages containing vital necessities. For instance, the Postal Service assists with elections, the Census, and the provision of government benefits, like social security checks. We deliver transactional mail that is essential to the financial services industry and other commercial firms. We deliver medications and other necessary purchases made online. We consistently and continually fulfill our essential function as set forth by statute and Administration policy.

We are mandated by statute to operate "as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by an Act of Congress, and supported by the people."[1] 39 U.S.C. §101(a). The Postal Service performs this role as "an independent establishment of the executive branch of the Government of the United States."[2] Pursuant to our statute, we are mandated to provide prompt, reliable, and efficient universal postal services throughout the United States.

In addition to this statutory mandate, the Postal Service carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy (established for national emergencies pursuant to Presidential Directive and implemented by

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FEMA). Specifically, "the delivery of postal services to the American Public" is defined as a Primary Mission Essential Function necessary for the continuation of critical government services.[3]

As background, Presidential Policy Directive 40 established that "it is the policy of the United States to maintain a comprehensive and effective continuity capability through Continuity of Operations (COOP), Continuity of Government (COG), and Enduring Constitutional Government (ECG) programs, ensuring the resilience and preservation of government structure under the United States Constitution and the continuous performance of National Essential Functions (NEFs) under all conditions."[4] National Security Presidential Directive 51 then instructed Executive Departments and Agencies to identify and submit a list of Primary Mission Essential Functions (PMEFs) that the Department or Agency plans in support of the NEFs.[5] PMEFs are those mission essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, and in the aftermath of an emergency.[6]

In addition to the PMEF designation, "postal and shipping workers" are considered essential critical infrastructure workers, as defined in recent guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA).[7] In its guidance materials issued on March 19, 2020, CISA explained that promoting the ability of essential critical infrastructure workers "to continue to work during periods of community restriction, access management, social distancing, or closure orders/directives is crucial to community resilience and continuity of essential functions."

White House Guidance further provides that if individuals work in a critical infrastructure industry, as defined by the Department of Homeland Security, they have a responsibility to maintain their normal work schedule, while following CDC guidance to protect individuals' health at work.[8]

In addition to our employees, the Postal Service relies heavily on our contractors, suppliers, and industry partners. Contractors and suppliers support all aspects of our operations, including in the transportation and delivery of the mail. This network of contractors and suppliers are likewise critical to the provision of this essential function. In addition, our mailing and printing industry partners are vital because they print and mail the critical items that are sent through the mail, and hence ensure that the government and businesses can access the mail. Our industry partners are also important in ensuring the efficiency of our package delivery network, through which we deliver vital necessities, including medicines and other goods. Moreover, the DHS guidance regarding essential critical infrastructure workers is not specific to the Postal Service, but rather extends to postal and shipping

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workers, including those in the private sector. We believe this reasonably includes our contractors, suppliers, and industry partners.

Given all of the above, we believe it is clear that the Postal Service is exempt from state and local ordinances restricting commercial and personal activities, and that this exemption should also apply as a general matter to our contractors and suppliers who are critical for our operations, and our industry partners who are printing, distributing, and entering items into the postal system. We are already seeing, however, that there is some confusion in the implementation of these ordinances. And the text of several such ordinances does not make clear that the Postal Service, and others in our supply chain, are excluded.

Supremacy Clause

The above conclusions are further buttressed by the Supremacy Clause of the United States Constitution, which otherwise limits the ability of state and local laws to affect the performance of federal functions. First, the "intergovernmental immunity" doctrine provides that states and localities are not allowed to directly regulate the actions of any arm of the federal government,[9] unless the federal government clearly and unambiguously submits to state regulation.[10] Second, the "preemption" doctrine provides that state and local laws are preempted by federal law if they seek to regulate an activity that is the subject of a comprehensive federal scheme, or would otherwise frustrate the achievement of the purposes and objectives of federal law.

The U.S. Constitution grants to Congress the enumerated power "to establish post offices and post roads,"[11] a power which "embraces the regulation of the entire Postal System of the country."[12] As noted above, Congress has in turn established the U.S. Postal Service as an "independent establishment of the executive branch of the Government of the United States" to provide postal services throughout the Nation. [13] To support this mission, Congress delegated to the Postal Service the power "to construct, operate, lease, and maintain buildings, facilities, equipment, and any improvements on any property owned or controlled by it."[14] Postal facilities serve the basic function of providing prompt, reliable, and efficient postal services nationwide, and must be maintained in "such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services."[15] Congress also granted comprehensive powers to the Postal Service to direct and maintain its operations, including the right to enter into contracts,[16] and broad personnel rights to hire its own

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[9] U.S. CONST. art. 6, cl. 2 ("This Constitution, and the laws of the United States which shall be made in pursuance thereof . . . shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding."); *M'Culloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 406 (1819) ("The government of the United States, then, though limited in its powers, is supreme; and its laws, when made in pursuance of the constitution, form the supreme law of the land, 'anything in the constitution or laws of any state to the contrary notwithstanding.'").

[10] *Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 180 (1988) ("It is well settled that the activities of federal installations are shielded by the Supremacy Clause from direct state regulation unless Congress provides 'clear and unambiguous' authorization for such regulation.") (citations omitted).

[11] U.S. Const. art. I, § 8, cl. 7.

[10] *Ex parte Jackson*, 96 U.S. 727, 732 (1878).

[13] 39 U.S.C. § 201. *See also id.* § 101, 403.

[14] 39 U.S.C. § 401(6).

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employees and direct the performance of their duties and "to take whatever actions may be necessary to carry out its mission in emergency situations."[17]

In light of the clear congressional mandate that the Postal Service provide economical and efficient mail service on a nationwide basis – including during times of emergency – courts have consistently found that Congress intended the Postal Service to have broad immunity from state or local regulation.[18] Where local regulation affecting Postal Service operations is inconsistent with postal regulations, courts will deem it to be preempted under the Supremacy Clause as "an unconstitutional obstacle to the accomplishment and execution of the full purposes and objectives of Congress."[19] Thus, any state or local law purportedly directing postal employees to follow procedures inconsistent with Postal Service authority presents a clear conflict with federal law, which entrusts the Postal Service with the task of maintaining facilities and operations in accordance with federal law: "[W]here a postal worker is performing duties pursuant to federal law, a state cannot impose requirements that interfere with the performance of those duties."[20]

Moreover, the express authority allocated to the Postal Service to "operate" and "maintain" its facilities in the service of providing an efficient network of postal services on a nationwide basis and "to take whatever actions may be necessary to carry out its mission in emergency situations" "leaves no room" for state or local regulatory authority over health or safety matters and evidences a "federal

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The U.S. Constitution grants to Congress the enumerated power "to establish post offices and post roads,"[11] a power which "embraces the regulation of the entire Postal System of the country."[12] As noted above, Congress has in turn established the U.S. Postal Service as an "independent establishment of the executive branch of the Government of the United States" to provide postal services throughout the Nation. [13] To support this mission, Congress delegated to the Postal Service the power "to construct, operate, lease, and maintain buildings, facilities, equipment, and any improvements on any property owned or controlled by it."[14] Postal facilities serve the basic function of providing prompt, reliable, and efficient postal services nationwide, and must be maintained in "such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services."[15] Congress also granted comprehensive powers to the Postal Service to direct and maintain its operations, including the right to enter into contracts,[16] and broad personnel rights to hire its own

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[9] U.S. CONST. art. 6, cl. 2 ("This Constitution, and the laws of the United States which shall be made in pursuance thereof . . . shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding."); *M'Culloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 406 (1819) ("The government of the United States, then, though limited in its powers, is supreme; and its laws, when made in pursuance of the constitution, form the supreme law of the land, 'anything in the constitution or laws of any state to the contrary notwithstanding.'").

[10] *Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 180 (1988) ("It is well settled that the activities of federal installations are shielded by the Supremacy Clause from direct state regulation unless Congress provides 'clear and unambiguous' authorization for such regulation.") (citations omitted).

[11] U.S. Const. art. I, § 8, cl. 7.

[10] *Ex parte Jackson*, 96 U.S. 727, 732 (1878).

[13] 39 U.S.C. § 201. *See also id.* § 101, 403.

[14] 39 U.S.C. § 401(6).

[15] *Id.* §§ 101(a), 403(b)(3).

[16] *Id.* § 401(3).

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employees and direct the performance of their duties and "to take whatever actions may be necessary to carry out its mission in emergency situations."[17]

In light of the clear congressional mandate that the Postal Service provide economical and efficient mail service on a nationwide basis – including during times of emergency – courts have consistently found that Congress intended the Postal Service to have broad immunity from state or local regulation.[18] Where local regulation affecting Postal Service operations is inconsistent with postal regulations, courts will deem it to be preempted under the Supremacy Clause as "an unconstitutional obstacle to the accomplishment and execution of the full purposes and objectives of Congress."[19] Thus, any state or local law purportedly directing postal employees to follow procedures inconsistent with Postal Service authority presents a clear conflict with federal law, which entrusts the Postal Service with the task of maintaining facilities and operations in accordance with federal law: "[W]here a postal worker is performing duties pursuant to federal law, a state cannot impose requirements that interfere with the performance of those duties."[20]

Moreover, the express authority allocated to the Postal Service to "operate" and "maintain" its facilities in the service of providing an efficient network of postal services on a nationwide basis and "to take whatever actions may be necessary to carry out its mission in emergency situations" "leaves no room" for state or local regulatory authority over health or safety matters and evidences a "federal

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[17] *Id.* § 1001(e) ("The Postal Service shall have the right, consistent with . . . applicable laws, regulations, and collective-bargaining agreements—(1) to direct officers and employees of the Postal Service in the performance of official duties; . . . (4) to maintain the efficiency of the operations entrusted to it; (5) to determine the methods, means, and personnel by which such operations are to be conducted; . . . and (7) to take whatever actions may be necessary to carry out its mission in emergency situations.").

[18] *See, e.g., Goldsmith v. U.S.*, 42 Fed.Cl. 664, 669, n.3 (Fed. Cl. 1999) ("The Postal Service may ignore local town or city requirements by virtue of the powers conferred by the Supremacy Clause of the United States Constitution.") (citation omitted); *Barbieri v. Hartsdale Post Office*, 863 F.Supp. 152 (S.D.N.Y. 1994) (holding local taxing authority to be preempted to the extent it purported to interfere with Postal Service's ability to correct erroneous postmarks); *Grover City v. U.S. Postal Service*, 391 F.Supp. 982, 986-87 (C.D.Cal. 1975) (dismissing city's suit to require door delivery on Supremacy Clause preemption grounds). Particularly in the area of municipal regulation, a long line of case law supports the supremacy of Postal Service regulations. *See, e.g., U.S. v. City of Pittsburg, Cal.*, 661 F.2d 783 (9th Cir.1981) (trespass ordinance); *U.S. Postal Service v. Town of Greenwich, Conn.*, 901 F.Supp. 500 (D.Conn., 1995) (construction code); *Middletown Tp. v. N/E Regional Office, U.S. Postal Service*, 601 F.Supp. 125 (D.N.J., 1985) (zoning ordinance); *Crivello v. Board of Adjustment of Borough of Middlesex*, 183 F.Supp. 826 (D.N.J.1960) (zoning ordinance); *City of N. Miami, Fla. v. Grant–Sholk Constr. Co.*, 237 F.Supp. 573 (S.D.Fla., 1965) (zoning ordinance); *Breeze v. Town of Bethlehem*, 573 N.Y.S.2d 122 (N.Y.Sup., 1991) (zoning and land use); *Thanet Corp. v. Bd. of Adjustment of Princeton Tp.*, 260 A.2d 1 (N.J.Super.A.D., 1969) (zoning ordinance); *Stewart v. U.S. Postal Service*, 508 F.Supp. 112, 115 (N.D.Cal.1980) (zoning ordinance).

[19] *City of Pittsburg, Cal.*, 661 F.2d at 785 (citing *Hines v. Davidowitz*, 312 U.S. 52 (1941) (internal quotation marks omitted)). Courts have held this to be true even in the traditionally local area of public safety. *City of Hollywood*, 974 F.Supp. at 1465 & n.5 (noting in dicta that, public safety concerns being shared equally by both state and federal levels of government, the Postal Service's interest in a uniform system of facility construction and design would be paramount).

[20] *City of Pittsburg, Cal.*, at 785-86 (holding that local criminal trespass ordinance conflicted with Postal Service regulations regarding the manner in which delivery employees performed their duties and was thus preempted by the "Congressional mandate to provide efficient mail delivery service"); *cf. U.S. v. City of St. Louis, Branch 343, Nat. Ass'n of Letter Carriers*, 597 F.2d 121 (8th Cir. 1979) (holding that a municipal ordinance prohibiting letter carriers from crossing the private property of patrons without their express or implied consent was permissible only because it did not conflict with the same Postal Service regulation).

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interest . . . so dominant that the federal system will be assumed to preclude enforcement of state law on the same subject."[21] Furthermore, the constitutional enumeration of the postal powers supports the supremacy of the federal interest in this field. Even where express preemption language is absent, any state or local law which "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress"—such as a local determination to close a postal facility—would be impliedly preempted by conflict.[22]

While it does not specifically invoke the Supremacy Clause, the Attorney General issued a memorandum to all United States Attorneys on March 20, 2020, in which he requested that they communicate with state and local law enforcement partners "to ensure that local law enforcement officials enforcing travel restrictions are aware of the fact that federal employees must be allowed to travel and commute to perform law enforcement and other functions and should not be prevented from doing so, even when travel restrictions are in place." This is consistent with the fact that the state and local ordinances should not apply to the Postal Service as part of the federal government, even if we were not providing an essential service as defined by the relevant ordinance.

Finally, to the extent that state and local ordinances would impede the Postal Service's functions, those ordinances are subject to the same preemption analysis regardless of whether the functions are performed by postal employees or contractors.[23] This principle has already been applied to Postal Service contractors.[24]

Conclusion

As stated at the outset, we are committed to continuing to fulfill our role as a provider of essential government services, and we appreciate your consideration of this information. Thank you for your time last Friday and for any assistance you can provide to reinforce the conclusions of this memorandum.

In that regard, please let us know if you have any questions or if additional information would be helpful.

Sincerely,

Thomas J. Marshall

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[21] *Hillsborough*, 471 U.S. 707 (quoting *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947)).

[22] *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941).

[23] *See, e.g.*, *Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 181 (1988) (analyzing *Hancock v. Train*, 426 U.S. 167 (1976), as "establish[ing] that a federally owned facility performing a federal function is shielded from direct state regulation, even though the federal function is carried out by a private contractor, unless Congress clearly authorizes such regulation."); *United States v. California*, 921 F.3d 865, 882 n.7 (9th Cir. 2019) ("For purposes of intergovernmental immunity, federal contractors are treated the same as the federal government itself.") (citing *Goodyear*).

[24] *U.S. Postal Serv. v. Town of Greenwich, Conn.*, 901 F. Supp. 500, 507 (D. Conn. 1991) ("In the absence of such specific Congressional authorization, the Court finds that the state building code cannot be applied to the lessors of land to the Postal Service and to the contractors hired to construct postal facilities because it conflicts with federal law.") (citing, *inter alia*, *Hancock*, *Goodyear*, and *Leslie Miller*).

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UNITED STATES POSTAL SERVICE

Essential Service Provider Letter

Law Enforcement Official: The bearer of this letter with an accompanying U.S. Postal Service identification badge provides essential services of the federal government.

The Postal Service is continuing to fulfill its critical public service mission by accepting and delivering mail and packages in accordance with federal law. The Postal Service's provision of mail and package delivery services is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic, including the recent order or directive issued for the geographic areas under your jurisdiction.

This exemption includes the employees' and contractors' time traveling to and from their workplaces.

We are working closely with federal, state, and local health authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public.

Confirmation of this individual's status as a Postal Service employee or contractor may be received by contacting the employee's supervisor at [number].

David E. Williams
Chief Operating Officer and Executive Vice President
United States Postal Service

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UNITED STATES POSTAL SERVICE®

Call to Order and Opening Remarks

Robert M. Duncan

Chairman, Board of Governors

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UNITED STATES POSTAL SERVICE®

Waiver of Advance Public Notice of Meeting
– Vote –

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PMG Items

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Legislative Update

Megan J. Brennan
Postmaster General

Ronald A. Stroman
Deputy Postmaster General

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COVID-19
Legislative Request

Megan J. Brennan
Postmaster General

Ronald A. Stroman
Deputy Postmaster General

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UNITED STATES POSTAL SERVICE®

Financial Impact COVID-19

AMERICAN OVERSIGHT

I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee

AMERICAN OVERSIGHT

Short-Term Outlook – Volume

Index value – Post-COVID (compared to pre-Covid)

	Index value – Pre-COVID				Depth of Impact		Duration of Impact				Level of Return		Previous baseline indices	
Volume Index	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	Q1 2022	Q2 2022
First Class	100	100	100	100	70	60	72	84	80	82	83	83	90	88
Marketing Mail	100	100	100	100	30	30	50	63	68	68	68	68	90	91
Periodicals	100	100	100	100	50	40	50	63	69	69	67	67	90	87
Shipping & Packages	100	100	100	100	95	70	80	89	89	89	100	105	100	106
International	100	100	100	100	30	30	40	50	50	50	70	70	75	79
Other	100	100	100	100	88	88	88	88	76	76	76	76	82	91
Total	100	100	100	100	49	43	60	72	74	74	75	75	**90**	**90**

Volume:	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2
First Class	13,101	12,712	14,318	14,050	9,171	7,627	10,309	11,732	10,481	10,360	11,813	11,591
Marketing Mail	17,673	18,293	20,302	17,581	5,302	5,488	10,151	10,988	12,017	12,439	13,805	11,955
Periodicals	1,183	1,091	1,109	1,082	591	436	555	676	816	753	738	719
Shipping & Packages	1,420	1,451	1,737	1,430	1,349	1,016	1,390	1,273	1,264	1,291	1,737	1,501
International	202	180	240	187	61	54	96	94	101	90	168	131
Other	85	72	94	65	75	64	83	58	65	55	71	50
Total	***33,664***	***33,799***	***37,801***	***34,395***	***16,549***	***14,685***	***22,584***	***24,820***	***24,744***	***24,988***	***28,333***	***25,948***
4 Quarter Rolling Total:				***139,659***	***122,544***	***103,430***	***88,212***	***78,637***	***86,832***	***97,136***	***102,885***	***104,013***

AMERICAN OVERSIGHT

I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee

II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts

AMERICAN OVERSIGHT

Short-Term P&L and Cash Flow Statement Impacts

FY2020 Actual/Forecast	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
$-Millions	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY2020 Total
Revenue	$ 6,205	$ 6,042	$ 7,148	$ 6,089	$ 5,717	$ 5,963	$ 3,796	$ 3,440	$ 3,548	$ 3,533	$ 3,456	$ 3,582	$ 58,519
Controllable Expenses	$ 6,310	$ 6,090	$ 7,382	$ 6,478	$ 5,872	$ 6,073	$ 6,034	$ 5,818	$ 6,130	$ 6,061	$ 6,056	$ 6,028	$ 74,332
Controllable income (Loss)	$ (105)	$ (48)	$ (235)	$ (389)	$ (155)	$ (110)	$ (2,237)	$ (2,378)	$ (2,582)	$ (2,528)	$ (2,601)	$ (2,446)	$ (15,813)
Non-Controllable Expenses	$ 265	$ 63	$ 33	$ 1,188	$ 1,132	$ 298	$ 298	$ 298	$ 298	$ 298	$ 298	$ 298	$ 4,768
Net income (Loss)	$ (370)	$ (111)	$ (267)	$ (1,577)	$ (1,287)	$ (408)	$ (2,535)	$ (2,676)	$ (2,880)	$ (2,826)	$ (2,899)	$ (2,744)	$ (20,581)
Cash Balance (No changes)	$ 8,507	$ 7,670	$ 8,430	$ 8,892	$ 9,148	$ 9,588	$ 7,748	$ 5,282	$ 3,006	$ 946	$ (780)	$ (2,834)	
+Social Security Holiday							7,927	5,640	3,544	1,663	115	(1,759)	
+Borrow $3.4B							11,327	9,040	6,944	5,063	3,515	1,241	
+Borrow $10B Additional							21,327	19,040	16,944	15,063	13,515	11,241	
+Default of FERS Normal Cost							21,645	19,676	17,897	16,334	15,104	13,148	

FY2021 Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
$-Millions	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY2021 Total
Revenue	$ 4,831	$ 4,659	$ 5,609	$ 4,788	$ 4,347	$ 4,900	$ 4,711	$ 4,268	$ 4,403	$ 4,385	$ 4,288	$ 4,445	$ 55,634
Controllable Expenses	$ 5,980	$ 5,775	$ 6,994	$ 6,137	$ 5,573	$ 5,759	$ 5,720	$ 5,520	$ 5,810	$ 5,744	$ 5,741	$ 5,715	$ 70,468
Controllable income (Loss)	$ (1,148)	$ (1,116)	$ (1,385)	$ (1,349)	$ (1,226)	$ (859)	$ (1,009)	$ (1,252)	$ (1,407)	$ (1,360)	$ (1,452)	$ (1,270)	$ (14,834)
Non-Controllable Expenses	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 3,677
Net income (Loss)	$ (1,455)	$ (1,422)	$ (1,691)	$ (1,656)	$ (1,532)	$ (1,165)	$ (1,316)	$ (1,558)	$ (1,714)	$ (1,666)	$ (1,759)	$ (1,576)	$ (18,511)
Cash Balance (No changes)	$ (5,683)	$ (6,482)	$ (7,345)	$ (8,370)	$ (9,078)	$ (9,284)	$ (10,736)	$ (11,557)	$ (12,398)	$ (13,335)	$ (13,922)	$ (14,432)	
+Social Security Holiday	(4,438)	(5,066)	(5,757)	(6,782)	(7,490)	(7,697)	(9,148)	(9,969)	(10,810)	(11,747)	(12,334)	(12,844)	
+Borrow $3.4B	(1,438)	(2,066)	(2,757)	(3,782)	(4,490)	(4,697)	(9,148)	(9,969)	(10,810)	(11,747)	(12,334)	(12,844)	
+Borrow $10B Additional	8,562	7,934	7,243	6,218	5,510	5,303	852	31	(810)	(1,747)	(2,334)	(2,844)	
+Default of FERS Normal Cost	10,783	10,468	10,090	9,378	8,983	9,090	4,952	4,444	3,916	3,292	3,018	2,821	

Note: Average bi-weekly payroll ~$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

AMERICAN OVERSIGHT

Short-Term Strategies to Remain Liquid

- BOG approved strategies

($ in millions)

	Month:	No Changes	Social Security Holiday - CY2020	Borrow/repay $3.4B	Borrow $10B	Default on FERS
CY 2020	April	7,748	7,927	11,327	21,327	21,645
	May	5,282	5,640	9,040	19,040	19,676
	Jun	3,006	3,544	6,944	16,944	17,897
	Jul	946	1,663	5,063	15,063	16,334
	Aug	(780)	115	3,515	13,515	15,104
	Sep	(2,834)	(1,759)	1,241	11,241	13,148
	Oct	(5,683)	(4,438)	(1,438)	8,562	10,783
	Nov	(6,482)	(5,066)	(2,066)	7,934	10,468
	Dec	(7,345)	(5,757)	(2,757)	7,243	10,090
CY 2021	Jan	(8,370)	(6,782)	(3,782)	6,218	9,378
	Feb	(9,078)	(7,490)	(4,490)	5,510	8,983
	Mar	(9,284)	(7,697)	(4,697)	5,303	9,090
	April	(10,736)	(9,148)	(9,148)	852	4,952
	May	(11,557)	(9,969)	(9,969)	31	4,444
	Jun	(12,398)	(10,810)	(10,810)	(810)	3,916
	Jul	(13,335)	(11,747)	(11,747)	(1,747)	3,292
	Aug	(13,922)	(12,334)	(12,334)	(2,334)	3,018
	Sep	(14,432)	(12,844)	(12,844)	(2,844)	2,821
	Oct	(15,071)	(13,483)	(13,483)	(3,483)	2,499
	Nov	(15,675)	(14,087)	(14,087)	(4,087)	2,212
	Dec	(16,278)	(15,484)	(15,484)	(5,484)	1,131

Note: Average bi-weekly payroll ~$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

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Long-Term Comparison of Pre-COVID and Post-COVID 10 Year Impacts

- **The 10 Year Net Loss is $54.3B worse than the previous baseline**
- **The FY2020/FY2021 Net loss is $22.8B worse than the previous baseline**

Previous Baseline - 10 Year IFP Scenario:

$ & pieces in billions	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Total Volume	138	132	126	122	117	113	108	105	100	97	1,156
Revenue	$ 71.8	$ 71.2	$ 71.2	$ 71.4	$ 71.4	$ 71.6	$ 71.5	$ 71.8	$ 72.3	$ 72.8	$ 716.9
Controllable Expenses	75.8	76.3	77.7	79.5	81.2	83.0	84.6	86.6	88.5	90.2	823.2
Non-Controllable Exp	3.6	3.7	3.8	3.9	3.9	4.0	4.1	4.2	4.3	4.5	39.8
Controllable Loss	(4.0)	(5.1)	(6.5)	(8.1)	(9.8)	(11.4)	(13.1)	(14.8)	(16.2)	(17.4)	(106.4)
Net Loss	**$ (7.6)**	**$ (8.7)**	**$(10.3)**	**$(12.0)**	**$(13.7)**	**$(15.4)**	**$(17.2)**	**$(18.9)**	**$(20.5)**	**$(21.9)**	**$(146.1)**

COVID Impact - 10 Year Scenario

$ & pieces in billions	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Total Volume	103	97	103	101	99	97	94	93	90	89	966
Revenue	$ 58.5	$ 55.6	$ 60.8	$ 61.3	$ 62.1	$ 63.0	$ 63.8	$ 64.9	$ 66.1	$ 67.2	$ 623.4
Controllable Expenses	74.3	70.5	73.0	74.5	76.5	78.6	80.7	82.9	85.2	87.0	783.3
Non-Controllable Exp	4.8	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	40.7
Controllable Loss	(15.8)	(14.8)	(12.2)	(13.2)	(14.4)	(15.6)	(16.9)	(18.0)	(19.1)	(19.9)	(159.9)
Net Loss	**$(20.6)**	**$(18.5)**	**$(15.9)**	**$(17.0)**	**$(18.3)**	**$(19.6)**	**$(21.0)**	**$(22.2)**	**$(23.3)**	**$(24.3)**	**$(200.6)**

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I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee

II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts

III. Assessed the business plan initiatives against the new P&L post-COVID

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10-Year Business Plan Initiative Impact

All numbers represent 10 year contribution impact
(Dollars in Billions)

	Scenario 3	Scenario 4
BASELINE 10 YEAR NET LOSS	**(200.6)**	**(200.6)**
LEGISLATIVE		
Medicare Integration		
Prospective Medicare Integration / Vested Liability	40.8	40.8
Eliminate RHB normal cost payments if overfunded	10.0	10.0
Immediate refund of RHB fund surplus	8.0	8.0
Normal cost payments required due to lower funding level after refund	(3.6)	(3.6)
Employee Benefits		
Pension benefits payments waived if funding > Federal government	61.4	
Convert new employees to defined contribution retirement system		1.2
Increase legacy employees contribution to FERS defined benefit		5.3
Reform workers' compensation system		4.4
Leave policy adjustment		4.5
USO		
5 Day delivery frequency with volume trigger and delivery of packages where density supports positive contribution		10.7
Investing		
Invest 100% FERS and CSRS in higher yielding securities		11.3
Invest 100% of RHB assets in higher yielding securities	3.4	3.4
Pricing		
Restore half exigent price increase (2.15%)	5.8	

Regulatory	Scenario 3	Scenario 4
Price Flexibility		
Current PRC proposal CPI+2%, CPI+4% for underwater products	23.2	23.2
Additional price increase on underwater products beyond PRC proposal.		5.3
USO		
Aggressive mode of delivery modifications (15.5M to cluster boxes, 4.9M to curbline)		8.5
USPS		
Infrastructure		
Outsource some operations and consolidate mail processing facilities		8.4
Reduce additional hours at Post Offices commensurate with workload		1.3
Reduce administrative structure by 5%		1.3
Collective Bargaining		
Increase percentage of non-career employees by ~5%		1.0
Products		
Digital product opportunities	2.8	2.8
Other product opportunities / Real estate monetization		1.1
OTHER		
Disynergies/Depreciation/Interest Savings		
Interest savings	17.7	17.7
Disynergy*		(3.3)
Depreciation		(1.2)
TOTAL	**(31.2)**	**(38.7)**

*Disynergy between CPI+2% price increase and half exigent price increase not currently modelled

Note: Average bi-weekly payroll ~$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

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I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee

II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts

III. Assessed the business plan initiatives against the new P&L post-COVID

IV. Aligned on a short-term legislative ask with the Strategy & Innovation Committee given the immediate COVID impact on the financials

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Short-Term Legislative Relief:

1. $25B grant to cover COVID losses over the next two year period
2. $25B modernization grant to ensure USPS can maintain and modernize the infrastructure to support the nation
3. Debt forgiveness of the $14.4B in outstanding debt
4. Unrestricted borrowing authority up to $25B

Longer-Term 10-Year Scenario 3 Business Plan Initiatives:

1. Prospective Medicare Integration with vested liability
   - Investment of RHB funds
2. Pension Relief
3. Price Flexibility
4. Product Opportunities

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Impact of short-term legislative relief combined with Scenario 3

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Base	Net Loss	(20,581)	(18,511)	(15,889)	(17,020)	(18,282)	(19,558)	(20,962)	(22,176)	(23,334)	(24,253)	**(200,566)**
	Cash without defaults	**(10,411)**	**(29,886)**	**(46,803)**	**(64,837)**	**(83,785)**	**(103,619)**	**(124,838)**	**(147,477)**	**(170,889)**	**(194,974)**	**(194,974)**
Stimulus (Social Security holiday and $3.4B borrowing)	**Cash**	**(6,336)**	**(28,298)**	**(47,597)**	**(64,837)**	**(83,785)**	**(103,619)**	**(124,838)**	**(147,477)**	**(170,889)**	**(194,974)**	**(194,974)**
$25B Cash infusion	**Cash**	**18,664**	**(3,298)**	**(22,597)**	**(39,837)**	**(58,785)**	**(78,619)**	**(99,838)**	**(122,477)**	**(145,889)**	**(169,974)**	**(169,974)**
$25B Modernization grant*	*Impact*	*12,500*	*625*	*1,250*	*1,875*	*2,500*	*2,500*	*2,500*	*2,500*	*2,500*	*2,500*	*31,250*
	Cash	**31,164**	**9,827**	**(8,222)**	**(23,587)**	**(40,035)**	**(57,369)**	**(76,088)**	**(96,227)**	**(117,139)**	**(138,724)**	**(138,724)**
$14.4B Debt Forgiveness	*Impact (debt due)*	400	3,000	1,000		1,000		700				6,100
	Cash	**31,564**	**13,227**	**(3,822)**	**(19,187)**	**(34,635)**	**(51,969)**	**(69,988)**	**(90,127)**	**(111,039)**	**(132,624)**	**(132,624)**
Additional Borrowing Authority	*Additional borrowing*		*5,000*	*5,000*	*15,000*							25,000
	Cash	**31,564**	**18,227**	**6,178**	**5,813**	**(9,635)**	**(26,969)**	**(44,988)**	**(65,127)**	**(86,039)**	**(107,624)**	**(107,624)**
Default on Year End Payments**	*Impact*	*7,577*	*7,877*	*8,077*	*8,377*	*8,677*	*8,977*	*9,377*	*9,677*	*10,077*	*10,177*	*88,870*
	Cash	**39,141**	**33,681**	**29,709**	**37,721**	**30,950**	**22,593**	**13,951**	**3,489**	**(7,346)**	**(18,754)**	**(18,754)**
With impact of Sc. 3 initiatives**	*Impact*	*8,000*	*3,022*	*4,102*	*6,010*	*7,183*	*7,097*	*9,626*	*10,741*	*11,913*	*12,935*	*80,630*
	Cash	**47,141**	**44,703**	**44,833**	**58,856**	**59,268**	**58,008**	**58,991**	**59,272**	**60,349**	**61,876**	**61,876**
Total Debt Balance after all impacts:		**-**	**5,000**	**10,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
Cash Net of Debt after all impacts:		**47,141**	**39,703**	**34,833**	**33,856**	**34,268**	**33,008**	**33,991**	**34,272**	**35,349**	**36,876**	**36,876**

*** Of the $25B modernization grant, $12,500 is assumed to be spent over time on deferred maintenance and sustaining investments within the current capital plan and $12,500 to be spend immediately on projects that will realize a 20% annual ROI. The $25B grows to $31.250B as a result of the ROI on projects.**
**** The year end payments include RHB Normal Cost, FERS, CSRS, and RHB Amortization payments. If the components of scenario 3 related to Medicare Integration and Pension funding were enacted, these defaults would not be necessary and would be subsumed within the scenario 3 initiative total. The sum of the default on year end payments and scenario 3 intiatives listed above equals the total scenario 3 value of $169.5B.**

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Approve S&IC recommendation for immediate relief in Stimulus 4:

1. $25B grant to cover COVID losses over the next two year period
2. $25B modernization grant to ensure USPS can maintain and modernize the infrastructure to support the nation
3. Debt forgiveness of the $14.4B in outstanding debt
4. Unrestricted borrowing authority up to $25B

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Approve the recommendation of the Strategy & Innovation Committee regarding the 10-Year Strategy, which will include the following elements:

1. The Mission Statement approved on 4/1
2. Revised 10-year forecast based on COVID-19 impact
3. Scenario A (a/k/a Scenario 3)
4. The approved Legislative Request
5. As a contingency, Scenario B (a/k/a Scenario 4) in the event that (a) the gap is larger than anticipated, (b) all or part of Scenario A is not implemented, or (c) all or part of the Legislative Request is not fulfilled.

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Appendix

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UNITED STATES POSTAL SERVICE

Additional Regulatory Reform Proposals

Proposal	Explanation	Estimated 10 Yr. Value	Stakeholder Analysis	Tie to Mission Statement
Eliminate the price cap and have the PRC engage in after-the-fact regulatory monitoring of Market Dominant prices set by the Governors.	Would implement via statute the Postal Service's original proposal in the 10-Year Review, which is modeled on the regulatory system in the United Kingdom. It would create a much more flexible pricing system that still enables the PRC to ensure compliance with the law.	>$5B	Mailing industry, competitors, and PRC would be strongly opposed. Unions would likely be in favor of the substance of the proposal, particularly since we would propose to retain the existing workshare discount rules (a particular concern of APWU).	Indirect
Provide greater flexibility to enter into NSAs for Market-Dominant products, by eliminating the requirement in current law that an NSA provide a "net financial benefit"; this standard has been very hard to meet as an evidentiary matter.	The criteria for Market-Dominant NSAs would be streamlined to facilitate the Postal Service's ability to enter into more such agreements, based on the exercise of its business judgment. The statute would still require that the Postal Service not discriminate among similarly situated customers, and that the NSA not cause unreasonable harm to the marketplace (a standard that the PRC interprets to require that, among other things, an NSA cover its costs).	$1B-$5B	Mailing industry would generally support. Unclear if the PRC would oppose. Certain mailer groups that have opposed specific NSAs in the past, such as the newspapers, may be opposed, as may interest groups like the Taxpayers Alliance. Unions could oppose if this facilitates more workshare mail.	Indirect
Eliminate before-the-fact PRC review of Competitive rates, including NSAs. The Commission would engage in after-the-fact review in the Annual Compliance Report and complaint processes.	This would streamline the process for setting Competitive rates, particularly with respect to NSAs.	$1B-$5B	Customers would be in favor because this would increase ability to enter into agreements with Postal Service. Competitors would be strongly opposed, and PRC would likely be opposed to reduction in its regulatory authority.	Indirect
Eliminate before-the-fact review by PRC of new postal products, or PRC review of decisions to eliminate products	This proposal would give the Postal Service greater flexibility regarding its portfolio of postal products. The PRC would retain discretion as to how products would be categorized (i.e., either as Market-Dominant or Competitive), and therefore whether to transfer a product from one category to the other.	<$1B	Mailing industry, competitors, and PRC would likely oppose any diminution of the PRC's regulatory authority.	Indirect

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UNITED STATES POSTAL SERVICE

Additional Regulatory Reform Proposals

Proposal	Explanation	Estimated 10 Yr. Value	Stakeholder Analysis	Tie to Mission Statement
Provide greater product freedom to offer nonpostal services and government services	This would allow new nonpostal services that are in the public interest and consistent with the Postal Service's mission of binding the Nation together. Those services would be authorized by the Governors, and subsequently regulated by the Commission in the same manner as the other nonpostal services. The language also would expand the Postal Service's authorization to provide government services to state, local, and tribal governments; would specifically authorizes the use of "sponsorship agreements"; and would endorse the concept that the Postal Service should be the storefront of the Federal Government.	$1B-$5B, with possible but unknown upside depending on profitability of additional services	There has been broad consensus around the state/local/tribal government language. The notion of sponsorship agreements may draw opposition from stakeholders concerned about the potential scope of that authority. There would likely be strong opposition to the nonpostal language, such as from the banking industry and aspects of the mailing industry.	Direct
Streamline service change process by either eliminating the PRC advisory opinion process entirely, or making the procedures less burdensome.	This would enable the Postal Service to implement service changes approved by the Board without first seeking an advisory opinion from the PRC. Alternatively, the Postal Service could retain the requirement to seek an advisory opinion, but change the statute to ensure a streamlined PRC process.	<$1B	Mailing industry, consumer groups, competitors, unions, and PRC would likely strongly oppose the elimination of this process. The alternative would likely also be opposed by these groups.	Indirect
Create additional flexibility for workshare discounts within price cap structure.	This would eliminate the PRC proposal to set a floor for workshare discounts, and give the Postal Service greater flexibility to set workshare discounts above the level of avoided costs.	<$1B	Mailing industry would support more flexibility to set workshare discounts above costs, but would oppose eliminating the floor. Unions would oppose giving more flexibility to set workshare discounts above cost. PRC would oppose any diminution of authority over pricing system.	Indirect

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Long-Term P&L and Cash Flow Statement Impacts

Note: Average bi-weekly payroll ~$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

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SEC. 2302. DELAY OF PAYMENT OF EMPLOYER PAYROLL TAXES.

(a) IN GENERAL .—

(1) TAXES.—Notwithstanding any other provision of law, the payment for applicable employment taxes for the payroll tax deferral period shall not be due before the applicable date.

(2) DEPOSITS.—Notwithstanding section 6302 of the Internal Revenue Code of 1986, an employer shall be treated as having timely made all deposits of applicable employment taxes that are required to be made (without regard to this section) for such taxes during the payroll tax deferral period if all such deposits are made not later than the applicable date.

(3) EXCEPTION.—This subsection shall not apply to any taxpayer if such taxpayer has had indebtedness forgiven under section 1106 of this Act with respect to a loan under paragraph (36) of section 7(a) of the Small Business Act (15 U.S.C. 636(a)), as added by section 1102 of this Act, or indebtedness forgiven under section 1109 of this Act.

(b) SECA.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the payment for 50 percent of the taxes imposed under section 1401(a) of the Internal Revenue Code of 1986 for the payroll tax deferral period shall not be due before the applicable date.

(2) ESTIMATED TAXES.—For purposes of applying section 6654 of the Internal Revenue Code of 1986 to any taxable year which includes any part of the payroll tax deferral period, 50 percent of the taxes imposed under section 1401(a) of such Code for the payroll tax deferral period shall not be treated as taxes to which such section 6654 applies.

(c) LIABILITY OF THIRD PARTIES .—

(1) ACTS TO BE PERFORMED BY AGENTS.—For purposes of section 3504 of the Internal Revenue Code of 1986, in the case of any person designated pursuant to such section (and any regulations or other guidance issued by the Secretary with respect to such section) to perform acts otherwise required to be performed by an employer under such Code, if such employer directs such person to defer payment of any applicable employment taxes during the payroll tax deferral period under this section, such employer shall be solely liable for the payment of such applicable employment taxes before the applicable date for any wages paid by such person on behalf of such employer during such period.

(2) CERTIFIED PROFESSIONAL EMPLOYER ORGANIZATIONS.—For purposes of section 3511, in the case of a certified professional employer organization (as defined in subsection (a) of section 7705 of the Internal Revenue Code of 1986) that has entered into a service contract described in subsection (e)(2) of such section with a customer, if such customer directs such organization to defer payment of any applicable employment taxes during the payroll tax deferral period under this section, such customer shall, notwithstanding subsections (a) and (c) of section 3511, be solely liable for the payment of such applicable employment taxes before the applicable date for any wages paid by such organization to any work site employee performing services for such customer during such period.

(d) DEFINITIONS .—For purposes of this section—

(1) APPLICABLE EMPLOYMENT TAXES.—The term "applicable employment taxes" means the following:

(A) The taxes imposed under section 3111(a) of the Internal Revenue Code of 1986.

(B) So much of the taxes imposed under section 3211(a) of such Code as are attributable to the rate in effect under section 3111(a) of such Code.

(C) So much of the taxes imposed under section 3221(a) of such Code as are attributable to the rate in effect under section 3111(a) of such Code.

(2) PAYROLL TAX DEFERRAL PERIOD.—The term "payroll tax deferral period" means the period beginning on the date of the enactment of this Act and ending before January 1, 2021.

(3) APPLICABLE DATE.—The term "applicable date" means—

(A) December 31, 2021, with respect to 50 percent of the amounts to which subsection (a) or (b), as the case may be, apply, and

(B) December 31, 2022, with respect to the remaining such amounts.

(4) SECRETARY.—The term "Secretary" means the Secretary of the Treasury (or the Secretary's delegate).

(e) TRUST FUNDS HELD HARMLESS .—There are hereby appropriated (out of any money in the Treasury not otherwise appropriated) for each fiscal year to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) and the Social Security Equivalent Benefit Account established under section 15A(a) of the Railroad Retirement Act of 1974 (45 U.S.C. 231n–1(a)) an amount equal to the reduction in the transfers to such fund for such fiscal year by reason of this section. Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had such amendments not been enacted.

(f) REGULATORY AUTHORITY .—The Secretary shall issue such regulations or other guidance as necessary to carry out the purposes of this section, including rules for the administration and enforcement of subsection (c).

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Strategies for a Financially Sustainable Postal Service - 10-Year Outlook & Options

Megan J. Brennan
Postmaster General and Chief Executive Officer

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UNITED STATES POSTAL SERVICE

Closure of Transcripts of April 8 Meeting

– Vote –

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UNITED STATES POSTAL SERVICE

Adjournment

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THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

April 14, 2020

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION

GOVERNORS

SUBJECT: Additional Borrowing Authority Under the CARES Act

This memorandum examines the parameters for $10 billion in additional borrowing authority that Congress recently made available to the Postal Service in response to the ongoing Coronavirus Disease 2019 ("COVID-19") outbreak.

EXECUTIVE SUMMARY

- The new borrowing authority can be accessed only if the Postal Service determines that additional liquidity is necessary to fund operating expenses due to the COVID-19 emergency. Various aspects of this threshold requirement are subject to interpretation: "operating expenses," "due to," the degree of necessity, and the timing of the financial need. Because the statute charges the Postal Service with determining necessity, we arguably have primary discretion to interpret and apply this aspect of the statute. In this regard, we have a clear basis to determine, based on our current forecasts concerning the impact of the COVID-19 outbreak on Postal Service volumes, revenues, and liquidity, that receiving this additional $10 billion in full is consistent with the language of the statute; we are therefore legally authorized to request the full amount at any time. Nevertheless, the consent role of the Treasury Department ("Treasury") means that it could seek to hold up borrowing if it disagrees with the Postal Service's interpretation, or if it questions the assumptions that the Postal Service is using to make our determination.

- Treasury must agree to the terms and conditions of borrowing. In light of recent experience, Treasury could attempt to condition its assent on conditions that enhance its oversight over Postal Service business decisions, and that even intrude upon the Board's and the Governors' discretion to lead the Postal Service. We think such an outcome is unlikely, for the reasons noted below, but as we have previously advised, such conditions would violate constitutional and statutory parameters. In this case we believe that the circumstances and scrutiny from Members of Congress and others could lead Treasury to take a more flexible approach, and our preliminary indications are that Treasury will not insist upon consent rights.

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- Borrowing is limited to $10 billion. This limitation applies at all times; it cannot be temporarily exceeded so long as outstanding debt is returned to $10 billion later. Although we could attempt to access the borrowing authority repeatedly so long as we remain within the $10 billion limit, and Treasury could agree with that approach, the statutory language could also give Treasury (and other decision-makers) a reasonable basis to view the borrowing authority as being available only once.

- Under a reasonable interpretation of the statutory language, funds borrowed under the CARES Act cannot be used for capital expenses or to pay principal, interest, or fees on obligations issued under Title 39. Although there is no specific accounting or reporting requirement, Treasury or Congressional stakeholders could insist that the Postal Service demonstrate its compliance with the requirement that borrowed funds be used only for operating expenses.

ANALYSIS

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Pub. L. No. 116-136. Section 6001(b) of the CARES Act permits the Postal Service to borrow up to $10 billion from the Department of the Treasury, separately from the $15 billion of borrowing authority already available to the Postal Service under 39 U.S.C. § 2005. This additional borrowing authority is subject to a number of conditions, however, the precise import of which are not immediately clear from the statutory text.[1]

Section 6001(b) provides as follows:

> (b) Additional borrowing authority.—Notwithstanding section 2005 of title 39, United States Code, or any other provision of law, if the Postal Service determines that, due to the COVID-19 emergency, the Postal Service will not be able to fund operating expenses without borrowing money—
>
> (1) the Postal Service may borrow money from the Treasury in an amount not to exceed $10,000,000,000—
>
> (A) to be used for such operating expenses; and
>
> (B) which may not be used to pay any outstanding debt of the Postal Service; and

[1] Because the legislation was negotiated largely behind the scenes by Congressional leaders and the Secretary of the Treasury, there are no committee reports or other normal incidents of legislative history to serve as an interpretive aid. The few floor statements by individual Members of Congress that discuss the Postal Service provisions do so only in general terms, and therefore are of no probative value.

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> (2) the Secretary of the Treasury may lend up to the amount described in paragraph (1) at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

This provision plainly establishes at least four principal conditions: two prior to borrowing, one concerning the amount of borrowing, and one on the use of borrowed funds. The Postal Service must first determine that it needs to borrow money in order to fund operating expenses due to the COVID-19 emergency. And it must reach mutual agreement with Treasury over the terms and conditions of borrowing. The borrowing is limited to "an amount not to exceed" $10 billion. The borrowed moneys must be used only for "operating expenses," which cannot include "pay[ing] any outstanding debt." Each condition raises various questions of interpretation.

I. Postal Service Determination of Necessity to Fund Operating Expenses

Under the opening paragraph of Section 6001(b), prior to borrowing any funds, the Postal Service must first determine "that, due to the COVID-19 emergency, the Postal Service will not be able to fund operating expenses without borrowing money." At least six aspects of this proviso are noteworthy.

First, the term "operating expenses" is not defined, but given the term's usage in a related context, "operating expenses" should be construed as distinct from "capital expenses." Specifically, the term "operating expenses" is used in the Postal Service's longstanding borrowing statute. Currently, that provision caps the net increase in borrowing "for the purpose of capital improvements and . . . for the purpose of defraying operating expenses" at $3 billion per fiscal year. 39 U.S.C. § 2005(a). Prior to the enactment of the Postal Accountability and Enhancement Act of 2006 (PAEA), the same sentence set separate annual caps on borrowing used for capital expenses and for operating expenses ($2 billion and $1 billion, respectively). *See* 39 U.S.C. § 2005(a) (2005). Because Section 6001(b) of the CARES Act relates to the same subject matter as 39 U.S.C. § 2005(a) – a fact recognized by the express citation of the Title 39 provision in CARES Act Section 6001's "notwithstanding" clause – it is reasonable to construe the two provisions *in pari materia*: that is, consonant with one another due to their related subject matter. *See, e.g.*, *Pasquantino v. United States*, 544 U.S. 349, 355 n.2 (2005) (noting that wire- and mail-fraud statutes have been construed *in pari materia*); *Nat'l Fed'n of Fed. Employees, Local 1309 v. Dep't of Interior*, 526 U.S. 86, 105 (1999); 2B Sutherland Statutes & Statutory Construction §§ 51:1-51:2, 53:2 (7th ed. 2020).

Under pre-PAEA 39 U.S.C. § 2005(a), the term "operating expenses" was understood by the Postal Service to mean all expenses other than capital expenses. "Operating expenses" therefore included not only expenses intuitively viewed as related to operations

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(e.g., salaries and supplier costs), but also post-retirement benefits expenses and even interest expense on borrowed funds.[2]

Second, the borrowing of funds is conditioned on the Postal Service "not be[ing] able to fund operating expenses without borrowing money." This implies that the additional borrowing authority is a true necessity: that is, the Postal Service must borrow money to continue funding its operating expenses, because the other available means of doing so will come up short. That said, access to the borrowing authority can precede an actual inability to fund operating expenses, as the relevant language is phrased in the future tense ("will not be able to fund").

Third, "due to" is not defined. The plain meaning of this phrase is "because of": there must be a causal relationship between the inability to fund operating expenses and the COVID-19 emergency. *See U.S. Postal Serv. v. Postal Regulatory Comm'n*, 640 F.3d 1263, 1267 (D.C. Cir. 2011) (construing "due to" in the statute authorizing exigent price increases). What is less clear is how close the causal nexus must be (and hence the level of proof that must be provided to substantiate that causal nexus). On that question, courts have recognized that "the phrase 'due to' is ambiguous. . . . The causal nexus of 'due to' has been given a broad variety of meanings in the law ranging from sole and proximate cause at one end of the spectrum to contributing cause at the other." *Id.* at 1268 (quoting *Kimber v. Thiokol Corp.*, 196 F.3d 1092, 1100 (10th Cir. 1999)) (brackets, internal quotation marks, and further citation omitted). Thus, it would certainly be possible to read Section 6001(b) as authorizing borrowing to the sole extent that financial strains can be specifically attributed to the COVID-19 emergency and that those strains overrun all other sources of funding. *Cf. id.* at 1267-68 (describing the Postal Regulatory Commission's (Commission's) initially strict application of "due to" in the exigency statute). But "due to"

> can mean 'due <u>in part</u> to' as well as 'due <u>only</u> to.' A financial crisis can often result from multiple contributing factors[.] It would not be incorrect to say that [a need for relief] is 'due to' [one] factor simply because it is also 'due to' other factors as well.

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[2] We are aware of at least two alternative uses of "operating expenses" in relation to the Postal Service. First, in the Postal Service's periodic financial reports, "operating expenses" encompass all expenses (including depreciation on capital investments) other than interest expense. *E.g.*, U.S. Postal Serv., FY2019 Form 10-K, at 24-39. Second, under the pre-PAEA provision that governed the Governors' ratemaking authority, rates were required to cover "total estimated costs," the definition of which, in turn, distinguished operating expenses from depreciation on capital investments, interest and other debt-related expense, and an amount for contingencies. 39 U.S.C. § 3621 (2005). Although an argument could be made for applying a different reading, the permanent borrowing statute (39 U.S.C. § 2005(a)) is clearly more directly relevant to the CARES Act's borrowing provision than either periodic financial reporting or ratemaking.

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Id. at 1268 (emphasis in original). Hence, in the Section 6001(b) context, it could be enough for the Postal Service to face an inability to fund operating expenses because of the COVID-19 emergency as well as other factors.[3]

Fourth, the inability to fund operating expenses must be "due to the COVID-19 emergency." The "COVID-19 emergency" is expressly defined in relation to the President's declaration of a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. CARES Act § 6001(a)(1). Once the President has rescinded that emergency declaration, then the predicate condition for borrowing could be curtailed. More precisely, to access the CARES Act borrowing authority thereafter, the Postal Service would need to determine that the inability to fund operating expenses remains "due to" emergency conditions prior to rescission.

The Postal Service can certainly argue that, to the extent that mail volumes remain lower and/or costs remain higher at a given point in time than they would have been had the pandemic not occurred, such continuing effects are "due to" the pandemic, even if the emergency declaration has been rescinded. This would justify continued funding under this provision if these continuing effects mean that the Postal Service cannot fund operating expenses without borrowing. That said, assuming that Treasury cooperates in lending money during the COVID-19 emergency, it could decide to stop doing so earlier than the Postal Service believes to be warranted, if Treasury decides that the Postal Service's inability to fund operating expenses is no longer "due to" the emergency. Such a prospect would resemble the Commission's decision to truncate the amount of Great-Recession-era losses that the Postal Service was able to recover through an above-inflation rate increase. There, the Commission relied on the "due to" language in the exigency statute discussed above to establish a cut-off point, after which it would no longer deem continuing mail-volume losses to be "due to" the Great Recession. The Commission based this cut-off point on a determination of when the Postal Service theoretically entered a "new normal," based on macroeconomic indicators and when the Postal Service began to gain an "ability to adjust" its operations at the depth of the recession's impact. *See* Order No. 1926, Order

[3] In *USPS v. PRC*, the court remanded the case to the Commission to interpret "due to" in the exigency statute. The Commission subsequently adopted a view close to the stricter end of the interpretive spectrum by requiring the Postal Service to quantify financial impacts attributable to the exigent circumstance (in that case, the Great Recession) rather than to other causes, although it granted that the quantification need not be absolutely precise. *See generally* Order No. 864, Order Resolving Issues on Remand, PRC Docket No. R2010-4R (Sept. 20, 2011). Key factors in the Commission's reasoning were the Postal Service's econometric resources, the scale of relief that it could seek (into the billions of dollars), and the fact that the exigency provision "is not intended as a remedial provision, but rather as a narrow exception to the price cap." *Id.* at 44. In the context of borrowing under the CARES Act, the Postal Service's resources and the scale of relief are comparable to what the Commission considered, and the additional borrowing authority could arguably (albeit not necessarily) be seen as a narrow exception to the Postal Service's normal borrowing authority. That said, critical differences between the two contexts militate against applying the Commission's logic here: the CARES Act's "due to" language is to be applied by the Postal Service itself, not by an external oversight body, and borrowing money that must be repaid (with interest) – unlike a price increase – does not permanently affect any other party's property interest.

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Granting Exigent Price Increase, PRC Docket No. R2013-11 (Dec. 24, 2013), at 83-94.[4] Even if the Postal Service might assert that COVID-19 impacts persist beyond the emergency declaration's rescission, Treasury, taking a page from the Commission's book, could nonetheless point not only to the emergency's formal end, but also impute (however unrealistically) to the Postal Service an "ability to adjust" that renders its inability to fund operating expenses no longer "due to" the emergency.

Fifth, another interpretative ambiguity in the statute is the relationship between the necessity determination and the actual amount of borrowing that the Postal Service may request. In particular, the statute requires that the Postal Service determine that we could not fund operating expenses due to the pandemic "without borrowing money," but does not directly limit the size of the resulting request in any way other than by imposing a $10 billion cap. In this regard, the Postal Service could argue that so long as we demonstrate a need to borrow money, we can borrow the full $10 billion under the statute, and need not justify the precise amount requested within that overall cap. On the other hand, Treasury could argue that while the $10 billion is an overall cap, the statute also is most reasonably read to limit the size of a request to only what is strictly necessary to ensure that operating expenses are funded.

Sixth, all of this analysis is to be conducted as part of a determination by the Postal Service, but the scope of our actual discretion is unspecified. Section 6001(b)(2) provides that Treasury "may" – not "must" – lend money requested by the Postal Service. *Cf.* 39 U.S.C. § 2006(b) (authorizing the Postal Service to "require the Secretary of the Treasury to purchase" up to $2 billion in Postal Service obligations). Treasury could point to this discretionary language as allowing it to refuse to lend money on the basis that it disagrees with the Postal Service's determination of need. As further support, Treasury could contrast the CARES Act language with an earlier House version of the bill, which would have required Treasury to lend moneys requested by the Postal Service. H.R. 6379, 116th Cong. § 140001(a)(2) (2020) ("[T]he Secretary of the Treasury shall lend up to such amount at the request of the Postal Service."). This mandatory language was abandoned in favor of the discretionary language in the final bill. Given the intense negotiations between Congressional leaders and Treasury that produced the final CARES Act, as well as the attention that the Administration reportedly gave to the postal provisions, this result is almost surely meaningful, rather than accidental. In the end, even if the Postal Service is correct that we have discretion regarding the necessity determination as a legal matter, as a practical matter the Treasury could still refuse to provide the money for other reasons.

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[4] The Postal Service challenged this cut-off as arbitrary, as macroeconomic indicators did not necessarily correspond to mail-volume trends, and as it made little sense to cut off recovery at the depth of the losses, when the Postal Service had merely begun to adjust but had not yet adequately adjusted. These challenges were unsuccessful. *See Alliance for Nonprofit Mailers v. Postal Regulatory Comm'n*, 790 F.3d 186, 196 & n.3 (D.C. Cir. 2015); Order No. 2623, Order Resolving Issues on Remand, PRC Docket No. R2013-11R (July 29, 2015) (denying reconsideration), at 15-28, *aff'd*, *U.S. Postal Serv. v. Postal Regulatory Comm'n*, 841 F.3d 509 (D.C. Cir. 2016).

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In the event that Treasury attempts to second-guess the Postal Service's determination of need, the Postal Service could point to Congress's express conferral on the Postal Service of discretion to determine need; if Congress had intended to subject that determination to Treasury's oversight, it easily could have so provided. Given our recent experience with disagreements over statutory construction, it is possible that we would be unable to persuade Treasury of our interpretation, and resolution of any interagency dispute might ultimately lie with the Office of Legal Counsel (OLC) at the Department of Justice. To minimize the risk of a time-consuming and uncertain dispute, the Postal Service would be well-advised to seek a common understanding with Treasury concerning this aspect of the statute.

While these interpretative issues present room for potential dispute with Treasury, the Postal Service does have a very strong argument that borrowing the full amount of the $10 billion is clearly necessary under the terms of the statute at this time. In this regard, our projections show that the Postal Service will experience a cash shortfall, and hence an inability to fund operating expenses, this calendar year unless the $10 billion is borrowed, and that we will need the full $10 billion to continue operations for as long as possible next fiscal year.[5] This circumstance is a direct result of the precipitous declines in mail volumes that we forecast for Quarter 3 of FY2020, which would not have occurred but for the onset of the pandemic. Therefore, the Postal Service is legally authorized under the statute to request the full $10 billion at this time. While the above-mentioned interpretive issues may complicate our ability to utilize this funding source, we think that such issues are more likely to arise as time passes than they would if we seek these funds now, when the longer-term effects of the pandemic are unclear.

II. Treasury Agreement to Conditions

Under Section 6001(b)(2), any borrowing must be "upon terms and conditions mutually agreed upon by the Secretary and the Postal Service." As you know, in adopting this language, Congress declined our proposed alternative, which would have allowed for negotiation against a backdrop of default terms from the now-expired note purchase agreement. Without such a backdrop, Treasury could seek to reject our proposed terms and to propose terms that we would view as unlawful, inappropriate, or otherwise undesirable. (Indeed, Treasury's insistence on such terms is what led to the expiration, rather than the renewal, of the note purchase agreement last year.)

Treasury might argue that, regardless of any disagreement concerning the appropriate terms and conditions of borrowing under Title 39, it has freer rein to propose such conditions under the CARES Act. As OLC has recognized, the legislative history of the

[5] The projections show the potential for a cash shortfall by October. However, as noted above, the statute arguably requires capital expenses to be excluded from the determination of necessity. The Postal Service's projection assumes capital expenses of $2.0 billion over the rest of this fiscal year, and $2.5 billion for next fiscal year. If these capital expenses are excluded, the Postal Service would still likely experience a cash shortfall this calendar year, or early next calendar year.

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Title 39 borrowing provision, as well as legislation establishing the Federal Financing Bank enacted shortly thereafter, is replete with Treasury's disavowals of any intent to interfere with the Postal Service's operational and business decisions. *See Scope of Treasury Department Purchase Rights with Respect to Financing Initiatives of the U.S. Postal Service*, 19 Op. Off. Legal Counsel 238, 245 n.5 (1995); *Authority of the Secretary of the Treasury Regarding Postal Service Bond Offering*, 17 Op. Off. Legal Counsel 6, 8-10 (1993). By contrast, the CARES Act contains no such legislative history, and its additional borrowing authority is expressly distinguished from, rather than subordinate to, the Title 39 borrowing provision. If anything, the contrast between the final CARES Act and the House bill demonstrates that the "mutual agreement" requirement was intentionally added. *See* H.R. 6379, 116th Cong. § 140001(a)(2) (containing no language about terms and conditions).

That said, any attempt by Treasury to use even this borrowing authority to oversee or second-guess the Governors' and Board's decisions would still vitiate Congress's intent in creating the Postal Service to be insulated from direct political control, and hence would violate constitutional and statutory parameters in the same manner as its prior attempt to impose such terms on our Title 39 borrowing. In this regard, the absence of any direct legislative history is simply not a material legal consideration. Let me know if you would like me to send to you our prior memorandum to the Board explaining these constitutional and statutory issues.

Our experience with non-renewal of the note purchase agreement shows that Treasury may not be swayed by the legal bona fides of our position and may insist on inappropriate terms regardless. In such an event, we may be able to seek a legal opinion from OLC supporting our view. Alternatively, Congress clearly expected that Treasury would facilitate borrowing under Section 6001(b), and any significant delay or lack of cooperation by Treasury could become a subject of Congressional inquiry and oversight. As noted above, at present Treasury has advised us that it does not intend to seek to impose "consent" rights.

III. Amount of Borrowing

Section 6001(b)(1) provides that the borrowing shall be "in an amount not to exceed" $10 billion. In contrast to the Title 39 borrowing provisions, this language does not specify whether the $10 billion limit applies to the amount of CARES Act borrowing "outstanding at any one time" or only as of a certain point in time (e.g., the end of a fiscal year), such that greater amounts can be borrowed so long as the outstanding amount is reduced by the cut-off time. *See* 39 U.S.C. § 2005(a)(1) (containing both types of cap). Without further qualification, however, a plain reading of "not to exceed" indicates that the $10 billion limit applies at all times; the limit cannot be exceeded temporarily so long as it is met later.

A related question concerns whether the $10 billion is a cap similar to the $15 billion cap on Title 39 borrowing, meaning that the Postal Service may access the borrowing authority multiple times (with aggregate borrowing at any one time remaining within the limit), or

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whether the statute only authorizes the provision of $10 billion in total. If the latter is true, another question is whether this borrowing authority can only be accessed in a one-time loan, or if multiple loans are allowed.

Based on existing practice and the uncertain duration of the current emergency, the Postal Service could reasonably take the view that it can repeatedly borrow money within the $10 billion limit. It is possible, however, that Treasury (or OLC, in the event of a dispute) could interpret the CARES Act as providing for a provision of $10 billion in total. A contrast with the Title 39 provision shows that Congress had a template for making the limit apply to an aggregate amount of borrowing "outstanding at any time," *id.*, which was not used in the CARES Act. This, coupled with the plain meaning of the CARES Act language, arguably indicates that Congress did not intend for the CARES Act borrowing limit to operate in the same manner as the $15 billion borrowing cap. It is also conceivable that Treasury could assert that the statute only authorizes a single loan, based on the fact that the statute refers to a singular "amount" of borrowing, and not a multiple "amount of obligations," as in Section 2005, though this argument would be weaker.

Ultimately, this question only becomes relevant if we attempt to access the CARES Act borrowing authority a second time. Because of the possibility that we could be denied a second round of borrowing, it would be advisable to seek to borrow the maximum amount available ($10 billion) at the outset, which is advisable in any event given all of the interpretative issues concerning the "due to" language. In addition, it might also be advisable to seek to secure as long of a maturity as is feasible.

IV. Restrictions on the Use of Borrowed Funds

Section 6001(b)(1)(A) and (B) provide that borrowed funds can only be used to fund operating expenses and cannot be used to pay outstanding debt.

As discussed in section I above, it would be consistent with the history of the Postal Service's permanent borrowing statute to construe the reference to "operating expenses" as excluding capital expenses.

In addition, we think it evident that "debt" means liabilities from borrowing. *See* 39 U.S.C. § 2001(3) (referring to "debt instruments" in the context of the Title 39 borrowing provisions).[6] However, the limitation on using these additional funds to "pay any outstanding debt" is ambiguous in several respects.

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[6] One definition of "debt" refers broadly to any "liability" or "specific sum of money due by agreement or otherwise," such as payments to a supplier or employee for services rendered. *See* BLACK'S LAW DICTIONARY, "debt" (11th ed. 2019). However, as noted above, it is appropriate to read the terms of the CARES Act consistently with the terms of Title 39's borrowing provisions. In addition, it is functionally implausible to believe that Congress intended "debt" to refer to the Postal Service's liabilities generally, since that would mean that the funds borrowed under the CARES Act could be used only to provide liquidity for future operating expenses, and not for expenses already incurred (and thus "outstanding").

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First, it is unclear whether "outstanding debt" includes all payments on borrowed debt, or only payments on principal. On the one hand, to "pay [down] debt" might generally connote payment that has the effect of reducing or eliminating the principal owed. Perhaps for this reason, the Postal Service reports interest expense as a distinct line item in its periodic financial reports. On the other hand, a debt has not been repaid if accrued interest or prepayment fees remain outstanding. Indeed, the statutory language here does not distinguish between principal and other debt, and contextual definitions are broad enough to encompass any amounts (including interest and fees) that are owed under a loan agreement. *See* 39 U.S.C. § 2001(3); BLACK'S LAW DICTIONARY, "debt." In our view, the more reasonable construction is that "outstanding debt" includes principal, interest, and any fees arising under a loan agreement.

Second, it is unclear whether "outstanding debt" refers to debt outstanding when the newly borrowed moneys are spent, or only to debt outstanding at the time of enactment. The former reading is more plausible. Other CARES Act provisions, as well as the Title 39 borrowing provisions, use "outstanding" in ways that appear clearly to connote "outstanding at the time of the relevant event," and in no case "outstanding at the time of enactment." *See* CARES Act, Pub. L. No. 116-136, § 4003(c)(1)(A) (requiring rates for certain Treasury loans to be based on "the current average yield on outstanding marketable obligations of the United States of comparable maturity"); 39 U.S.C. § 2006(a) (same).

On a functional level, Congress placed specific conditions on borrowing under the CARES Act that do not apply to borrowing under Title 39, and so a broader reading of CARES Act's "outstanding debt" preclusion makes sense as an anti-circumvention measure. Otherwise, the Postal Service could borrow under the CARES Act (while eligible) to pay down Title 39 loans, with the newly liberated Title 39 borrowing authority remaining available even after the COVID-19 emergency had ended. To the extent that Congress was seeking to foreclose that possibility, as the language of the statute indicates that it was, the concern applies equally whether moneys are borrowed under Title 39 before or after the date of enactment.

Third, it is unclear whether "any outstanding debt" means only debt acquired under other authorities (i.e., the Title 39 borrowing provisions), or whether it also precludes using CARES Act borrowing to retire and renew earlier CARES Act debt. Under either reading, the CARES Act would preclude borrowing to repay funds borrowed under Title 39. That much would be consistent with Congress's apparent concern that the CARES Act borrowing authority remain distinct from Title 39 borrowing.[7] The additional question is whether the preclusion extends to repayment of earlier CARES Act debt. On a formal level, the statutory text – "any outstanding debt of the Postal Service," without further qualification

[7] That much is evident from Congress's decision not to adopt the House's proposal to cancel all Title 39 debt outstanding on the date of enactment. See H.R. 6379, 116th Cong. § 140001(a)(1). The House bill would then have authorized the Postal Service to borrow $15 billion from Treasury. H.R. 6379, 116th Cong. § 140001(a)(2). In light of the bill's resetting of outstanding debt to zero, it is unclear whether this additional borrowing authority would have been coextensive with or additional to the $15 billion debt ceiling in 39 U.S.C. § 2005(a).

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– would plainly include CARES Act debt. Therefore, it arguably would be most prudent for the Postal Service to not use these borrowed funds in such a manner. However, on a functional level, we could argue that precluding the use of these funds to pay outstanding CARES Act debt would make little sense. So long as all relevant borrowing meets the CARES Act criteria, using new borrowing to repay old debt merely consolidates (a) the use of cash to repay an old loan and (b) attainment of new cash by acquiring a new loan. If emergency circumstances remain such that repayment of the old loan would deprive the Postal Service of cash needed to fund operating expenses, then we would immediately qualify for a new loan under the CARES Act. Neither activity would be inconsistent with the CARES Act's purposes on its own, and so there is no apparent reason why they should be precluded in combination. Therefore, despite the facial breadth of "any outstanding debt," it would be reasonable to construe the preclusion as limited to borrowing under Title 39, not under the CARES Act.

In sum, it is reasonable to construe the CARES Act as prohibiting borrowed funds from being used for either capital expenses or the payment of any principal, interest, or fees arising from obligations issued under Title 39. As noted earlier, however, the CARES Act gives Treasury the discretion to refuse to lend, or to limit its lending, to the Postal Service if it disagrees with the Postal Service's interpretation of the law. It would be advisable to seek a common understanding with Treasury about these legal questions, to the extent possible.

Finally, the statute does not explicitly specify any accountability for the use of borrowed funds. It is unclear at this time whether current Treasury leadership (or Congress) will insist on such an accounting.[8]

CONCLUSION

On its face, the statute imposes conditions on borrowing but gives the Postal Service discretion to determine when and to what extent additional borrowing is needed. But given Treasury's discretion and the requirement to attain Treasury's agreement on borrowing terms, Treasury could simply refuse to lend if it disagrees with the Postal Service's interpretation, desires accountability for the use of funds, or insists on terms of its choosing (regardless of their legality or acceptability to the Postal Service). The only checks on Treasury are Congressional oversight and potential OLC resolution of a legal dispute.

Please let me know if you have any questions or concerns. Of course, the situation regarding our financial situation is very fluid, so if conditions change in a way that warrants

[8] According to the Corporate Treasury office, Treasury historically did not insist on a rigid accounting of the Postal Service's use of pre-PAEA borrowing authority, and the Postal Service thus had a fairly free hand to characterize the use of borrowed funds vis-à-vis the statute's distinct annual caps. However, Treasury might require clearer requirements in this circumstance.

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material revision of the analysis in this memorandum, we will reexamine our analysis and advise you accordingly.

Thomas J. Marshall

cc: Ms. Brennan
Mr. Stroman
Mr. Corbett
Mr. Elston

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THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

April 14, 2020

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION

GOVERNORS

SUBJECT: Additional Borrowing Authority Under the CARES Act

This memorandum examines the parameters for $10 billion in additional borrowing authority that Congress recently made available to the Postal Service in response to the ongoing Coronavirus Disease 2019 ("COVID-19") outbreak.

EXECUTIVE SUMMARY

- The new borrowing authority can be accessed only if the Postal Service determines that additional liquidity is necessary to fund operating expenses due to the COVID-19 emergency. Various aspects of this threshold requirement are subject to interpretation: "operating expenses," "due to," the degree of necessity, and the timing of the financial need. Because the statute charges the Postal Service with determining necessity, we arguably have primary discretion to interpret and apply this aspect of the statute. In this regard, we have a clear basis to determine, based on our current forecasts concerning the impact of the COVID-19 outbreak on Postal Service volumes, revenues, and liquidity, that receiving this additional $10 billion in full is consistent with the language of the statute; we are therefore legally authorized to request the full amount at any time. Nevertheless, the consent role of the Treasury Department ("Treasury") means that it could seek to hold up borrowing if it disagrees with the Postal Service's interpretation, or if it questions the assumptions that the Postal Service is using to make our determination.

- Treasury must agree to the terms and conditions of borrowing. In light of recent experience, Treasury could attempt to condition its assent on conditions that enhance its oversight over Postal Service business decisions, and that even intrude upon the Board's and the Governors' discretion to lead the Postal Service. We think such an outcome is unlikely, for the reasons noted below, but as we have previously advised, such conditions would violate constitutional and statutory parameters. In this case we believe that the circumstances and scrutiny from Members of Congress and others could lead Treasury to take a more flexible approach, and our preliminary indications are that Treasury will not insist upon consent rights.

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- Borrowing is limited to $10 billion. This limitation applies at all times; it cannot be temporarily exceeded so long as outstanding debt is returned to $10 billion later. Although we could attempt to access the borrowing authority repeatedly so long as we remain within the $10 billion limit, and Treasury could agree with that approach, the statutory language could also give Treasury (and other decision-makers) a reasonable basis to view the borrowing authority as being available only once.

- Under a reasonable interpretation of the statutory language, funds borrowed under the CARES Act cannot be used for capital expenses or to pay principal, interest, or fees on obligations issued under Title 39. Although there is no specific accounting or reporting requirement, Treasury or Congressional stakeholders could insist that the Postal Service demonstrate its compliance with the requirement that borrowed funds be used only for operating expenses.

ANALYSIS

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Pub. L. No. 116-136. Section 6001(b) of the CARES Act permits the Postal Service to borrow up to $10 billion from the Department of the Treasury, separately from the $15 billion of borrowing authority already available to the Postal Service under 39 U.S.C. § 2005. This additional borrowing authority is subject to a number of conditions, however, the precise import of which are not immediately clear from the statutory text.[1]

Section 6001(b) provides as follows:

> (b) Additional borrowing authority.—Notwithstanding section 2005 of title 39, United States Code, or any other provision of law, if the Postal Service determines that, due to the COVID-19 emergency, the Postal Service will not be able to fund operating expenses without borrowing money—
>
> (1) the Postal Service may borrow money from the Treasury in an amount not to exceed $10,000,000,000—
>
> (A) to be used for such operating expenses; and
>
> (B) which may not be used to pay any outstanding debt of the Postal Service; and

[1] Because the legislation was negotiated largely behind the scenes by Congressional leaders and the Secretary of the Treasury, there are no committee reports or other normal incidents of legislative history to serve as an interpretive aid. The few floor statements by individual Members of Congress that discuss the Postal Service provisions do so only in general terms, and therefore are of no probative value.

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> (2) the Secretary of the Treasury may lend up to the amount described in paragraph (1) at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

This provision plainly establishes at least four principal conditions: two prior to borrowing, one concerning the amount of borrowing, and one on the use of borrowed funds. The Postal Service must first determine that it needs to borrow money in order to fund operating expenses due to the COVID-19 emergency. And it must reach mutual agreement with Treasury over the terms and conditions of borrowing. The borrowing is limited to "an amount not to exceed" $10 billion. The borrowed moneys must be used only for "operating expenses," which cannot include "pay[ing] any outstanding debt." Each condition raises various questions of interpretation.

I. Postal Service Determination of Necessity to Fund Operating Expenses

Under the opening paragraph of Section 6001(b), prior to borrowing any funds, the Postal Service must first determine "that, due to the COVID-19 emergency, the Postal Service will not be able to fund operating expenses without borrowing money." At least six aspects of this proviso are noteworthy.

First, the term "operating expenses" is not defined, but given the term's usage in a related context, "operating expenses" should be construed as distinct from "capital expenses." Specifically, the term "operating expenses" is used in the Postal Service's longstanding borrowing statute. Currently, that provision caps the net increase in borrowing "for the purpose of capital improvements and . . . for the purpose of defraying operating expenses" at $3 billion per fiscal year. 39 U.S.C. § 2005(a). Prior to the enactment of the Postal Accountability and Enhancement Act of 2006 (PAEA), the same sentence set separate annual caps on borrowing used for capital expenses and for operating expenses ($2 billion and $1 billion, respectively). *See* 39 U.S.C. § 2005(a) (2005). Because Section 6001(b) of the CARES Act relates to the same subject matter as 39 U.S.C. § 2005(a) – a fact recognized by the express citation of the Title 39 provision in CARES Act Section 6001's "notwithstanding" clause – it is reasonable to construe the two provisions *in pari materia*: that is, consonant with one another due to their related subject matter. *See, e.g.*, *Pasquantino v. United States*, 544 U.S. 349, 355 n.2 (2005) (noting that wire- and mail-fraud statutes have been construed *in pari materia*); *Nat'l Fed'n of Fed. Employees, Local 1309 v. Dep't of Interior*, 526 U.S. 86, 105 (1999); 2B Sutherland Statutes & Statutory Construction §§ 51:1-51:2, 53:2 (7th ed. 2020).

Under pre-PAEA 39 U.S.C. § 2005(a), the term "operating expenses" was understood by the Postal Service to mean all expenses other than capital expenses. "Operating expenses" therefore included not only expenses intuitively viewed as related to operations

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(e.g., salaries and supplier costs), but also post-retirement benefits expenses and even interest expense on borrowed funds.[2]

Second, the borrowing of funds is conditioned on the Postal Service "not be[ing] able to fund operating expenses without borrowing money." This implies that the additional borrowing authority is a true necessity: that is, the Postal Service must borrow money to continue funding its operating expenses, because the other available means of doing so will come up short. That said, access to the borrowing authority can precede an actual inability to fund operating expenses, as the relevant language is phrased in the future tense ("will not be able to fund").

Third, "due to" is not defined. The plain meaning of this phrase is "because of": there must be a causal relationship between the inability to fund operating expenses and the COVID-19 emergency. *See U.S. Postal Serv. v. Postal Regulatory Comm'n*, 640 F.3d 1263, 1267 (D.C. Cir. 2011) (construing "due to" in the statute authorizing exigent price increases). What is less clear is how close the causal nexus must be (and hence the level of proof that must be provided to substantiate that causal nexus). On that question, courts have recognized that "the phrase 'due to' is ambiguous. . . . The causal nexus of 'due to' has been given a broad variety of meanings in the law ranging from sole and proximate cause at one end of the spectrum to contributing cause at the other." *Id.* at 1268 (quoting *Kimber v. Thiokol Corp.*, 196 F.3d 1092, 1100 (10th Cir. 1999)) (brackets, internal quotation marks, and further citation omitted). Thus, it would certainly be possible to read Section 6001(b) as authorizing borrowing to the sole extent that financial strains can be specifically attributed to the COVID-19 emergency and that those strains overrun all other sources of funding. *Cf. id.* at 1267-68 (describing the Postal Regulatory Commission's (Commission's) initially strict application of "due to" in the exigency statute). But "due to"

> can mean 'due <u>in part</u> to' as well as 'due <u>only</u> to.' A financial crisis can often result from multiple contributing factors[.] It would not be incorrect to say that [a need for relief] is 'due to' [one] factor simply because it is also 'due to' other factors as well.

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[2] We are aware of at least two alternative uses of "operating expenses" in relation to the Postal Service. First, in the Postal Service's periodic financial reports, "operating expenses" encompass all expenses (including depreciation on capital investments) other than interest expense. *E.g.*, U.S. Postal Serv., FY2019 Form 10-K, at 24-39. Second, under the pre-PAEA provision that governed the Governors' ratemaking authority, rates were required to cover "total estimated costs," the definition of which, in turn, distinguished operating expenses from depreciation on capital investments, interest and other debt-related expense, and an amount for contingencies. 39 U.S.C. § 3621 (2005). Although an argument could be made for applying a different reading, the permanent borrowing statute (39 U.S.C. § 2005(a)) is clearly more directly relevant to the CARES Act's borrowing provision than either periodic financial reporting or ratemaking.

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Id. at 1268 (emphasis in original). Hence, in the Section 6001(b) context, it could be enough for the Postal Service to face an inability to fund operating expenses because of the COVID-19 emergency as well as other factors.[3]

Fourth, the inability to fund operating expenses must be "due to the COVID-19 emergency." The "COVID-19 emergency" is expressly defined in relation to the President's declaration of a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. CARES Act § 6001(a)(1). Once the President has rescinded that emergency declaration, then the predicate condition for borrowing could be curtailed. More precisely, to access the CARES Act borrowing authority thereafter, the Postal Service would need to determine that the inability to fund operating expenses remains "due to" emergency conditions prior to rescission.

The Postal Service can certainly argue that, to the extent that mail volumes remain lower and/or costs remain higher at a given point in time than they would have been had the pandemic not occurred, such continuing effects are "due to" the pandemic, even if the emergency declaration has been rescinded. This would justify continued funding under this provision if these continuing effects mean that the Postal Service cannot fund operating expenses without borrowing. That said, assuming that Treasury cooperates in lending money during the COVID-19 emergency, it could decide to stop doing so earlier than the Postal Service believes to be warranted, if Treasury decides that the Postal Service's inability to fund operating expenses is no longer "due to" the emergency. Such a prospect would resemble the Commission's decision to truncate the amount of Great-Recession-era losses that the Postal Service was able to recover through an above-inflation rate increase. There, the Commission relied on the "due to" language in the exigency statute discussed above to establish a cut-off point, after which it would no longer deem continuing mail-volume losses to be "due to" the Great Recession. The Commission based this cut-off point on a determination of when the Postal Service theoretically entered a "new normal," based on macroeconomic indicators and when the Postal Service began to gain an "ability to adjust" its operations at the depth of the recession's impact. *See* Order No. 1926, Order

[3] In *USPS v. PRC*, the court remanded the case to the Commission to interpret "due to" in the exigency statute. The Commission subsequently adopted a view close to the stricter end of the interpretive spectrum by requiring the Postal Service to quantify financial impacts attributable to the exigent circumstance (in that case, the Great Recession) rather than to other causes, although it granted that the quantification need not be absolutely precise. *See generally* Order No. 864, Order Resolving Issues on Remand, PRC Docket No. R2010-4R (Sept. 20, 2011). Key factors in the Commission's reasoning were the Postal Service's econometric resources, the scale of relief that it could seek (into the billions of dollars), and the fact that the exigency provision "is not intended as a remedial provision, but rather as a narrow exception to the price cap." *Id.* at 44. In the context of borrowing under the CARES Act, the Postal Service's resources and the scale of relief are comparable to what the Commission considered, and the additional borrowing authority could arguably (albeit not necessarily) be seen as a narrow exception to the Postal Service's normal borrowing authority. That said, critical differences between the two contexts militate against applying the Commission's logic here: the CARES Act's "due to" language is to be applied by the Postal Service itself, not by an external oversight body, and borrowing money that must be repaid (with interest) – unlike a price increase – does not permanently affect any other party's property interest.

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Granting Exigent Price Increase, PRC Docket No. R2013-11 (Dec. 24, 2013), at 83-94.[4] Even if the Postal Service might assert that COVID-19 impacts persist beyond the emergency declaration's rescission, Treasury, taking a page from the Commission's book, could nonetheless point not only to the emergency's formal end, but also impute (however unrealistically) to the Postal Service an "ability to adjust" that renders its inability to fund operating expenses no longer "due to" the emergency.

Fifth, another interpretative ambiguity in the statute is the relationship between the necessity determination and the actual amount of borrowing that the Postal Service may request. In particular, the statute requires that the Postal Service determine that we could not fund operating expenses due to the pandemic "without borrowing money," but does not directly limit the size of the resulting request in any way other than by imposing a $10 billion cap. In this regard, the Postal Service could argue that so long as we demonstrate a need to borrow money, we can borrow the full $10 billion under the statute, and need not justify the precise amount requested within that overall cap. On the other hand, Treasury could argue that while the $10 billion is an overall cap, the statute also is most reasonably read to limit the size of a request to only what is strictly necessary to ensure that operating expenses are funded.

Sixth, all of this analysis is to be conducted as part of a determination by the Postal Service, but the scope of our actual discretion is unspecified. Section 6001(b)(2) provides that Treasury "may" – not "must" – lend money requested by the Postal Service. *Cf.* 39 U.S.C. § 2006(b) (authorizing the Postal Service to "require the Secretary of the Treasury to purchase" up to $2 billion in Postal Service obligations). Treasury could point to this discretionary language as allowing it to refuse to lend money on the basis that it disagrees with the Postal Service's determination of need. As further support, Treasury could contrast the CARES Act language with an earlier House version of the bill, which would have required Treasury to lend moneys requested by the Postal Service. H.R. 6379, 116th Cong. § 140001(a)(2) (2020) ("[T]he Secretary of the Treasury shall lend up to such amount at the request of the Postal Service."). This mandatory language was abandoned in favor of the discretionary language in the final bill. Given the intense negotiations between Congressional leaders and Treasury that produced the final CARES Act, as well as the attention that the Administration reportedly gave to the postal provisions, this result is almost surely meaningful, rather than accidental. In the end, even if the Postal Service is correct that we have discretion regarding the necessity determination as a legal matter, as a practical matter the Treasury could still refuse to provide the money for other reasons.

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[4] The Postal Service challenged this cut-off as arbitrary, as macroeconomic indicators did not necessarily correspond to mail-volume trends, and as it made little sense to cut off recovery at the depth of the losses, when the Postal Service had merely begun to adjust but had not yet adequately adjusted. These challenges were unsuccessful. *See Alliance for Nonprofit Mailers v. Postal Regulatory Comm'n*, 790 F.3d 186, 196 & n.3 (D.C. Cir. 2015); Order No. 2623, Order Resolving Issues on Remand, PRC Docket No. R2013-11R (July 29, 2015) (denying reconsideration), at 15-28, *aff'd*, *U.S. Postal Serv. v. Postal Regulatory Comm'n*, 841 F.3d 509 (D.C. Cir. 2016).

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In the event that Treasury attempts to second-guess the Postal Service's determination of need, the Postal Service could point to Congress's express conferral on the Postal Service of discretion to determine need; if Congress had intended to subject that determination to Treasury's oversight, it easily could have so provided. Given our recent experience with disagreements over statutory construction, it is possible that we would be unable to persuade Treasury of our interpretation, and resolution of any interagency dispute might ultimately lie with the Office of Legal Counsel (OLC) at the Department of Justice. To minimize the risk of a time-consuming and uncertain dispute, the Postal Service would be well-advised to seek a common understanding with Treasury concerning this aspect of the statute.

While these interpretative issues present room for potential dispute with Treasury, the Postal Service does have a very strong argument that borrowing the full amount of the $10 billion is clearly necessary under the terms of the statute at this time. In this regard, our projections show that the Postal Service will experience a cash shortfall, and hence an inability to fund operating expenses, this calendar year unless the $10 billion is borrowed, and that we will need the full $10 billion to continue operations for as long as possible next fiscal year.[5] This circumstance is a direct result of the precipitous declines in mail volumes that we forecast for Quarter 3 of FY2020, which would not have occurred but for the onset of the pandemic. Therefore, the Postal Service is legally authorized under the statute to request the full $10 billion at this time. While the above-mentioned interpretive issues may complicate our ability to utilize this funding source, we think that such issues are more likely to arise as time passes than they would if we seek these funds now, when the longer-term effects of the pandemic are unclear.

II. Treasury Agreement to Conditions

Under Section 6001(b)(2), any borrowing must be "upon terms and conditions mutually agreed upon by the Secretary and the Postal Service." As you know, in adopting this language, Congress declined our proposed alternative, which would have allowed for negotiation against a backdrop of default terms from the now-expired note purchase agreement. Without such a backdrop, Treasury could seek to reject our proposed terms and to propose terms that we would view as unlawful, inappropriate, or otherwise undesirable. (Indeed, Treasury's insistence on such terms is what led to the expiration, rather than the renewal, of the note purchase agreement last year.)

Treasury might argue that, regardless of any disagreement concerning the appropriate terms and conditions of borrowing under Title 39, it has freer rein to propose such conditions under the CARES Act. As OLC has recognized, the legislative history of the

[5] The projections show the potential for a cash shortfall by October. However, as noted above, the statute arguably requires capital expenses to be excluded from the determination of necessity. The Postal Service's projection assumes capital expenses of $2.0 billion over the rest of this fiscal year, and $2.5 billion for next fiscal year. If these capital expenses are excluded, the Postal Service would still likely experience a cash shortfall this calendar year, or early next calendar year.

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Title 39 borrowing provision, as well as legislation establishing the Federal Financing Bank enacted shortly thereafter, is replete with Treasury's disavowals of any intent to interfere with the Postal Service's operational and business decisions. *See Scope of Treasury Department Purchase Rights with Respect to Financing Initiatives of the U.S. Postal Service*, 19 Op. Off. Legal Counsel 238, 245 n.5 (1995); *Authority of the Secretary of the Treasury Regarding Postal Service Bond Offering*, 17 Op. Off. Legal Counsel 6, 8-10 (1993). By contrast, the CARES Act contains no such legislative history, and its additional borrowing authority is expressly distinguished from, rather than subordinate to, the Title 39 borrowing provision. If anything, the contrast between the final CARES Act and the House bill demonstrates that the "mutual agreement" requirement was intentionally added. *See* H.R. 6379, 116th Cong. § 140001(a)(2) (containing no language about terms and conditions).

That said, any attempt by Treasury to use even this borrowing authority to oversee or second-guess the Governors' and Board's decisions would still vitiate Congress's intent in creating the Postal Service to be insulated from direct political control, and hence would violate constitutional and statutory parameters in the same manner as its prior attempt to impose such terms on our Title 39 borrowing. In this regard, the absence of any direct legislative history is simply not a material legal consideration. Let me know if you would like me to send to you our prior memorandum to the Board explaining these constitutional and statutory issues.

Our experience with non-renewal of the note purchase agreement shows that Treasury may not be swayed by the legal bona fides of our position and may insist on inappropriate terms regardless. In such an event, we may be able to seek a legal opinion from OLC supporting our view. Alternatively, Congress clearly expected that Treasury would facilitate borrowing under Section 6001(b), and any significant delay or lack of cooperation by Treasury could become a subject of Congressional inquiry and oversight. As noted above, at present Treasury has advised us that it does not intend to seek to impose "consent" rights.

III. Amount of Borrowing

Section 6001(b)(1) provides that the borrowing shall be "in an amount not to exceed" $10 billion. In contrast to the Title 39 borrowing provisions, this language does not specify whether the $10 billion limit applies to the amount of CARES Act borrowing "outstanding at any one time" or only as of a certain point in time (e.g., the end of a fiscal year), such that greater amounts can be borrowed so long as the outstanding amount is reduced by the cut-off time. *See* 39 U.S.C. § 2005(a)(1) (containing both types of cap). Without further qualification, however, a plain reading of "not to exceed" indicates that the $10 billion limit applies at all times; the limit cannot be exceeded temporarily so long as it is met later.

A related question concerns whether the $10 billion is a cap similar to the $15 billion cap on Title 39 borrowing, meaning that the Postal Service may access the borrowing authority multiple times (with aggregate borrowing at any one time remaining within the limit), or

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whether the statute only authorizes the provision of $10 billion in total. If the latter is true, another question is whether this borrowing authority can only be accessed in a one-time loan, or if multiple loans are allowed.

Based on existing practice and the uncertain duration of the current emergency, the Postal Service could reasonably take the view that it can repeatedly borrow money within the $10 billion limit. It is possible, however, that Treasury (or OLC, in the event of a dispute) could interpret the CARES Act as providing for a provision of $10 billion in total. A contrast with the Title 39 provision shows that Congress had a template for making the limit apply to an aggregate amount of borrowing "outstanding at any time," *id.*, which was not used in the CARES Act. This, coupled with the plain meaning of the CARES Act language, arguably indicates that Congress did not intend for the CARES Act borrowing limit to operate in the same manner as the $15 billion borrowing cap. It is also conceivable that Treasury could assert that the statute only authorizes a single loan, based on the fact that the statute refers to a singular "amount" of borrowing, and not a multiple "amount of obligations," as in Section 2005, though this argument would be weaker.

Ultimately, this question only becomes relevant if we attempt to access the CARES Act borrowing authority a second time. Because of the possibility that we could be denied a second round of borrowing, it would be advisable to seek to borrow the maximum amount available ($10 billion) at the outset, which is advisable in any event given all of the interpretative issues concerning the "due to" language. In addition, it might also be advisable to seek to secure as long of a maturity as is feasible.

IV. Restrictions on the Use of Borrowed Funds

Section 6001(b)(1)(A) and (B) provide that borrowed funds can only be used to fund operating expenses and cannot be used to pay outstanding debt.

As discussed in section I above, it would be consistent with the history of the Postal Service's permanent borrowing statute to construe the reference to "operating expenses" as excluding capital expenses.

In addition, we think it evident that "debt" means liabilities from borrowing. *See* 39 U.S.C. § 2001(3) (referring to "debt instruments" in the context of the Title 39 borrowing provisions).[6] However, the limitation on using these additional funds to "pay any outstanding debt" is ambiguous in several respects.

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[6] One definition of "debt" refers broadly to any "liability" or "specific sum of money due by agreement or otherwise," such as payments to a supplier or employee for services rendered. *See* BLACK'S LAW DICTIONARY, "debt" (11th ed. 2019). However, as noted above, it is appropriate to read the terms of the CARES Act consistently with the terms of Title 39's borrowing provisions. In addition, it is functionally implausible to believe that Congress intended "debt" to refer to the Postal Service's liabilities generally, since that would mean that the funds borrowed under the CARES Act could be used only to provide liquidity for future operating expenses, and not for expenses already incurred (and thus "outstanding").

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First, it is unclear whether "outstanding debt" includes all payments on borrowed debt, or only payments on principal. On the one hand, to "pay [down] debt" might generally connote payment that has the effect of reducing or eliminating the principal owed. Perhaps for this reason, the Postal Service reports interest expense as a distinct line item in its periodic financial reports. On the other hand, a debt has not been repaid if accrued interest or prepayment fees remain outstanding. Indeed, the statutory language here does not distinguish between principal and other debt, and contextual definitions are broad enough to encompass any amounts (including interest and fees) that are owed under a loan agreement. *See* 39 U.S.C. § 2001(3); BLACK'S LAW DICTIONARY, "debt." In our view, the more reasonable construction is that "outstanding debt" includes principal, interest, and any fees arising under a loan agreement.

Second, it is unclear whether "outstanding debt" refers to debt outstanding when the newly borrowed moneys are spent, or only to debt outstanding at the time of enactment. The former reading is more plausible. Other CARES Act provisions, as well as the Title 39 borrowing provisions, use "outstanding" in ways that appear clearly to connote "outstanding at the time of the relevant event," and in no case "outstanding at the time of enactment." *See* CARES Act, Pub. L. No. 116-136, § 4003(c)(1)(A) (requiring rates for certain Treasury loans to be based on "the current average yield on outstanding marketable obligations of the United States of comparable maturity"); 39 U.S.C. § 2006(a) (same).

On a functional level, Congress placed specific conditions on borrowing under the CARES Act that do not apply to borrowing under Title 39, and so a broader reading of CARES Act's "outstanding debt" preclusion makes sense as an anti-circumvention measure. Otherwise, the Postal Service could borrow under the CARES Act (while eligible) to pay down Title 39 loans, with the newly liberated Title 39 borrowing authority remaining available even after the COVID-19 emergency had ended. To the extent that Congress was seeking to foreclose that possibility, as the language of the statute indicates that it was, the concern applies equally whether moneys are borrowed under Title 39 before or after the date of enactment.

Third, it is unclear whether "any outstanding debt" means only debt acquired under other authorities (i.e., the Title 39 borrowing provisions), or whether it also precludes using CARES Act borrowing to retire and renew earlier CARES Act debt. Under either reading, the CARES Act would preclude borrowing to repay funds borrowed under Title 39. That much would be consistent with Congress's apparent concern that the CARES Act borrowing authority remain distinct from Title 39 borrowing.[7] The additional question is whether the preclusion extends to repayment of earlier CARES Act debt. On a formal level, the statutory text – "any outstanding debt of the Postal Service," without further qualification

[7] That much is evident from Congress's decision not to adopt the House's proposal to cancel all Title 39 debt outstanding on the date of enactment. See H.R. 6379, 116th Cong. § 140001(a)(1). The House bill would then have authorized the Postal Service to borrow $15 billion from Treasury. H.R. 6379, 116th Cong. § 140001(a)(2). In light of the bill's resetting of outstanding debt to zero, it is unclear whether this additional borrowing authority would have been coextensive with or additional to the $15 billion debt ceiling in 39 U.S.C. § 2005(a).

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– would plainly include CARES Act debt. Therefore, it arguably would be most prudent for the Postal Service to not use these borrowed funds in such a manner. However, on a functional level, we could argue that precluding the use of these funds to pay outstanding CARES Act debt would make little sense. So long as all relevant borrowing meets the CARES Act criteria, using new borrowing to repay old debt merely consolidates (a) the use of cash to repay an old loan and (b) attainment of new cash by acquiring a new loan. If emergency circumstances remain such that repayment of the old loan would deprive the Postal Service of cash needed to fund operating expenses, then we would immediately qualify for a new loan under the CARES Act. Neither activity would be inconsistent with the CARES Act's purposes on its own, and so there is no apparent reason why they should be precluded in combination. Therefore, despite the facial breadth of "any outstanding debt," it would be reasonable to construe the preclusion as limited to borrowing under Title 39, not under the CARES Act.

In sum, it is reasonable to construe the CARES Act as prohibiting borrowed funds from being used for either capital expenses or the payment of any principal, interest, or fees arising from obligations issued under Title 39. As noted earlier, however, the CARES Act gives Treasury the discretion to refuse to lend, or to limit its lending, to the Postal Service if it disagrees with the Postal Service's interpretation of the law. It would be advisable to seek a common understanding with Treasury about these legal questions, to the extent possible.

Finally, the statute does not explicitly specify any accountability for the use of borrowed funds. It is unclear at this time whether current Treasury leadership (or Congress) will insist on such an accounting.[8]

CONCLUSION

On its face, the statute imposes conditions on borrowing but gives the Postal Service discretion to determine when and to what extent additional borrowing is needed. But given Treasury's discretion and the requirement to attain Treasury's agreement on borrowing terms, Treasury could simply refuse to lend if it disagrees with the Postal Service's interpretation, desires accountability for the use of funds, or insists on terms of its choosing (regardless of their legality or acceptability to the Postal Service). The only checks on Treasury are Congressional oversight and potential OLC resolution of a legal dispute.

Please let me know if you have any questions or concerns. Of course, the situation regarding our financial situation is very fluid, so if conditions change in a way that warrants

[8] According to the Corporate Treasury office, Treasury historically did not insist on a rigid accounting of the Postal Service's use of pre-PAEA borrowing authority, and the Postal Service thus had a fairly free hand to characterize the use of borrowed funds vis-à-vis the statute's distinct annual caps. However, Treasury might require clearer requirements in this circumstance.

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material revision of the analysis in this memorandum, we will reexamine our analysis and advise you accordingly.

Thomas J. Marshall

cc: Ms. Brennan
Mr. Stroman
Mr. Corbett
Mr. Elston

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THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES POSTAL SERVICE

April 14, 2020

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION

GOVERNORS

SUBJECT: Additional Borrowing Authority Under the CARES Act

This memorandum examines the parameters for $10 billion in additional borrowing authority that Congress recently made available to the Postal Service in response to the ongoing Coronavirus Disease 2019 ("COVID-19") outbreak.

EXECUTIVE SUMMARY

- The new borrowing authority can be accessed only if the Postal Service determines that additional liquidity is necessary to fund operating expenses due to the COVID-19 emergency. Various aspects of this threshold requirement are subject to interpretation: "operating expenses," "due to," the degree of necessity, and the timing of the financial need. Because the statute charges the Postal Service with determining necessity, we arguably have primary discretion to interpret and apply this aspect of the statute. In this regard, we have a clear basis to determine, based on our current forecasts concerning the impact of the COVID-19 outbreak on Postal Service volumes, revenues, and liquidity, that receiving this additional $10 billion in full is consistent with the language of the statute; we are therefore legally authorized to request the full amount at any time. Nevertheless, the consent role of the Treasury Department ("Treasury") means that it could seek to hold up borrowing if it disagrees with the Postal Service's interpretation, or if it questions the assumptions that the Postal Service is using to make our determination.

- Treasury must agree to the terms and conditions of borrowing. In light of recent experience, Treasury could attempt to condition its assent on conditions that enhance its oversight over Postal Service business decisions, and that even intrude upon the Board's and the Governors' discretion to lead the Postal Service. We think such an outcome is unlikely, for the reasons noted below, but as we have previously advised, such conditions would violate constitutional and statutory parameters. In this case we believe that the circumstances and scrutiny from Members of Congress and others could lead Treasury to take a more flexible approach, and our preliminary indications are that Treasury will not insist upon consent rights.

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- Borrowing is limited to $10 billion. This limitation applies at all times; it cannot be temporarily exceeded so long as outstanding debt is returned to $10 billion later. Although we could attempt to access the borrowing authority repeatedly so long as we remain within the $10 billion limit, and Treasury could agree with that approach, the statutory language could also give Treasury (and other decision-makers) a reasonable basis to view the borrowing authority as being available only once.

- Under a reasonable interpretation of the statutory language, funds borrowed under the CARES Act cannot be used for capital expenses or to pay principal, interest, or fees on obligations issued under Title 39. Although there is no specific accounting or reporting requirement, Treasury or Congressional stakeholders could insist that the Postal Service demonstrate its compliance with the requirement that borrowed funds be used only for operating expenses.

ANALYSIS

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Pub. L. No. 116-136. Section 6001(b) of the CARES Act permits the Postal Service to borrow up to $10 billion from the Department of the Treasury, separately from the $15 billion of borrowing authority already available to the Postal Service under 39 U.S.C. § 2005. This additional borrowing authority is subject to a number of conditions, however, the precise import of which are not immediately clear from the statutory text.[1]

Section 6001(b) provides as follows:

> (b) Additional borrowing authority.—Notwithstanding section 2005 of title 39, United States Code, or any other provision of law, if the Postal Service determines that, due to the COVID-19 emergency, the Postal Service will not be able to fund operating expenses without borrowing money—
>
> (1) the Postal Service may borrow money from the Treasury in an amount not to exceed $10,000,000,000—
>
> (A) to be used for such operating expenses; and
>
> (B) which may not be used to pay any outstanding debt of the Postal Service; and

[1] Because the legislation was negotiated largely behind the scenes by Congressional leaders and the Secretary of the Treasury, there are no committee reports or other normal incidents of legislative history to serve as an interpretive aid. The few floor statements by individual Members of Congress that discuss the Postal Service provisions do so only in general terms, and therefore are of no probative value.

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> (2) the Secretary of the Treasury may lend up to the amount described in paragraph (1) at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

This provision plainly establishes at least four principal conditions: two prior to borrowing, one concerning the amount of borrowing, and one on the use of borrowed funds. The Postal Service must first determine that it needs to borrow money in order to fund operating expenses due to the COVID-19 emergency. And it must reach mutual agreement with Treasury over the terms and conditions of borrowing. The borrowing is limited to "an amount not to exceed" $10 billion. The borrowed moneys must be used only for "operating expenses," which cannot include "pay[ing] any outstanding debt." Each condition raises various questions of interpretation.

I. Postal Service Determination of Necessity to Fund Operating Expenses

Under the opening paragraph of Section 6001(b), prior to borrowing any funds, the Postal Service must first determine "that, due to the COVID-19 emergency, the Postal Service will not be able to fund operating expenses without borrowing money." At least six aspects of this proviso are noteworthy.

First, the term "operating expenses" is not defined, but given the term's usage in a related context, "operating expenses" should be construed as distinct from "capital expenses." Specifically, the term "operating expenses" is used in the Postal Service's longstanding borrowing statute. Currently, that provision caps the net increase in borrowing "for the purpose of capital improvements and . . . for the purpose of defraying operating expenses" at $3 billion per fiscal year. 39 U.S.C. § 2005(a). Prior to the enactment of the Postal Accountability and Enhancement Act of 2006 (PAEA), the same sentence set separate annual caps on borrowing used for capital expenses and for operating expenses ($2 billion and $1 billion, respectively). *See* 39 U.S.C. § 2005(a) (2005). Because Section 6001(b) of the CARES Act relates to the same subject matter as 39 U.S.C. § 2005(a) – a fact recognized by the express citation of the Title 39 provision in CARES Act Section 6001's "notwithstanding" clause – it is reasonable to construe the two provisions *in pari materia*: that is, consonant with one another due to their related subject matter. *See, e.g.*, *Pasquantino v. United States*, 544 U.S. 349, 355 n.2 (2005) (noting that wire- and mail-fraud statutes have been construed *in pari materia*); *Nat'l Fed'n of Fed. Employees, Local 1309 v. Dep't of Interior*, 526 U.S. 86, 105 (1999); 2B Sutherland Statutes & Statutory Construction §§ 51:1-51:2, 53:2 (7th ed. 2020).

Under pre-PAEA 39 U.S.C. § 2005(a), the term "operating expenses" was understood by the Postal Service to mean all expenses other than capital expenses. "Operating expenses" therefore included not only expenses intuitively viewed as related to operations

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(e.g., salaries and supplier costs), but also post-retirement benefits expenses and even interest expense on borrowed funds.[2]

Second, the borrowing of funds is conditioned on the Postal Service "not be[ing] able to fund operating expenses without borrowing money." This implies that the additional borrowing authority is a true necessity: that is, the Postal Service must borrow money to continue funding its operating expenses, because the other available means of doing so will come up short. That said, access to the borrowing authority can precede an actual inability to fund operating expenses, as the relevant language is phrased in the future tense ("will not be able to fund").

Third, "due to" is not defined. The plain meaning of this phrase is "because of": there must be a causal relationship between the inability to fund operating expenses and the COVID-19 emergency. *See U.S. Postal Serv. v. Postal Regulatory Comm'n*, 640 F.3d 1263, 1267 (D.C. Cir. 2011) (construing "due to" in the statute authorizing exigent price increases). What is less clear is how close the causal nexus must be (and hence the level of proof that must be provided to substantiate that causal nexus). On that question, courts have recognized that "the phrase 'due to' is ambiguous. . . . The causal nexus of 'due to' has been given a broad variety of meanings in the law ranging from sole and proximate cause at one end of the spectrum to contributing cause at the other." *Id.* at 1268 (quoting *Kimber v. Thiokol Corp.*, 196 F.3d 1092, 1100 (10th Cir. 1999)) (brackets, internal quotation marks, and further citation omitted). Thus, it would certainly be possible to read Section 6001(b) as authorizing borrowing to the sole extent that financial strains can be specifically attributed to the COVID-19 emergency and that those strains overrun all other sources of funding. *Cf. id.* at 1267-68 (describing the Postal Regulatory Commission's (Commission's) initially strict application of "due to" in the exigency statute). But "due to"

> can mean 'due <u>in part</u> to' as well as 'due <u>only</u> to.' A financial crisis can often result from multiple contributing factors[.] It would not be incorrect to say that [a need for relief] is 'due to' [one] factor simply because it is also 'due to' other factors as well.

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[2] We are aware of at least two alternative uses of "operating expenses" in relation to the Postal Service. First, in the Postal Service's periodic financial reports, "operating expenses" encompass all expenses (including depreciation on capital investments) other than interest expense. *E.g.*, U.S. Postal Serv., FY2019 Form 10-K, at 24-39. Second, under the pre-PAEA provision that governed the Governors' ratemaking authority, rates were required to cover "total estimated costs," the definition of which, in turn, distinguished operating expenses from depreciation on capital investments, interest and other debt-related expense, and an amount for contingencies. 39 U.S.C. § 3621 (2005). Although an argument could be made for applying a different reading, the permanent borrowing statute (39 U.S.C. § 2005(a)) is clearly more directly relevant to the CARES Act's borrowing provision than either periodic financial reporting or ratemaking.

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Id. at 1268 (emphasis in original). Hence, in the Section 6001(b) context, it could be enough for the Postal Service to face an inability to fund operating expenses because of the COVID-19 emergency as well as other factors.[3]

Fourth, the inability to fund operating expenses must be "due to the COVID-19 emergency." The "COVID-19 emergency" is expressly defined in relation to the President's declaration of a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. CARES Act § 6001(a)(1). Once the President has rescinded that emergency declaration, then the predicate condition for borrowing could be curtailed. More precisely, to access the CARES Act borrowing authority thereafter, the Postal Service would need to determine that the inability to fund operating expenses remains "due to" emergency conditions prior to rescission.

The Postal Service can certainly argue that, to the extent that mail volumes remain lower and/or costs remain higher at a given point in time than they would have been had the pandemic not occurred, such continuing effects are "due to" the pandemic, even if the emergency declaration has been rescinded. This would justify continued funding under this provision if these continuing effects mean that the Postal Service cannot fund operating expenses without borrowing. That said, assuming that Treasury cooperates in lending money during the COVID-19 emergency, it could decide to stop doing so earlier than the Postal Service believes to be warranted, if Treasury decides that the Postal Service's inability to fund operating expenses is no longer "due to" the emergency. Such a prospect would resemble the Commission's decision to truncate the amount of Great-Recession-era losses that the Postal Service was able to recover through an above-inflation rate increase. There, the Commission relied on the "due to" language in the exigency statute discussed above to establish a cut-off point, after which it would no longer deem continuing mail-volume losses to be "due to" the Great Recession. The Commission based this cut-off point on a determination of when the Postal Service theoretically entered a "new normal," based on macroeconomic indicators and when the Postal Service began to gain an "ability to adjust" its operations at the depth of the recession's impact. *See* Order No. 1926, Order

[3] In *USPS v. PRC*, the court remanded the case to the Commission to interpret "due to" in the exigency statute. The Commission subsequently adopted a view close to the stricter end of the interpretive spectrum by requiring the Postal Service to quantify financial impacts attributable to the exigent circumstance (in that case, the Great Recession) rather than to other causes, although it granted that the quantification need not be absolutely precise. *See generally* Order No. 864, Order Resolving Issues on Remand, PRC Docket No. R2010-4R (Sept. 20, 2011). Key factors in the Commission's reasoning were the Postal Service's econometric resources, the scale of relief that it could seek (into the billions of dollars), and the fact that the exigency provision "is not intended as a remedial provision, but rather as a narrow exception to the price cap." *Id.* at 44. In the context of borrowing under the CARES Act, the Postal Service's resources and the scale of relief are comparable to what the Commission considered, and the additional borrowing authority could arguably (albeit not necessarily) be seen as a narrow exception to the Postal Service's normal borrowing authority. That said, critical differences between the two contexts militate against applying the Commission's logic here: the CARES Act's "due to" language is to be applied by the Postal Service itself, not by an external oversight body, and borrowing money that must be repaid (with interest) – unlike a price increase – does not permanently affect any other party's property interest.

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Granting Exigent Price Increase, PRC Docket No. R2013-11 (Dec. 24, 2013), at 83-94.[4] Even if the Postal Service might assert that COVID-19 impacts persist beyond the emergency declaration's rescission, Treasury, taking a page from the Commission's book, could nonetheless point not only to the emergency's formal end, but also impute (however unrealistically) to the Postal Service an "ability to adjust" that renders its inability to fund operating expenses no longer "due to" the emergency.

Fifth, another interpretative ambiguity in the statute is the relationship between the necessity determination and the actual amount of borrowing that the Postal Service may request. In particular, the statute requires that the Postal Service determine that we could not fund operating expenses due to the pandemic "without borrowing money," but does not directly limit the size of the resulting request in any way other than by imposing a $10 billion cap. In this regard, the Postal Service could argue that so long as we demonstrate a need to borrow money, we can borrow the full $10 billion under the statute, and need not justify the precise amount requested within that overall cap. On the other hand, Treasury could argue that while the $10 billion is an overall cap, the statute also is most reasonably read to limit the size of a request to only what is strictly necessary to ensure that operating expenses are funded.

Sixth, all of this analysis is to be conducted as part of a determination by the Postal Service, but the scope of our actual discretion is unspecified. Section 6001(b)(2) provides that Treasury "may" – not "must" – lend money requested by the Postal Service. *Cf.* 39 U.S.C. § 2006(b) (authorizing the Postal Service to "require the Secretary of the Treasury to purchase" up to $2 billion in Postal Service obligations). Treasury could point to this discretionary language as allowing it to refuse to lend money on the basis that it disagrees with the Postal Service's determination of need. As further support, Treasury could contrast the CARES Act language with an earlier House version of the bill, which would have required Treasury to lend moneys requested by the Postal Service. H.R. 6379, 116th Cong. § 140001(a)(2) (2020) ("[T]he Secretary of the Treasury shall lend up to such amount at the request of the Postal Service."). This mandatory language was abandoned in favor of the discretionary language in the final bill. Given the intense negotiations between Congressional leaders and Treasury that produced the final CARES Act, as well as the attention that the Administration reportedly gave to the postal provisions, this result is almost surely meaningful, rather than accidental. In the end, even if the Postal Service is correct that we have discretion regarding the necessity determination as a legal matter, as a practical matter the Treasury could still refuse to provide the money for other reasons.

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[4] The Postal Service challenged this cut-off as arbitrary, as macroeconomic indicators did not necessarily correspond to mail-volume trends, and as it made little sense to cut off recovery at the depth of the losses, when the Postal Service had merely begun to adjust but had not yet adequately adjusted. These challenges were unsuccessful. *See Alliance for Nonprofit Mailers v. Postal Regulatory Comm'n*, 790 F.3d 186, 196 & n.3 (D.C. Cir. 2015); Order No. 2623, Order Resolving Issues on Remand, PRC Docket No. R2013-11R (July 29, 2015) (denying reconsideration), at 15-28, *aff'd*, *U.S. Postal Serv. v. Postal Regulatory Comm'n*, 841 F.3d 509 (D.C. Cir. 2016).

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In the event that Treasury attempts to second-guess the Postal Service's determination of need, the Postal Service could point to Congress's express conferral on the Postal Service of discretion to determine need; if Congress had intended to subject that determination to Treasury's oversight, it easily could have so provided. Given our recent experience with disagreements over statutory construction, it is possible that we would be unable to persuade Treasury of our interpretation, and resolution of any interagency dispute might ultimately lie with the Office of Legal Counsel (OLC) at the Department of Justice. To minimize the risk of a time-consuming and uncertain dispute, the Postal Service would be well-advised to seek a common understanding with Treasury concerning this aspect of the statute.

While these interpretative issues present room for potential dispute with Treasury, the Postal Service does have a very strong argument that borrowing the full amount of the $10 billion is clearly necessary under the terms of the statute at this time. In this regard, our projections show that the Postal Service will experience a cash shortfall, and hence an inability to fund operating expenses, this calendar year unless the $10 billion is borrowed, and that we will need the full $10 billion to continue operations for as long as possible next fiscal year.[5] This circumstance is a direct result of the precipitous declines in mail volumes that we forecast for Quarter 3 of FY2020, which would not have occurred but for the onset of the pandemic. Therefore, the Postal Service is legally authorized under the statute to request the full $10 billion at this time. While the above-mentioned interpretive issues may complicate our ability to utilize this funding source, we think that such issues are more likely to arise as time passes than they would if we seek these funds now, when the longer-term effects of the pandemic are unclear.

II. Treasury Agreement to Conditions

Under Section 6001(b)(2), any borrowing must be "upon terms and conditions mutually agreed upon by the Secretary and the Postal Service." As you know, in adopting this language, Congress declined our proposed alternative, which would have allowed for negotiation against a backdrop of default terms from the now-expired note purchase agreement. Without such a backdrop, Treasury could seek to reject our proposed terms and to propose terms that we would view as unlawful, inappropriate, or otherwise undesirable. (Indeed, Treasury's insistence on such terms is what led to the expiration, rather than the renewal, of the note purchase agreement last year.)

Treasury might argue that, regardless of any disagreement concerning the appropriate terms and conditions of borrowing under Title 39, it has freer rein to propose such conditions under the CARES Act. As OLC has recognized, the legislative history of the

[5] The projections show the potential for a cash shortfall by October. However, as noted above, the statute arguably requires capital expenses to be excluded from the determination of necessity. The Postal Service's projection assumes capital expenses of $2.0 billion over the rest of this fiscal year, and $2.5 billion for next fiscal year. If these capital expenses are excluded, the Postal Service would still likely experience a cash shortfall this calendar year, or early next calendar year.

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Title 39 borrowing provision, as well as legislation establishing the Federal Financing Bank enacted shortly thereafter, is replete with Treasury's disavowals of any intent to interfere with the Postal Service's operational and business decisions. *See Scope of Treasury Department Purchase Rights with Respect to Financing Initiatives of the U.S. Postal Service*, 19 Op. Off. Legal Counsel 238, 245 n.5 (1995); *Authority of the Secretary of the Treasury Regarding Postal Service Bond Offering*, 17 Op. Off. Legal Counsel 6, 8-10 (1993). By contrast, the CARES Act contains no such legislative history, and its additional borrowing authority is expressly distinguished from, rather than subordinate to, the Title 39 borrowing provision. If anything, the contrast between the final CARES Act and the House bill demonstrates that the "mutual agreement" requirement was intentionally added. *See* H.R. 6379, 116th Cong. § 140001(a)(2) (containing no language about terms and conditions).

That said, any attempt by Treasury to use even this borrowing authority to oversee or second-guess the Governors' and Board's decisions would still vitiate Congress's intent in creating the Postal Service to be insulated from direct political control, and hence would violate constitutional and statutory parameters in the same manner as its prior attempt to impose such terms on our Title 39 borrowing. In this regard, the absence of any direct legislative history is simply not a material legal consideration. Let me know if you would like me to send to you our prior memorandum to the Board explaining these constitutional and statutory issues.

Our experience with non-renewal of the note purchase agreement shows that Treasury may not be swayed by the legal bona fides of our position and may insist on inappropriate terms regardless. In such an event, we may be able to seek a legal opinion from OLC supporting our view. Alternatively, Congress clearly expected that Treasury would facilitate borrowing under Section 6001(b), and any significant delay or lack of cooperation by Treasury could become a subject of Congressional inquiry and oversight. As noted above, at present Treasury has advised us that it does not intend to seek to impose "consent" rights.

III. Amount of Borrowing

Section 6001(b)(1) provides that the borrowing shall be "in an amount not to exceed" $10 billion. In contrast to the Title 39 borrowing provisions, this language does not specify whether the $10 billion limit applies to the amount of CARES Act borrowing "outstanding at any one time" or only as of a certain point in time (e.g., the end of a fiscal year), such that greater amounts can be borrowed so long as the outstanding amount is reduced by the cut-off time. *See* 39 U.S.C. § 2005(a)(1) (containing both types of cap). Without further qualification, however, a plain reading of "not to exceed" indicates that the $10 billion limit applies at all times; the limit cannot be exceeded temporarily so long as it is met later.

A related question concerns whether the $10 billion is a cap similar to the $15 billion cap on Title 39 borrowing, meaning that the Postal Service may access the borrowing authority multiple times (with aggregate borrowing at any one time remaining within the limit), or

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whether the statute only authorizes the provision of $10 billion in total. If the latter is true, another question is whether this borrowing authority can only be accessed in a one-time loan, or if multiple loans are allowed.

Based on existing practice and the uncertain duration of the current emergency, the Postal Service could reasonably take the view that it can repeatedly borrow money within the $10 billion limit. It is possible, however, that Treasury (or OLC, in the event of a dispute) could interpret the CARES Act as providing for a provision of $10 billion in total. A contrast with the Title 39 provision shows that Congress had a template for making the limit apply to an aggregate amount of borrowing "outstanding at any time," *id.*, which was not used in the CARES Act. This, coupled with the plain meaning of the CARES Act language, arguably indicates that Congress did not intend for the CARES Act borrowing limit to operate in the same manner as the $15 billion borrowing cap. It is also conceivable that Treasury could assert that the statute only authorizes a single loan, based on the fact that the statute refers to a singular "amount" of borrowing, and not a multiple "amount of obligations," as in Section 2005, though this argument would be weaker.

Ultimately, this question only becomes relevant if we attempt to access the CARES Act borrowing authority a second time. Because of the possibility that we could be denied a second round of borrowing, it would be advisable to seek to borrow the maximum amount available ($10 billion) at the outset, which is advisable in any event given all of the interpretative issues concerning the "due to" language. In addition, it might also be advisable to seek to secure as long of a maturity as is feasible.

IV. Restrictions on the Use of Borrowed Funds

Section 6001(b)(1)(A) and (B) provide that borrowed funds can only be used to fund operating expenses and cannot be used to pay outstanding debt.

As discussed in section I above, it would be consistent with the history of the Postal Service's permanent borrowing statute to construe the reference to "operating expenses" as excluding capital expenses.

In addition, we think it evident that "debt" means liabilities from borrowing. *See* 39 U.S.C. § 2001(3) (referring to "debt instruments" in the context of the Title 39 borrowing provisions).[6] However, the limitation on using these additional funds to "pay any outstanding debt" is ambiguous in several respects.

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[6] One definition of "debt" refers broadly to any "liability" or "specific sum of money due by agreement or otherwise," such as payments to a supplier or employee for services rendered. *See* BLACK'S LAW DICTIONARY, "debt" (11th ed. 2019). However, as noted above, it is appropriate to read the terms of the CARES Act consistently with the terms of Title 39's borrowing provisions. In addition, it is functionally implausible to believe that Congress intended "debt" to refer to the Postal Service's liabilities generally, since that would mean that the funds borrowed under the CARES Act could be used only to provide liquidity for future operating expenses, and not for expenses already incurred (and thus "outstanding").

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First, it is unclear whether "outstanding debt" includes all payments on borrowed debt, or only payments on principal. On the one hand, to "pay [down] debt" might generally connote payment that has the effect of reducing or eliminating the principal owed. Perhaps for this reason, the Postal Service reports interest expense as a distinct line item in its periodic financial reports. On the other hand, a debt has not been repaid if accrued interest or prepayment fees remain outstanding. Indeed, the statutory language here does not distinguish between principal and other debt, and contextual definitions are broad enough to encompass any amounts (including interest and fees) that are owed under a loan agreement. *See* 39 U.S.C. § 2001(3); BLACK'S LAW DICTIONARY, "debt." In our view, the more reasonable construction is that "outstanding debt" includes principal, interest, and any fees arising under a loan agreement.

Second, it is unclear whether "outstanding debt" refers to debt outstanding when the newly borrowed moneys are spent, or only to debt outstanding at the time of enactment. The former reading is more plausible. Other CARES Act provisions, as well as the Title 39 borrowing provisions, use "outstanding" in ways that appear clearly to connote "outstanding at the time of the relevant event," and in no case "outstanding at the time of enactment." *See* CARES Act, Pub. L. No. 116-136, § 4003(c)(1)(A) (requiring rates for certain Treasury loans to be based on "the current average yield on outstanding marketable obligations of the United States of comparable maturity"); 39 U.S.C. § 2006(a) (same).

On a functional level, Congress placed specific conditions on borrowing under the CARES Act that do not apply to borrowing under Title 39, and so a broader reading of CARES Act's "outstanding debt" preclusion makes sense as an anti-circumvention measure. Otherwise, the Postal Service could borrow under the CARES Act (while eligible) to pay down Title 39 loans, with the newly liberated Title 39 borrowing authority remaining available even after the COVID-19 emergency had ended. To the extent that Congress was seeking to foreclose that possibility, as the language of the statute indicates that it was, the concern applies equally whether moneys are borrowed under Title 39 before or after the date of enactment.

Third, it is unclear whether "any outstanding debt" means only debt acquired under other authorities (i.e., the Title 39 borrowing provisions), or whether it also precludes using CARES Act borrowing to retire and renew earlier CARES Act debt. Under either reading, the CARES Act would preclude borrowing to repay funds borrowed under Title 39. That much would be consistent with Congress's apparent concern that the CARES Act borrowing authority remain distinct from Title 39 borrowing.[7] The additional question is whether the preclusion extends to repayment of earlier CARES Act debt. On a formal level, the statutory text – "any outstanding debt of the Postal Service," without further qualification

[7] That much is evident from Congress's decision not to adopt the House's proposal to cancel all Title 39 debt outstanding on the date of enactment. See H.R. 6379, 116th Cong. § 140001(a)(1). The House bill would then have authorized the Postal Service to borrow $15 billion from Treasury. H.R. 6379, 116th Cong. § 140001(a)(2). In light of the bill's resetting of outstanding debt to zero, it is unclear whether this additional borrowing authority would have been coextensive with or additional to the $15 billion debt ceiling in 39 U.S.C. § 2005(a).

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– would plainly include CARES Act debt. Therefore, it arguably would be most prudent for the Postal Service to not use these borrowed funds in such a manner. However, on a functional level, we could argue that precluding the use of these funds to pay outstanding CARES Act debt would make little sense. So long as all relevant borrowing meets the CARES Act criteria, using new borrowing to repay old debt merely consolidates (a) the use of cash to repay an old loan and (b) attainment of new cash by acquiring a new loan. If emergency circumstances remain such that repayment of the old loan would deprive the Postal Service of cash needed to fund operating expenses, then we would immediately qualify for a new loan under the CARES Act. Neither activity would be inconsistent with the CARES Act's purposes on its own, and so there is no apparent reason why they should be precluded in combination. Therefore, despite the facial breadth of "any outstanding debt," it would be reasonable to construe the preclusion as limited to borrowing under Title 39, not under the CARES Act.

In sum, it is reasonable to construe the CARES Act as prohibiting borrowed funds from being used for either capital expenses or the payment of any principal, interest, or fees arising from obligations issued under Title 39. As noted earlier, however, the CARES Act gives Treasury the discretion to refuse to lend, or to limit its lending, to the Postal Service if it disagrees with the Postal Service's interpretation of the law. It would be advisable to seek a common understanding with Treasury about these legal questions, to the extent possible.

Finally, the statute does not explicitly specify any accountability for the use of borrowed funds. It is unclear at this time whether current Treasury leadership (or Congress) will insist on such an accounting.[8]

CONCLUSION

On its face, the statute imposes conditions on borrowing but gives the Postal Service discretion to determine when and to what extent additional borrowing is needed. But given Treasury's discretion and the requirement to attain Treasury's agreement on borrowing terms, Treasury could simply refuse to lend if it disagrees with the Postal Service's interpretation, desires accountability for the use of funds, or insists on terms of its choosing (regardless of their legality or acceptability to the Postal Service). The only checks on Treasury are Congressional oversight and potential OLC resolution of a legal dispute.

Please let me know if you have any questions or concerns. Of course, the situation regarding our financial situation is very fluid, so if conditions change in a way that warrants

[8] According to the Corporate Treasury office, Treasury historically did not insist on a rigid accounting of the Postal Service's use of pre-PAEA borrowing authority, and the Postal Service thus had a fairly free hand to characterize the use of borrowed funds vis-à-vis the statute's distinct annual caps. However, Treasury might require clearer requirements in this circumstance.

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material revision of the analysis in this memorandum, we will reexamine our analysis and advise you accordingly.

Thomas J. Marshall

cc: Ms. Brennan
Mr. Stroman
Mr. Corbett
Mr. Elston

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THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES
POSTAL SERVICE

April 17, 2020

Lori Rectanus
Director, Physical Infrastructure Issues
Government Accountability Office

RE: U.S. Postal Service: Congressional Action to Enable a Sustainable Business Model Is Essential (Draft Report No. GAO-20-385)

Dear Ms. Rectanus:

On behalf of the United States Postal Service, this letter responds to your invitation to comment on the draft of the Government Accountability Office's (GAO's) audit report number GAO-20-385, which was transmitted to us for review on March 12.

Following the receipt of your draft report, the onset of the Coronavirus Disease 2019 (COVID-19) pandemic has had profound impacts both on the Nation, and the Postal Service. The pandemic has demonstrated the vital nature of the public services that the Postal Service performs, as Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy. The postal sector is also part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages to all communities in the Nation, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods that sustain us that are purchased online.

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our universal service mission, the pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

While short-term action by Congress is critical, the Postal Service's financial situation has long been unsustainable due to a combination of declining mail volumes and an inflexible statutory and regulatory structure that limits our ability to reduce costs and increase revenue. Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term financial viability, as discussed in your report. As discussed below, we generally concur with your discussion of the structural challenges facing the Postal Service and the general policy options for addressing them, albeit with some clarifications.

As an initial matter, we concur with the National Bankruptcy Conference's thorough legal analysis, which concludes that the Federal bankruptcy laws do not apply to the Postal Service as an entity of the Federal Government. We further agree that attempting to apply a bankruptcy-like legal process meaningfully to the Postal Service would face significant legal hurdles, given that the central flaws in

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our business model derive from statute. In this regard, bankruptcy is a process to address outstanding debts, not significant future liabilities caused by statutory obligations. To place the Postal Service on a sustainable footing requires not only addressing our unpaid past liabilities, but also, more fundamentally, reform of statutorily determined aspects of our business model. Therefore, as the National Bankruptcy Conference and GAO note (e.g., at page 36 of the draft report), "all roads for [restructuring the Postal Service's existing and future obligations] lead back to Congress."

The essential policy issues for Congress can be boiled down to two questions: what does Congress want the Postal Service to do, and how should those mandates be paid for? The former question requires Congress to consider, in particular, the level of universal postal service that is appropriate to meet the evolving needs of the American people (which is particularly important to consider in times like these), and the compensation and benefits structure that should apply to the men and women who provide that essential, fundamental service. The latter question requires Congress to consider how the costs incurred by the Postal Service should be funded, whether through the sale of postal products and services, taxpayer appropriations, or other sources.

Over the past decade, the Postal Service has aggressively pursued opportunities within its control to reduce costs and sustain revenue, some of which are discussed in your report. Yet those opportunities remain insufficient to close the current gap between our costs and revenues. The Postal Service has therefore advocated for financial and structural reforms to our business model to rebalance costs and revenue, and to sustain that balance going forward, by giving the Postal Service greater pricing and product flexibility and greater ability to reduce costs.

The central aspect of our proposal has been to rationalize our post-retirement benefits structure by ensuring that our retiree health benefits program is appropriately integrated with Medicare. As your report notes (on page 13 of the draft), most companies do not offer retiree health benefits, and the number that do has declined over time. What is not specifically mentioned in your report is that, for the minority of employers that do continue to offer a retiree health benefits program, the universal practice is to integrate that program with Medicare. Doing so would wipe out most of the Postal Service's remaining retiree health benefits prefunding liability. While Medicare integration would shift some cost to Medicare, the increase would be very small when considering the Medicare program as a whole: it would increase Medicare spending by a small fraction of one percent. In addition, other options regarding our retirement benefits would not require taxpayer support, such as changes in liability calculation methods and diversified investment of fund assets.

Beyond these policy issues, GAO also recommends that Congress consider whether to retain the Postal Service's status as an independent establishment, or to adopt a different institutional structure. We agree with GAO that this topic could logically be part of a comprehensive examination of the Postal Service's business model by Congress. We understand the purpose of the GAO report is to not make any specific recommendations to Congress in this regard, but simply to lay out the various theoretical and practical effects of various possible institutional forms; our feedback on this matter was offered in the same spirit, and as a part of your intellectual exercise. Ultimately, Congress, with input from our Board of Governors and other interested stakeholders, would need to determine whether changing the Postal Service's institutional structure is necessary or appropriate to ensure the continued provision of prompt, reliable, and efficient universal postal services to the American people.

Given Congress's constitutional responsibility over postal services and the critical nature of the postal system to the functioning of the American economy and society, particularly in times like these, Congress would have to address the basic policy questions noted above regardless of whether the Postal Service remains an independent establishment or were recast in some other form. For example, even where foreign postal operators have been privatized, they remain – uniquely among letter and package delivery providers in their countries – legally obligated to provide universal service under statutory and regulatory conditions that constrain their autonomy over rates and costs. In those countries, privatization processes have involved legislative decisions about

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service levels, revenue diversification, labor and employment laws, ratemaking authority, governmental assumption of costs (e.g., pension liabilities in Germany and the United Kingdom, as well as operation of the post office network in the United Kingdom), and other taxpayer support (e.g., tax exemptions in various countries, and £ 1.1 billion in appropriated modernization funding in the United Kingdom). The draft report notes that the same was true of the privatization of Conrail in this country. And even established private automobile manufacturers and airlines have required Federal assistance and legal reforms in order to continue operating, pursuant to Congress's determination of the critical role of those industries in the American economy.

Hence, the core motivation of a sustainable postal service for the nation does not hinge on the provider's institutional form. Rather, that motivation – and the attendant legislative support – should apply so long as Congress deems postal services necessary to the nation's current and future needs. That said, it bears noting, when assessing how institutional form can affect institutional incentives, that a Government entity will necessarily prioritize the achievement of its service mission set forth in statute, while a privatized entity would have obligations to its shareholders.

At the same time, it should also be noted that (contrary to pages 34-35 of the draft report), institutional form in itself is not determinative regarding efficiency incentives. Although an independent establishment of the Executive Branch rather than a Government or private corporation, the Postal Service has long been recognized as at the forefront of postal operators – ahead of several cited in the draft report – in terms of operating efficiency. Many of the efficiency gains achieved by corporatized and privatized foreign postal operators in recent years essentially represent efforts to catch up to what the Postal Service has already done for decades (e.g., worksharing and automated delivery-point sequencing) or to keep pace with recent changes that the Postal Service began implementing before them (e.g., consolidation of its processing network and introduction of two-tier wage schedules). For example, the Postal Service was the first postal operator in the world to automate delivery sequencing (Royal Mail and La Poste followed more than a decade later). A change in institutional form is therefore clearly unnecessary to incent the Postal Service to be efficient.

In that regard, and particularly considering the highly competitive nature of the marketplace in which we operate for all of our products, we consider the drive to operate efficiently to be a part of the DNA of the Postal Service, and that would remain an inherent part of our culture irrespective of our institutional form. For that reason, we do not believe corporatization or privatization would somehow unlock new efficiency potential that the Postal Service purportedly lacks under the current structure; only reform in the laws governing Postal Service's cost structure can do that, and they would do so whether or not the Postal Service remains an independent establishment. Finally, for the reasons noted above, we also do not believe that a change in our status to a more typical federal agency that is more reliant on appropriations would result in disincentives for us to be efficient.
Thank you once again for providing us with the opportunity to comment. We would be pleased to assist your office with further information or discussion of this matter if you believe it would be helpful.

Sincerely,

Thomas J. Marshall

Attachment

cc: Corporate Audit & Response Management
Ms. Haring
Ms. Simmons

AMERICAN OVERSIGHT

THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES
POSTAL SERVICE

April 17, 2020

Lori Rectanus
Director, Physical Infrastructure Issues
Government Accountability Office

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Hence, the core motivation of a sustainable postal service for the nation does not hinge on the provider's institutional form. Rather, that motivation – and the attendant legislative support – should apply so long as Congress deems postal services necessary to the nation's current and future needs. That said, it bears noting, when assessing how institutional form can affect institutional incentives, that a Government entity will necessarily prioritize the achievement of its service mission set forth in statute, while a privatized entity would have obligations to its shareholders.

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In that regard, and particularly considering the highly competitive nature of the marketplace in which we operate for all of our products, we consider the drive to operate efficiently to be a part of the DNA of the Postal Service, and that would remain an inherent part of our culture irrespective of our institutional form. For that reason, we do not believe corporatization or privatization would somehow unlock new efficiency potential that the Postal Service purportedly lacks under the current structure; only reform in the laws governing Postal Service's cost structure can do that, and they would do so whether or not the Postal Service remains an independent establishment. Finally, for the reasons noted above, we also do not believe that a change in our status to a more typical federal agency that is more reliant on appropriations would result in disincentives for us to be efficient.
Thank you once again for providing us with the opportunity to comment. We would be pleased to assist your office with further information or discussion of this matter if you believe it would be helpful.

Sincerely,

Thomas J. Marshall

Attachment

cc: Corporate Audit & Response Management
Ms. Haring
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THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES
POSTAL SERVICE

April 17, 2020

Lori Rectanus
Director, Physical Infrastructure Issues
Government Accountability Office

RE: U.S. Postal Service: Congressional Action to Enable a Sustainable Business Model Is Essential (Draft Report No. GAO-20-385)

Dear Ms. Rectanus:

On behalf of the United States Postal Service, this letter responds to your invitation to comment on the draft of the Government Accountability Office's (GAO's) audit report number GAO-20-385, which was transmitted to us for review on March 12.

Following the receipt of your draft report, the onset of the Coronavirus Disease 2019 (COVID-19) pandemic has had profound impacts both on the Nation, and the Postal Service. The pandemic has demonstrated the vital nature of the public services that the Postal Service performs, as Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy. The postal sector is also part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages to all communities in the Nation, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods that sustain us that are purchased online.

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our universal service mission, the pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

While short-term action by Congress is critical, the Postal Service's financial situation has long been unsustainable due to a combination of declining mail volumes and an inflexible statutory and regulatory structure that limits our ability to reduce costs and increase revenue. Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term financial viability, as discussed in your report. As discussed below, we generally concur with your discussion of the structural challenges facing the Postal Service and the general policy options for addressing them, albeit with some clarifications.

As an initial matter, we concur with the National Bankruptcy Conference's thorough legal analysis, which concludes that the Federal bankruptcy laws do not apply to the Postal Service as an entity of the Federal Government. We further agree that attempting to apply a bankruptcy-like legal process meaningfully to the Postal Service would face significant legal hurdles, given that the central flaws in

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The essential policy issues for Congress can be boiled down to two questions: what does Congress want the Postal Service to do, and how should those mandates be paid for? The former question requires Congress to consider, in particular, the level of universal postal service that is appropriate to meet the evolving needs of the American people (which is particularly important to consider in times like these), and the compensation and benefits structure that should apply to the men and women who provide that essential, fundamental service. The latter question requires Congress to consider how the costs incurred by the Postal Service should be funded, whether through the sale of postal products and services, taxpayer appropriations, or other sources.

Over the past decade, the Postal Service has aggressively pursued opportunities within its control to reduce costs and sustain revenue, some of which are discussed in your report. Yet those opportunities remain insufficient to close the current gap between our costs and revenues. The Postal Service has therefore advocated for financial and structural reforms to our business model to rebalance costs and revenue, and to sustain that balance going forward, by giving the Postal Service greater pricing and product flexibility and greater ability to reduce costs.

The central aspect of our proposal has been to rationalize our post-retirement benefits structure by ensuring that our retiree health benefits program is appropriately integrated with Medicare. As your report notes (on page 13 of the draft), most companies do not offer retiree health benefits, and the number that do has declined over time. What is not specifically mentioned in your report is that, for the minority of employers that do continue to offer a retiree health benefits program, the universal practice is to integrate that program with Medicare. Doing so would wipe out most of the Postal Service's remaining retiree health benefits prefunding liability. While Medicare integration would shift some cost to Medicare, the increase would be very small when considering the Medicare program as a whole: it would increase Medicare spending by a small fraction of one percent. In addition, other options regarding our retirement benefits would not require taxpayer support, such as changes in liability calculation methods and diversified investment of fund assets.

Beyond these policy issues, GAO also recommends that Congress consider whether to retain the Postal Service's status as an independent establishment, or to adopt a different institutional structure. We agree with GAO that this topic could logically be part of a comprehensive examination of the Postal Service's business model by Congress. We understand the purpose of the GAO report is to not make any specific recommendations to Congress in this regard, but simply to lay out the various theoretical and practical effects of various possible institutional forms; our feedback on this matter was offered in the same spirit, and as a part of your intellectual exercise. Ultimately, Congress, with input from our Board of Governors and other interested stakeholders, would need to determine whether changing the Postal Service's institutional structure is necessary or appropriate to ensure the continued provision of prompt, reliable, and efficient universal postal services to the American people.

Given Congress's constitutional responsibility over postal services and the critical nature of the postal system to the functioning of the American economy and society, particularly in times like these, Congress would have to address the basic policy questions noted above regardless of whether the Postal Service remains an independent establishment or were recast in some other form. For example, even where foreign postal operators have been privatized, they remain – uniquely among letter and package delivery providers in their countries – legally obligated to provide universal service under statutory and regulatory conditions that constrain their autonomy over rates and costs. In those countries, privatization processes have involved legislative decisions about

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UNITED STATES
POSTAL SERVICE

April 17, 2020

Lori Rectanus
Director, Physical Infrastructure Issues
Government Accountability Office

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Attachment

cc: Corporate Audit & Response Management
Ms. Haring
Ms. Simmons

AMERICAN OVERSIGHT

THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES
POSTAL SERVICE

April 21, 2020

EXECUTIVE LEADERSHIP TEAM

SUBJECT: Second Quarterly Report on Form 10-Q for FY2020

As you know, the second Quarterly Report on Form 10-Q for Fiscal Year 2020 is in the drafting process and is expected to be filed with the Postal Regulatory Commission on May 7, 2020.

Please carefully review the attached draft Quarterly Report on Form 10-Q, particularly the Management's Discussion and Analysis section for any material misstatements or omissions.

If you have comments on the report, please provide them directly to Natalie Bonanno, Associate General Counsel and Chief Ethics & Compliance Officer, via email on or before April 24, 2020. If you do not have any comments on the report, please let Natalie know via email on or before that date.

Please let me know if you have any questions.

Thomas J. Marshall

Attachment

cc: Ms. Bonanno

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AMERICAN OVERSIGHT

AGENDA

DISCLOSURE COMMITTEE MEETING
April 27, 2020, 10:30 a.m.
***Via* Zoom**

1. Officer Sub-Certifications (General Counsel)

2. Related Party Questionnaires (Finance)

3. Disclosure Committee Email Inbox Log (Finance and General Counsel)

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3b. Late submission to the DC Inbox of a non-material item (General Counsel)

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    a. July 28, 2020
    b. November 4, 2020

AMERICAN OVERSIGHT

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DISCLOSURE COMMITTEE MEETING
April 27, 2020, 10:30 a.m.
***Via* Zoom**

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2. Related Party Questionnaires (Finance)

3. Disclosure Committee Email Inbox Log (Finance and General Counsel)

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BRIEFING SHEET
Legal Update

MEETING OF THE BOARD OF GOVERNORS
May 7, 2020

Closed Session

PRESENTER:

Tom Marshall, General Counsel (Note: Mr. Marshall will be prepared to respond to questions on the matters discussed below).

ISSUE/PURPOSE:

The purpose of this Briefing Sheet is to summarize communications from the General Counsel to the Governors or Board of Governors (Board) since the meeting of the Board on April 1, 2020, and to summarize information sent in support of matters on the Board agenda for May 7, 2020

BACKGROUND:

This summary is informational in nature.

CURRENT STATUS:

I. **Communications since the April 1, 2020 Board meeting:** Since the April 1, 2020 meeting, the General Counsel forwarded the following communications to the Governors or to the Board.

- **Closing Justification for April 28, 2020 Meeting:** By memorandum dated April 27, 2020, the General Counsel advised the Secretary of the Board of Governors of the reasons why each of the items on the agenda for the Board meeting on April 28, 2020 could be closed to the public under the Government in the Sunshine Act.

- **Closing Justification for May 7, 2020 Meeting:** By memorandum dated April 23, 2020, the General Counsel advised the Secretary of the Board of Governors of the reasons why each of the items on the agenda for the Board meeting on May 7, 2020 could be closed to the public under the Government in the Sunshine Act.

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- **Closing Justification for April 23, 2020 Meeting:** By memorandum dated April 23, 2020, the General Counsel advised the Secretary of the Board of Governors of the reasons why each of the items on the agenda for the Board meeting held on April 23, 2020 could be closed to the public under the Government in the Sunshine Act.

- **Cease and Desist Letter:** By email dated April 23, 2020, the General Counsel advised Chairman Duncan and Governor Barger of the response of a political action committee to a Postal Service's cease and desist letter, which agreed to cease the unauthorized use of Postal Service intellectual property.

- **The American Spectator:** By emails dated April 19 and 20, 2020, the General Counsel provided to the Governors information concerning a potential Op-Ed concerning the Postal Service's nonpartisan nature.

- **Draft Letter to Congressional Leadership:** By email dated April 17, 2020, the General Counsel provided to Governors Bloom and Barger a working draft of a letter to Congressional leadership.

- **More Letters:** By emails dated April 16 and 17, 2020, the General Counsel discussed with Chairman Duncan and Governors Barger and Bloom the unauthorized use by a political action committee of Postal Service intellectual property.

- **Cease and Desist Letter**: By email dated April 16, 2020, the General Counsel provided Chairman Duncan and Governor Barger with the final cease and desist letter to address misuse of the Postal Service's intellectual property by a political action committee, as well as the issued public statement by the Postal Service regarding the use of our intellectual property.

- **Closing Justification for April 9, 2020 Meeting**: By memorandum dated April 15, 2020, the General Counsel advised the Secretary of the Board of Governors of the reasons why each of the items on the agenda for the Board meeting held on April 9, 2020 could be closed to the public under the Government in the Sunshine Act.

- **Appropriate Share D.C. Circuit Decision (UPS v. PRC; D.C. Cir. No. 19-1026):** By email dated April 14, 2020, the General Counsel provided the Governors with information concerning the decision by

AMERICAN OVERSIGHT

the D.C. Circuit Court of Appeals to remand the Postal Regulatory Commission's appropriate share order.

- **Treasury Borrowing Pursuant to the CARES Act:** By email dated April 14, 2020, the General Counsel provided the Governors with a memorandum analyzing the provision in the CARES Act that gives the Postal Service an additional $10 billion in borrowing authority, subject to agreement with the Department of the Treasury on terms and conditions.

- **USPS IP Issue:** By emails dated April 13 and 14, 2020, the General Counsel provided to Chairman Duncan and Governor Barger information regarding a draft cease and desist letter to address misuse of the Postal Service's intellectual property by a political action committee, as well as a public statement by the Postal Service regarding the use of our intellectual property.

- **Legislative Package:** By email dated April 9, 2020, the General Counsel provided to Governors Bloom and Barger draft legislative language regarding the Postal Service's immediate legislative request to address the impacts of COVID-19.

- **NY Times Story:** By emails dated April 9, 2020, the General Counsel provided to Governors Bloom and Barger information regarding a story in the *New York Times* concerning the Postal Service's briefing to Congress on the financial impact of the COVID-19 pandemic on the Postal Service, and our legislative request.

- **Today's Call with Our Oversight Committee:** By email dated April 9, 2020, the General Counsel provided to Governors Bloom and Barger a summary of the briefing that was held with the House Oversight Committee on the financial impact of the COVID-19 pandemic on the Postal Service, and our legislative request.

- **Closing Justification for the April 8, 2020 Meeting:** By memorandum dated April 7, 2020, the General Counsel advised the Secretary of the Board of Governors of the reasons why each of the items on the agenda for the Board meeting on April 8, 2020 could be closed to the public under the Government in the Sunshine Act.

II. **Communications to the Board Members Sent in Preparation for the May 7, 2020 meeting of the Board of Governors:** The following items were sent to the Board in preparation for the May 7, 2020 meeting:

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- **PowerPoint Presentation:** The General Counsel forwarded a PowerPoint presentation encompassing the Legal Update. The PowerPoint contains updates on the following matters:

    - Appropriate Share Decision
    - Northrop Grumman Litigation Update
    - Greeting Card Association Complaint Update

- **Commercial P.O. Box Redirect Service Market Test:** By memorandum dated April 30, 2020, the General Counsel advised the Governors as to why the market test proposal to establish the Commercial P.O Box Redirect service conforms to applicable statutory requirements and will likely be authorized by the Postal Regulatory Commission. A draft Governors' resolution authorizing the market test was also provided.

- **Loyalty Program for Small Businesses:** By memorandum dated April 30, 2020, the General Counsel advised the Governors as to why the proposal to change competitive prices to establish a loyalty program for small businesses conforms to applicable statutory requirements and will likely be authorized by the Postal Regulatory Commission. A draft Governors' resolution authorizing the competitive price change was also provided.

- **New Priority Mail—Non-Published Rates Product:** By memorandum dated April 30, 2020, the General Counsel advised the Governors as to why the proposal to establish a new Priority Mail Non-Published Rates (PMNPR) product conforms to applicable statutory requirements and will likely be authorized by the Postal Regulatory Commission.

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BRIEFING SHEET
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- **Draft Letter to Congressional Leadership~~Our Discussion Yesterday~~:** By email dated April 20, 2020, the General Counsel provided Governor Barger with a revised version of the draft communication to Congressional leadership regarding legislative relief.

- **Potential Op-Ed from the Governors~~The American Spectator~~:** By emails dated April 19, 20, and 21, 2020, the General Counsel discussed with the Governors a potential Op-Ed concerning the Postal Service's nonpartisan nature.

- **Draft Letter to Congressional Leadership:** By emails dated April 17, 2020, the General Counsel provided to Governors Bloom and Barger a working draft of a letter to Congressional leadership.

- **Misuse of Posat Service Intellectual Property~~More Letters~~:** By emails dated April 16 and 17, 2020, the General Counsel discussed with Chairman Duncan and Governors Barger and Bloom the unauthorized use by a political action committee of Postal Service intellectual property.

- **PostCom Bulletin Issue 16-20:** By email dated April 16, 2020, the General Counsel provided Chairman Duncan and Governors Bloom and Barger with two opinion pieces regarding the Postal Service.

- **Cease and Desist Letter**: By email dated April 16, 2020, the General Counsel provided Chairman Duncan and Governor Barger with the final cease and desist letter to address misuse of the Postal Service's intellectual property by a political action committee, as well as the issued public statement by the Postal Service regarding the use of our intellectual property.

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- **PMG Call with Chairman Johnson:** By emails dated April 15, 2020, the General Counsel provided the Governors with a summary of the call held by the Postmaster General with the Chairman of the Senate Oversight Committee.

- **Appropriate Share D.C. Circuit Decision (UPS v. PRC; D.C. Cir. No. 19-1026):** By email dated April 14, 2020, the General Counsel provided the Governors with information concerning the decision by the D.C. Circuit Court of Appeals to remand the Postal Regulatory Commission's appropriate share order.

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UNITED STATES POSTAL SERVICE®

Legal Update

Thomas J. Marshall, General Counsel

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UNITED STATES POSTAL SERVICE®

Agenda

- Appropriate Share Decision
- Northrop Grumman Litigation Update
- Greeting Card Association Complaint Update

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Appropriate Share Decision

- Under the statute, "all competitive products [must] collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service."
- In determining the appropriate share, the PRC is required by the statute to "consider all relevant circumstances, including . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products."
- On February 4, 2019, UPS filed a petition with the D.C. Circuit Court of Appeals, challenging the PRC's order adopting a formula to calculate the appropriate share on numerous grounds. UPS sought to compel the PRC to significantly increase the appropriate share, which, in turn, would set a higher regulatory price floor for our competitive products.
- We intervened on the PRC's behalf, as did Amazon.com Services, the Parcel Shippers Association and Pitney Bowes, Inc., and filed a joint intervenors brief.
  - Our brief underscored that the PRC's decision is consistent with the statute; the PRC reasonably determined that the Postal Service is not engaged in unfair competition; and UPS's challenges to the PRC's formula are arbitrarily constructed and misplaced.
- The D.C. Circuit held oral argument on January 13, 2020.

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Appropriate Share Decision

- On April 14, 2020, the D.C. Circuit remanded the case to the PRC, but in a limited manner, which does not disturb the PRC's formula or take a position on what the appropriate share determination should be.
  - The Court was not persuaded by any of the unfair competition arguments raised by UPS.
  - However, the Court agreed with UPS that the PRC failed to satisfy its statutory obligation to consider costs that are "uniquely or disproportionately associated with any competitive products," and erred in assuming, without explaining, that there were "no institutional costs uniquely or disproportionately associated with competitive products."
- Accordingly, the Court remanded the case so that the PRC could adequately discharge its statutory obligation to consider "the degree to which any costs are uniquely or disproportionately associated with any competitive products".

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Appropriate Share Decision

- On remand, if the PRC provides a more robust analysis of the statutory terms, we believe that its earlier decision can be preserved, meaning the remand will not significantly adversely impact the Postal Service. Such an approach should also pass muster with the D.C. Circuit.
- Even if the remand results in changes to the PRC formula, there is a significant gap between the current appropriate share and what competitive products actually contribute to institutional costs, which means that there is a lot of room for the formula to change before it starts to impact our actual pricing discretion
  - In FY2019, competitive products contributed 23% to institutional costs, compared to the minimum appropriate share requirement of 8.8%

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Northrop Grumman Update

- This case arises from a Postal Service contract with Northrop Grumman in 2007 for the delivery of 102 Flats Sequencing System ("FSS") machines by October 2010. FSS machines automatically sort flats into delivery-point sequence, thus saving office time for the manual sorting of such mail by the carriers.
- The machines arrived approximately 10 months late, thus depriving the Postal Service of savings for those ten months.
- In 2011, the Postal Service withheld $63.4 million of contract payments from Northrop Grumman in anticipation of even greater damages from the lost savings.
- In May 2012, Northrop Grumman filed suit against the Postal Service in the Court of Federal Claims, seeking approximately $179,000,000 for alleged delays and disruption caused by the Postal Service on the FSS contract. This amount included the $63.4 million in withheld payments.
- The Postal Service counterclaimed for approximately $410,000,000, which consisted mostly of $390,000,000 in claimed lost savings. Prior to trial we reduced the $390,000,000 claim to approximately $178,000,000, due mainly to declining volumes.

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Northrop Grumman Update

- After several unsuccessful attempts at a mediated settlement from 2017 through 2019, the case proceeded to trial on February 3, 2020. This is a "bench trial," *i.e.*, it is being tried before a single judge with no jury.
- Four weeks of trial were held by March 6, 2020, and Northrop Grumman concluded its case-in-chief. Shortly thereafter, trial was indefinitely suspended due to the Coronavirus pandemic. Trial is not expected to resume before June 1, 2020.
- When trial resumes at a date to be determined, the Postal Service will continue putting on its case-in-chief for approximately two weeks, to be followed by rebuttal cases by both sides.

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Northrop Grumman Update

- In off-the-record remarks in mid-March, the judge indicated that Northrop Grumman's affirmative case was very weak and that he was not inclined to grant them any relief.
- He also indicated that the Postal Service's lost savings claim was not convincing and that he likewise was not inclined to grant us relief either. However, the Postal Service's expert witnesses have yet to testify. As such, the judge could change his mind about our lost savings claim.
- If the judge adheres to his expressed inclinations, then he would determine there was no lost savings, and the Postal Service would have to return to Northrop Grumman the $63.4 million of withheld payments plus interest. But Northrop Grumman would not receive any compensation for its other claims.

AMERICAN OVERSIGHT

GCA Complaint Case

- Until 2014, USPS assessed the same rate to both single-piece Metered Letters and Stamped Letters.
- In 2014, USPS introduced a separate rate for Metered Letters that was lower than the Stamped rate. This was justified on the grounds that the lower rate would encourage adoption of metered mail by small businesses, which could keep such businesses in the mail and save some Postal Service costs.
- The Presort rates for First-Class Mail are set based on the Metered Letter rate.
- Today, the rate difference between Metered and Stamped Letters is 5 cents, whereas the cost difference is 1.14 cents.

The cost figure is from FY 2018.

AMERICAN OVERSIGHT

GCA Complaint Case

- On January 30, 2020, the Greeting Card Association (GCA) filed a complaint with the PRC alleging that the 5-cent differential between the Metered and Stamp rates violates 39 U.S.C.§403(c)'s prohibition against undue and unreasonable discrimination, and does not comport with the ratemaking objectives of 39 U.S.C. § 3622.
- GCA requested that the PRC either eliminate the separate Metered Letter rate, or that it adjust the Metered Letter rate so that the difference between the two rates only reflects the difference in costs.
- Adopting GCA's position would virtually eliminate pricing flexibility in First-Class Mail:
  - If the Metered Rate is tied to the Stamped rate based only on costing data, this would essentially tie approximately 89% of First-Class pricing authority to the stamp price, since the meter rate is also used as a benchmark for setting Presort rates.

Sensitive Commercial Information – Do Not Disclose / Attorney-Client Privileged / Attorney Work Product

The cost figure is from FY 2018.

AMERICAN OVERSIGHT

GCA Complaint Case

- We filed a motion to dismiss on February 19, 2020, as did certain industry members.
  - Our motions pointed to favorable PRC precedent supporting the Postal Service's position, i.e., favorable review of our flexibility to vary the Metered rate unpegged from the stamp.
  - We also highlighted the deficiencies in GCA's 403(c) claims.
- On April 28, 2020, the PRC dismissed GCA's complaint with prejudice
  - The PRC noted that it had previously addressed and rejected the arguments asserted by GCA, and also determined that the complaint did not raise any novel arguments relating to Section 3622.
  - The PRC found that GCA failed to state a claim under Section 403(c), because GCA had failed to prove that the Postal Service lacked a rational and legitimate basis for the lower Metered rate. In reaching this decision, the PRC deferred to our business judgment that a lower Metered Mail encourages the use of the mail. The PRC also pointed to the fact that the rate differential is relatively close to the estimated differences in costs, as further evidence that the Metered rate is rational and legitimate.
- GCA has 30 days to decide whether to appeal to the D.C. Circuit Court of Appeals
- Based on this decision and the PRC's prior decision approving the 55 cent Stamped Rate following the *Carlson* decision, the elements of the current single-piece First-Class Mail rate design are on firm legal ground.
  - However, while the PRC has approved the 55 cent Stamp rate, it has not resolved the issue of whether a 5-cent rounding policy is legally permissible for future filings.

The cost figure is from FY 2018.

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	A	B	C	D	E	F	G
1	**COVID-19**		**Status Legend:**	**HOT**			
2	**Task Teams**			**Heating up**			
3	As of March 31, 2020			**Under control**			
4				**Execution-Monitoring**			
5							
6							
7	**No.**	**Track**	**COVID Command**	**Lead Org**	**Lead**	**WG Visibility**	**Legal Support**
8	1	Critical Mail Services	Colin	COO	Diane Smith	No	Nabeel Cheema
9	2	Operations compression	Colin	COO/CIO	Jason DeChambeau John Dunlop	No	Nabeel Cheema/David Ellis
10	3	Election Mail	Colin	COO/DPMG	Jackson/Bentley/Sallay	No	Abby Healy/Dave Belt
11	4	Census	Colin	COO/CCMO	Justin Glass	No	Maria Votsch
12	5	Adult Care Facility Deliveries	Colin	COO	Kevin McAdams / Jennifer Vo	Yes	Tony Alverno/Jeff Meadows/Jim Colling
13	6	Service Performance Visibility	Colin	COO/CIO	Jeff Johnson/Josh	No	Tony Alverno/Jeff Meadows
14	7	Retail	Colin/Monteith	COO/CCMO	Kevin McAdams / Catherine Knox	Yes	Davon Collins, Tony Alverno/Jeff Meadows
15	8	Supply Chain Visibility	Guilfoil	CFO/CIO	Fharon Hicks	No	Lori Dym/Mike Lewis
16	9	Enterprise Risk	Guilfoil	CFO	Cara Greene	No	Jacob Howley/Dave Belt/Tony Alverno
17	10	Test Kits in the Mail	Monteith	CCMO	Marcus Lucious	Yes	Tiffany McClease / Ian Brown / Jeff Meadows / Katie Chounet
18	11	Pricing and Product Relief	Monteith	CCMO	Sharon Owens	Yes	Rick Cooper/Nabeel Cheema
19	12	Line of Sight Metrics	Seaver	COVID	Luke Grossmann	No	
20	13	All of Government Response	Seaver	PMG/ELT	Liz Doell	No	Frank Bartholf/ Rick Cooper/ Maria Votsch
21	14	Social Distancing	Storey	CHRO	Jewelyn Harrington	Yes	Walter Alesevich / Katie Chounet
22	15	Expedited Hiring	Storey	CHRO	Dessiree Manning	Yes	Katie Chounet/Jim Colling

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	H	I	J
1			
2			
3			
4			
5			
6			
7	**Description**	**Status**	**Update Frequency**
8	Ensure processing and delivery of pharmaceuticals, remittance mail, treasury checks	Active	Daily
9	Tour and machine compression based on current and forecasted volumes. Plan for skeleton staffing at the plants	Active	Thursday
10	Ensure USPS readiness on vote by mail to address election disruptions	Active	Thursday
11	EXPANDED ROLE – to include stimulus	Active	Thursday
12	Where we put changes in place, concerns, modifications as needed	**Monitoring**	Thursday
13	Identify service disruption and employee availability impact	Active	Daily
14	Assess retail status and contingency implementation as appropriate; adjusting hours, senior hours, etc.	Active	Tues and Thursday
15	Visibility of supply chain; where we can identify potential problems	Active	Daily
16	Business Continuity - Revenue, Forecasting, Succession Plan	Active	Thursday
17	Ensure coordination and approach of test kits in the mail; if we expand volume would need daily	Active	Tues and Thursday
18	Product/pricing adaptation to customer needs	Active	Thursday
19	Ensure daily ELT metrics - goal is 1pm daily	**Execution**	Daily push
20		Active	Thursday
21	Establish social distancing protocols for employees remaining at work (delivery, processing, administrative)	**Execution**	Thursday
22	Reduce cycle time for hiring	Active	Thursday

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	A	B	C	D	E	F	G
23	16	Families First Act	Storey	CHRO	David Ellis		Ray Donahue is primary contact. Abby Healy/Dave Belt/Carrie Brownlie available to support ELL attorneys as needed
24	17	Telework Expansion/Effectiveness	Storey/Billingsley	CIO	Michael Billingsley	Yes	Jim Colling
25	18	USPS Essential Campaign	Walker	CCMO/COMMS	Jakki	Yes	Rachel Hunnicutt Carrie Brownlie

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	H	I	J
23	Overview of the act, provisions that apply to USPS, leave decision letter, guidance to the field	Execution	Weekly
24		Execution	Weekly
25		Monitoring	N/A

AMERICAN OVERSIGHT

United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

Argued January 13, 2020 Decided April 14, 2020

No. 19-1026

UNITED PARCEL SERVICE, INC.,
PETITIONER

v.

POSTAL REGULATORY COMMISSION,
RESPONDENT

AMAZON.COM SERVICES, INC., ET AL.,
INTERVENORS

On Petition for Review of an Order
of the Postal Regulatory Commission

Kathleen M. Sullivan argued the cause for petitioner. With her on the briefs was *Steig D. Olson*.

Michael Shih, Attorney, U.S. Department of Justice, argued the cause for respondent. With him on the brief were *Michael S. Raab*, Attorney, *David A. Trissell*, General Counsel, Postal Regulatory Commission, *Anne J. Siarnacki*, Deputy General Counsel, and *Reese T. Boone*, Attorney.

Eric P. Koetting and *Morgan E. Rehrig*, Attorneys, U.S. Postal Service, *Michael F. Scanlon*, *John Longstreth*, and *James Pierce Myers* were on the brief for intervenors

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Amazon.com Services, et al. in support of the Postal Regulatory Commission.

Before: HENDERSON and MILLETT, *Circuit Judges*, and EDWARDS, *Senior Circuit Judge*.

Opinion for the Court filed by *Senior Circuit Judge* EDWARDS.

EDWARDS, *Senior Circuit Judge*: This case involves a petition for review filed by United Parcel Service, Inc. ("UPS"), challenging the Postal Regulatory Commission's ("Commission") Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, No. 4963, Dkt. No. RM2017-1 (P.R.C. Jan. 3, 2019) ("Order"), *reprinted in* Joint Appendix ("J.A.") 515-712. The disputed Order modifies Commission regulations that are meant to "ensure that all [of the Postal Service's] competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service." 39 U.S.C. § 3633(a)(3). In making this "appropriate share" determination under § 3633(a)(3), the Commission is obligated to "consider," among other things, "the degree to which any costs are uniquely or disproportionately associated with any competitive products." *Id.* § 3633(b). However, the Commission concluded that "there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products under the Commission's current cost attribution methodology" under § 3633(a)(2). Order at 28, J.A. 547.

The problem is that § 3633(a)(2) only requires the Commission to "ensure that each competitive product covers its costs attributable." The term *costs attributable* is narrowly defined as "the direct and indirect postal costs attributable to [a

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particular competitive] product through reliably identified causal relationships." 39 U.S.C. § 3631(b). However, it is not at all clear that "uniquely or disproportionately associated" costs described under § 3633(b) include only those costs that are attributable "through reliably identified causal relationships." And § 3633(b) makes it clear that "the Commission shall consider . . . the degree to which *any* costs are uniquely or disproportionately associated with any competitive products." *Id.* § 3633(b) (emphasis added). The Commission's Order fails to explain why these seemingly distinct statutory phrases cover the same costs, and further elides the requirements of § 3633(a)(3) and (b) by suggesting that, to the extent these statutory phrases overlap, the Commission need not consider costs under § 3633(b) if it already accounted for them under § 3633(a)(2).

UPS argues that the Commission's position is contrary to law because "the Order fails to consider . . . costs 'uniquely or disproportionately associated with any competitive products,' as the Act requires in section 3633(b)." Br. for Petitioner at 3. UPS also contends that the Commission erred in simply assuming, without adequate explanation, that "there are no institutional costs uniquely or disproportionately associated with competitive products." *Id.* We agree.

Two aspects of the Commission's Order require a remand. First, the Commission has not adequately explained how the statutory phrases "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships" and "costs . . . uniquely or disproportionately associated with any competitive products" can coincide. It is far from clear that these phrases have the same meaning. And the Commission has not demonstrated that, although they have distinct meanings, the phrases nonetheless coincide in application. Second, in focusing on costs attributed

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to competitive products under § 3633(a)(2), the Commission failed to discharge its responsibility under § 3633(b) to "consider . . . the degree to which *any* costs are uniquely or disproportionately associated with any competitive products." 39 U.S.C. § 3633(b) (emphasis added). The Commission must consider *any* costs made relevant by § 3633(b). It does not matter whether the Commission has arguably considered such costs in implementing its responsibilities under § 3633(a)(2). These two points are amplified in the opinion below.

The bottom line is that the Commission's Order is arbitrary and capricious because it is "largely incomprehensible" with respect to the matters in issue. *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015). Therefore, we are constrained to remand the case for further consideration. On remand, the Commission must adhere to the commands of the statute and address the costs specified in § 3633(b) in determining the "appropriate share" under § 3633(a)(3). Following reconsideration of this case, any Commission Order must be coherent and transparent, and it must satisfy the requirements of reasoned and reasonable decision-making. *Id*. at 744, 753. The present Order fails to meet these standards "because it fails to articulate a comprehensible standard," *id*. at 753, regarding the meaning and application of § 3633(a)(3) and (b).

I. BACKGROUND

A. Statutory Background

The Postal Service offers both "market dominant" and "competitive" products. Market-dominant products, like first-class mail, are "those over which the 'Postal Service exercises sufficient market power that it can effectively' raise prices or decrease quality 'without risk of losing a significant level of business to other firms offering similar products.'" *UPS v.*

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PRC, 890 F.3d 1053, 1055 (D.C. Cir. 2018) (quoting 39 U.S.C. § 3642(b)(1)); *see also* 39 U.S.C. § 3621 (listing market-dominant products). Competitive products, on the other hand, like priority mail or parcel post, are "products over which the Postal Service faces meaningful market competition" from companies like UPS. *UPS v. PRC*, 890 F.3d at 1056 (internal quotation marks and citation omitted); *see also* 39 U.S.C. § 3631 (listing competitive products).

In 2006, Congress enacted the Postal Accountability and Enhancement Act, Pub. L. No. 109-435, 120 Stat. 3198 (2006) ("Accountability Act"), to ensure (among other things) that the Postal Service offers its competitive products on fair terms. *See* S. REP. NO. 108-318, at 14-16 (2004). To that end, the Accountability Act requires the Commission to promulgate regulations that ensure that the Postal Service is not "using revenues from market-dominant products subject to its monopoly power to defray costs competitive products would otherwise have to be priced to cover." *UPS v. PRC*, 890 F.3d at 1055.

Specifically, § 3633(a) requires the Commission to issue three sets of regulations:

> (a) In general.—The Postal Regulatory Commission shall, within 18 months after the date of enactment of this section, promulgate (and may from time to time thereafter revise) regulations to—
>
> (1) prohibit the subsidization of competitive products by market-dominant products;
>
> (2) ensure that each competitive product covers its costs attributable; and

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> (3) ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service.

39 U.S.C. § 3633(a)(1)-(3). As may be seen, the foregoing provisions refer to "costs attributable" and "institutional costs." These terms are important in our consideration of the issues presented in this case.

As explained in the introduction to this opinion, the Accountability Act defines the term "costs attributable" as "the direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships." *Id.* § 3631(b). The Commission, in turn, interprets the term "institutional costs" to mean "residual costs" – that is, the Postal Service's total costs minus its costs attributable under § 3633(a)(2). *See UPS v. PRC*, 890 F.3d at 1055-56, 1061-63 (explaining the relationship between "institutional costs" and "costs attributable").

The Accountability Act calls for the Commission to periodically review its "appropriate share" determination under § 3633(a)(3). The statute also specifies that the Commission "shall consider" the following matters when it conducts that review:

> (b) Review of minimum contribution.—Five years after the date of enactment of this section, and every 5 years thereafter, the Postal Regulatory Commission shall conduct a review to determine whether the institutional costs contribution requirement under subsection (a)(3) should be retained in its current form, modified, or eliminated. In making its determination, the Commission shall consider all

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> relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products.

39 U.S.C § 3633(b).

In effect, then, the Accountability Act requires the Commission to establish a multi-part "price floor" for its competitive products. *See UPS v. PRC*, 890 F.3d at 1055-56. First, the Commission must issue regulations to prevent market-dominant products from subsidizing competitive products. Second, the price of "each competitive product" must be set high enough to cover the "direct and indirect postal costs attributable to such product through reliably identified causal relationships." Third, the Commission must also ensure that "all competitive products collectively" cover what the Commission determines to be an "appropriate share" of the Postal Service's institutional (*i.e.*, unattributed) costs. The Commission, in determining what share is appropriate, "shall consider," among other things, "the degree to which any costs are uniquely or disproportionately associated with any competitive products."

B. The Commission's 2016 Order Addressing § 3633(a)(2)

In 2016, the Commission issued an Order adopting a new method for calculating costs attributable under § 3633(a)(2). *See* Order Concerning United Parcel Service, Inc.'s Proposed Changes to Postal Service Costing Methodologies (UPS Proposals One, Two, and Three), No. 3506, Dkt. No. RM2016-2 (P.R.C. Sept. 9, 2016) (updated Oct. 19, 2016) ("2016 Order"). UPS challenged this 2016 Order on various grounds. In *UPS v. PRC*, 890 F.3d 1053 (D.C. Cir. 2018), we upheld the

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Commission's cost-attribution method as "reasonable and reasonably explained." *Id.* at 1069. Because the court's 2018 decision thoroughly explains the Commission's cost-attribution method, the decision provides important context for the questions at issue in this case.

First, the court's 2018 decision explains several concepts that the Commission uses to sort out the Postal Service's costs. To start, the decision explains that "the Commission distinguishes (albeit necessarily imperfectly) between 'fixed costs,' . . . which remain constant regardless of overall product volume, and 'variable costs,' . . . which vary with the Service's production levels." *Id.* at 1056 (citing 2016 Order at 6). Examples of fixed costs include executive salaries and product-specific fixed costs like advertising. *See id*. In addition, the decision explains that the Commission distinguishes between variable costs that are "volume-variable" – *i.e.,* which vary directly with the marginal cost of the cheapest relevant unit and the total number of units, *id.* at 1057 (citing 2016 Order at 36 n.56) – and variable costs that are not "volume-variable" in this sense, which the Commission calls "inframarginal costs," *id.* at 1058 (citing 2016 Order at 35). The concept of inframarginal costs is not entirely intuitive. The basic idea is that, thanks to economies of scale, marginal costs tend to decrease with volume, and the sum of the differences between the marginal cost of earlier, more expensive units and the marginal cost of the last, cheapest unit is the inframarginal cost. *See id.* at 1057-58; 2016 Order at 35-36.

Second, the court's 2018 decision holds that the Commission's decision to define "institutional costs" as "residual costs" – that is, as any costs not attributed to competitive products through reliably identified causal relationships under § 3633(a)(2) – was based on a permissible reading of the Accountability Act. *UPS v. PRC*, 890 F.3d at

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1061-63. An important upshot of the Commission's choice to treat institutional costs as "residual" is that the composition of the Postal Service's institutional costs will (by definition) depend on how attributed costs are calculated. For example, if the Commission were to attribute to each competitive product its product-specific fixed costs and its volume-variable costs – which is what the Commission did until 2016 – then the Postal Service's institutional costs would include all its other fixed costs and all of its inframarginal costs. *See id.* at 1056-58.

Third, the court's 2018 decision upholds the Commission's revised method for attributing costs under § 3633(a)(2). *See id.* at 1066-69. In short, the Commission adopted a method that enables it to attribute product-specific fixed costs, volume-variable costs, and some (but not all) inframarginal costs to each competitive product. *See id.* at 1060. The Commission is able to tie a portion of the Postal Service's inframarginal costs to specific competitive products through "reliably identified causal relationships" by calculating the "costs that would disappear were the Postal Service to stop offering those products for sale." *Id.* at 1055. This "incremental cost" method accounts for not only a "product's share of volume-variable costs, but also the inframarginal costs that would be removed if the product were not to be provided." *Id.* at 1059 (internal quotation marks omitted) (quoting 2016 Order App'x A at 19). In the Commission's view, "because the portion of inframarginal costs included within a product's incremental cost has a causal relationship with that product, the Accountability Act requires the Postal Service to attribute it." *Id.* at 1059-60 (internal quotation marks omitted) (quoting 2016 Order at 55, 61). The court's 2018 decision finds the Commission's position reasonable and reasonably explained. *Id.* at 1069.

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Fourth, the court's 2018 decision notes that the Commission's cautious cost-attribution method leaves some of the Postal Service's inframarginal costs unattributed. *See id.* at 1060 ("All other costs, including all remaining inframarginal costs, remain classified as institutional."). Indeed, the decision concludes that the Commission's caution was reasonable, given the Accountability Act's requirement that attributed costs have "reliably identified causal relationships" to competitive products. *See id.* at 1068. For example, the 2018 decision rejects the argument that the Commission's approach was arbitrary and capricious for assuming that competitive products are responsible for only the lowest-cost units associated with a given activity. The decision reasons that "[a]ttributing *more* than this amount . . . necessitates guesswork, and the Commission sensibly concluded that such guesswork was inconsistent with its statutory obligation to base attribution on only 'reliably identified causal relationships.'" *Id.* (quoting 39 U.S.C. § 3631(b)).

It is clear, then, that the court's 2018 decision in *UPS v. PRC* upholding the Commission's cost-attribution method under § 3633(a)(2) leaves open important questions that provide context for understanding and assessing the Commission's § 3633(a)(3) determination in this case. These questions include: Are some of the Postal Service's institutional costs – and especially its unattributed inframarginal costs – still related in some meaningful way to competitive products, even if those costs cannot be attributed under § 3633(a)(2)? And if so – if, for instance, some of those institutional costs are "uniquely or disproportionately associated with competitive products," 39 U.S.C. § 3633(b) – might they need to be accounted for when the Commission issues regulations under another provision of the Accountability Act?

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C. The Commission's Disputed Order in this Case

On January 3, 2019, the Commission issued the Order modifying its "appropriate share" determination under § 3633(a)(3) that is the subject of the dispute in this case. In the past, the Commission had determined that "all competitive products collectively" must cover at least 5.5% of the Postal Service's institutional costs. *See* Order at 4-5, J.A. 523-24 (summarizing the Commission's 2007 and 2012 orders). In the 2019 Order, however, the Commission decided that the "appropriate share" of the Postal Service's institutional costs to be covered by "all competitive products collectively" should be set using a dynamic formula. In short, the Commission's formula relies on two primary variables: the "Competitive Contribution Margin" and the "Competitive Growth Differential." These variables are meant to represent the Postal Service's market power and market position. *See id.* at 19-28, J.A. 538-47. The Commission intends to use the formula "to annually update the appropriate share based on prevailing competitive conditions in the market and other relevant circumstances." *Id.* at 19, J.A. 538.

For our purposes, however, the details of the Commission's formula-based approach are not critical. Instead, our focus in this case is on whether the Commission, in making its determination, adequately discharged its obligation under § 3633(b) to "consider all relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products." Therefore, this background section is similarly focused on the Commission's § 3633(b) analysis and in particular on the Commission's "consider[ation of] . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products."

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In a section of its Order titled "Connection to Section 3633(b) Criteria," the Commission recited the factors that the Accountability Act says it "shall consider," and then explained its position on costs "uniquely or disproportionately associated with" competitive products:

> The Commission has repeatedly found that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products under the Commission's current cost attribution methodology. As a result, the formula-based approach does not separately account for such costs.

Order at 28-29, J.A. 547-48 (citations omitted).

The Commission's conclusion draws on its analysis in earlier notices in the same docket. *See* Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, No. 4402, Dkt. No. RM2017-1 (P.R.C. Feb. 8, 2018) ("Initial Notice"); Revised Notice of Proposed Rulemaking, No. 4742, Dkt. No. RM2017-1 (P.R.C. Aug. 7, 2018) ("Revised Notice"). In its Initial Notice, for instance, the Commission offered an explanation of its thinking:

> The Commission finds that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to competitive products. Under the Commission's methodology, any cost that is uniquely or disproportionately associated with any competitive product is identified as an attributable cost because it exhibits a reliably identifiable causal relationship with

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> a specific competitive product. With regard to costs that are disproportionately associated with competitive products, the Commission's cost attribution methodology identifies relationships between costs and cost drivers, which include mail characteristics such as weight and shape (*e.g.*, letters or parcels). . . . In this way, the costs attributed to products reflect any disproportionate association of those costs with any specific products (including any competitive products).
>
> Under the Commission's methodology, the Commission also classifies any cost that is uniquely associated with any product (including any competitive product) as attributable to that product. These costs are often referred to as product-specific costs. For example, advertisements for a specific product and supplies for money orders are unique costs attributed to specific products under the Commission's methodology.
>
> . . . .
>
> For the reasons discussed above, the Commission concludes that its costing methodology already accounts for the "the degree to which any costs are uniquely or disproportionately associated with any competitive products." To the extent that any costs can be attributed to specific competitive products, they are already distributed under the Commission's current costing methodology and are not included in the institutional costs of the Postal Service.

Initial Notice at 43-45, J.A. 147-49; *see also* Revised Notice at 52-53, J.A. 304-05 (summarizing this same point).

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Later, in response to comments from UPS and others, the Commission provided a succinct summary of the position it took in its Initial Notice. *See* Order at 138-162, J.A. 657-81.

> In [the Initial Notice], the Commission found that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products. This is because all costs that are uniquely or disproportionately associated with competitive products exhibit a reliably identified causal relationship with a specific competitive product or group of products and are therefore attributed. The Commission described "unique" costs as product-specific costs and determined that any cost that is uniquely associated with a competitive product is attributed to that product through a reliably identified causal relationship. . . . In addition, the Commission found that any cost disproportionately associated with a competitive product is attributed to that product through the cost methodology's use of cost drivers. . . . In this way, the costs attributed products reflect any disproportionate association of those costs with specific products. As a result, the Commission determined that both types of costs are attributed to the competitive products that cause them.

Order at 138-39, J.A. 657-58 (citing Initial Notice at 43-44).

Finally, in response to UPS's comment suggesting that the Commission's analysis mistakenly conflates the "associated with" standard and the "reliably identified causal relationships" standard, the Commission concluded that "UPS overlooks key terms in section 3633(b), as well as the context of the statutory

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scheme as a whole." Order at 143, J.A. 662. The Commission emphasized the "degree of flexibility . . . inherent in the appropriate share provisions of section 3633" and the lack of any mechanical relationship between the Commission's consideration of the statutory factors and the Commission's ultimate determination. *Id*. at 144, J.A. 663. The Commission continued:

> For the relevant factor at issue, "the degree to which any costs are uniquely or disproportionately associated with any competitive products," UPS focuses on only a portion of the statutory language—"disproportionately associated." However, in reading the relevant factor in its entirety, the use of the words "degree" and "any" plainly contemplate that there may be no uniquely or disproportionately associated competitive product costs. Congress does not require costs to be found; only for the Commission to "consider" whether "any" exist. Nothing in section 3633(b) prevents the Commission from concluding as it has—that all costs uniquely or disproportionately associated with competitive products are, in fact, captured by the costing methodology it currently employs pursuant to section 3633(a)(2).

Order at 144, J.A. 663.

In short, the Commission's position appears to be that the statutory phrase "costs . . . uniquely or disproportionately associated with any competitive products" is no broader than the phrase "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships." And the Commission appears to base that conclusion on the assumption that costs are uniquely or

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disproportionately associated with competitive products only if competitive products can be reliably said to cause such costs.

II. ANALYSIS

A. Standard of Review

"'Because the Congress expressly delegated to the Commission responsibility to implement [the Accountability Act], we review its interpretation' of that statute under the standards enunciated in *Chevron* and its progeny." *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 750 (D.C. Cir. 2015) (quoting *U.S. Postal Serv. v. PRC*, 640 F.3d 1263, 1266 (D.C. Cir. 2011)).

> Under *Chevron*'s First Step, if "Congress has directly spoken to the precise question at issue . . ., that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress." If the statute is ambiguous, *Chevron*'s Second Step then requires us to consider whether the Commission has acted pursuant to delegated authority and, if so, whether its interpretation of the statute is "permissible."

U.S. Postal Serv. v. PRC, 785 F.3d at 750 (quoting *Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc.,* 467 U.S. 837, 842-43 (1984)). "Even if the statute is ambiguous and does not foreclose the Commission's interpretation, however, the Commission's exercise of its authority must be 'reasonable and reasonably explained' in order to survive arbitrary and capricious review under the Administrative Procedure Act. *Mfrs. Ry. Co. v. Surface Transp. Bd.*, 676 F.3d 1094, 1096 (D.C. Cir. 2012)." *Id.*; *see also* 39 U.S.C. § 3663 (incorporating APA review under 5 U.S.C. § 706).

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In deciding whether the Commission's Order is arbitrary and capricious, we are "reluctan[t] to interfere with [the Commission's] reasoned judgments about technical questions within its area of expertise." *UPS v. PRC*, 890 F.3d 1053, 1066 (D.C. Cir. 2018) (internal quotation marks omitted) (quoting *All. of Nonprofit Mailers v. PRC*, 790 F.3d 186, 197 (D.C. Cir. 2015)). At the same time, the Commission must adequately "consider" all the factors that the Accountability Act makes relevant, *see Lindeen v. SEC*, 825 F.3d 646, 657 (D.C. Cir. 2016), and the Commission's decision-making must be comprehensible, *see U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015); *Glob. Tel*Link v. FCC*, 866 F.3d 397, 413 (D.C. Cir. 2017).

B. The Commission's Disputed Interpretation and Application of § 3633(a)(3)

The dispositive question before the court in this case is whether the Commission, in reviewing its appropriate share determination, adequately discharged its statutory obligation to "consider" the "degree to which any costs are uniquely or disproportionately associated with any competitive products." We hold that the Commission failed to do this and, therefore, we are constrained to remand the case.

We do not mean to render any decision on what the appropriate share determination under § 3633(a)(3) should be. That is for the Commission to determine in the first instance. At this point, however, the Commission's interpretation and application of § 3633(a)(3) and (b) are incomprehensible and, thus, unreasonable. No deference is due to the Commission's current position because the disputed Order fails to apply the relevant terms of the statute, and it offers no reasoned basis for this failure.

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As detailed above, the Commission's position appears to be that the term "costs . . . uniquely or disproportionately associated with any competitive products" in § 3633(b) is no broader than – and indeed may coincide with – the term "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships," which defines "costs attributable" in § 3633(a)(2). To reach that conclusion, the Commission assumed that "all costs that are uniquely or disproportionately associated with competitive products exhibit a reliably identified causal relationship with a specific competitive product or group of products and are therefore attributed." Order at 138, J.A. 657. The Commission thus reasons that none of the Postal Service's institutional costs – including, apparently, its "remaining inframarginal costs," *UPS v. PRC*, 890 F.3d at 1060 – are uniquely or disproportionately associated with its competitive products in the sense intended in § 3633(b). This leads the Commission to conclude that there are no costs for it to "consider" under § 3633(b). *See, e.g.*, Order at 28-29, J.A. 547-48. The Commission's analysis defies reasoned decision-making.

As noted at the outset of this opinion, there are two significant problems with the Commission's position. First, the Commission has not adequately explained how the statutory phrases "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships," 39 U.S.C. § 3631(b), and "costs . . . uniquely or disproportionately associated with any competitive products," *id.* § 3633(b), can effectively coincide. Second, in focusing narrowly on costs attributed to competitive products under § 3633(a)(2), the Commission failed to discharge its responsibility under § 3633(b) to "consider . . . the degree to which *any* costs are uniquely or disproportionately associated

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with any competitive products." *Id.* § 3633(b) (emphasis added). We elaborate on these points in turn.

1. The Commission's Interpretation of Costs "Uniquely or Disproportionately Associated with Competitive Products" Under § 3633(b)

The Commission's current analysis of the relationship between costs "attributed through reliably identified causal relationships" and costs "uniquely or disproportionately associated with" is incomprehensible. In the passages from the Commission's Order reprinted above, the Commission assumes that the Postal Service's costs can be "uniquely or disproportionately associated with" competitive products only if there is a reliably identified causal relationship between those costs and competitive products. *See* Initial Notice at 43-44, J.A. 147-48; Order at 138-39, 657-58. In its brief to this court and at oral argument, however, the Commission's counsel suggests that the Commission gave the phrase "uniquely or disproportionately associated with" a distinct interpretation, and only then proceeded to conclude that there are no costs in that independent category that are not already attributed to competitive products under § 3633(a)(2). *See* Br. for Respondent at 29-32; Tr. of Oral Argument at 54-55. It is an understatement to say that one is hard-pressed to understand what the Commission means to say regarding the meaning of § 3633(b).

At this point, we cannot credit either one of the foregoing interpretations of the Accountability Act. To start, the Commission cannot simply *assume* that the "uniquely or disproportionately associated with" standard is subsumed by the "reliably identified causal relationships" standard. That would impermissibly conflate the language of § 3633(a)(2) – which incorporates the definition of "costs attributed" from

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§ 3631(b) – with the evidently distinct language of § 3633(b). *See BP Energy Co. v. FERC*, 828 F.3d 959, 968 (D.C. Cir. 2016) ("Even under the most deferential standard, an agency cannot read statutory provisions out of existence but must interpret statutes 'so that effect is given to all its provisions . . . [and] no part will be inoperative or superfluous, void or insignificant.'" (alteration in original) (quoting *Corley v. United States*, 556 U.S. 303, 314 (2009))). Instead, the Commission must explain why these two statutory phrases have the same practical reach despite the use of different language.

As noted above, the Commission attempted to offer such an explanation in its brief to this court. The Commission belatedly argues that it did not "equate[]" the two statutory phrases "as an interpretative matter." Br. for Respondent at 34. Rather, the Commission now contends that it gave independent meaning to the statutory terms "uniquely . . . associated with" and "disproportionately associated with," using the ordinary tools of statutory interpretation. *See id.* at 29-34; Tr. of Oral Argument at 54-55. Then, according to counsel, the Commission concluded that "all 'uniquely associated' costs and all 'disproportionately associated' costs satisfy the Commission's independent definition of the 'costs attributable' to a competitive product." Br. for Respondent at 31. This line of argument is hard to discern in what the Commission actually said, and it is somewhat hard to fathom on its own terms. But if that is the Commission's view, it must spell it out.

In any event, as things stand now, "we simply cannot comprehend the [Commission's] reasoning" about the meaning and application of § 3633(b). *Glob. Tel*Link v. FCC*, 866 F.3d 397, 413 (D.C. Cir. 2017). Therefore, the Commission's Order is neither reasoned nor reasonable. "At its core, the Commission's Order is arbitrary and capricious because it fails

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to articulate a comprehensible standard . . . ." *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015). "[W]e owe no deference to an agency determination that is 'largely incomprehensible.'" *Id.* (quoting *Coburn v. McHugh*, 679 F.3d 924, 926 (D.C. Cir. 2012)). The bottom line is that the Commission has not adequately explained why the statutory phrases at issue here have similar meanings, nor has it demonstrated that these statutory categories, even if distinct in meaning, nevertheless coincide in application. Therefore, the Commission's application of § 3633(a)(3) and (b) was arbitrary and capricious and must be remanded.

2. The Commission's Consideration of "Any" Such Costs Under § 3633(b)

A second problem with the disputed Order is that, in focusing its analysis on costs attributed to competitive products under 39 U.S.C. § 3633(a)(2), the Commission failed to "consider . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products" as required by 39 U.S.C. § 3633(b). As the plain meaning of that provision suggests, the Accountability Act clearly requires the Commission to consider *any* costs uniquely or disproportionately associated with competitive products at the time it reviews its appropriate share determination under § 3633(a)(3). This includes, but is not limited to, any costs fitting that description that the Commission may have already considered when it promulgated regulations under § 3633(a)(1) or § 3633(a)(2).

The record in this case indicates that the Commission did not follow this statutory mandate. Instead, the Commission, relying on its inadequately explained interpretation of the Accountability Act, focused narrowly on the costs it had considered – and attributed – in promulgating regulations under

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§ 3633(a)(2). At oral argument, counsel for the Commission suggested that by piecing together the Commission's responses to various comments, we could find that the Commission did indeed consider a broader class of costs. Tr. of Oral Argument at 75; *see also* Br. for Respondent at 35-38. Even assuming that is right, however, the Commission's Order does not make it clear or comprehensible, and we cannot fill in the blanks in the Commission's reasoning. The simple point here is that the Commission erred in concluding that it had discharged its responsibility to consider *any* costs uniquely or disproportionately associated with competitive products by virtue of the fact that it had already considered these costs when setting the price floor under § 3633(a)(2).

An agency Order that is at odds with the requirements of the applicable statute cannot survive judicial review. *See, e.g.*, *Michigan v. EPA*, 135 S. Ct. 2699, 2706 (2015). "An agency's failure to consider and address during rulemaking 'an important aspect of the problem' renders its decision arbitrary and capricious. A 'statutorily mandated factor, by definition, is an important aspect of any issue before an administrative agency . . . .'" *Mozilla Corp. v. FCC*, 940 F.3d 1, 60 (D.C. Cir. 2019) (per curiam) (first quoting *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.,* 463 U.S. 29, 43 (1983); then quoting *Pub. Citizen v. Fed. Motor Carrier Safety Admin.*, 374 F.3d 1209, 1216 (D.C. Cir. 2004)). On the record before us, the Commission's treatment of § 3633(b) cannot survive judicial review. Therefore, we are constrained to remand the Order to the Commission for further consideration.

On remand, the Commission must consider all costs uniquely or disproportionately associated with competitive products in setting the appropriate share, even if it has already accounted for those costs under § 3633(a)(1) and (a)(2).

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Furthermore, the Commission should fully address the issue left open in the court's 2018 decision in *UPS v. PRC*. The court in that decision recognized that, because the costs attributed test under § 3633(a)(2) is conservative, there may be institutional costs that are "uniquely or disproportionately associated with competitive products," even though they cannot be said to stand in "reliably identified causal relationships" with them. The Commission's Order in this case does not address this.

In addition, the Commission must explain the relevance (if any) of costs it may have considered in implementing § 3633(a)(1). At oral argument, counsel for the Commission suggested that the Commission might not have to further consider costs uniquely or disproportionately associated with competitive products under § 3633(b) because it had already considered them pursuant to § 3633(a)(1). Tr. of Oral Argument at 43-44, 48, 54-55. However, this possibility is offered as nothing more than a fleeting suggestion in the Commission's Order and its brief to the court. *Compare* Order at 144, J.A. 663, and Br. for Respondent at 19 (focusing only on § 3633(a)(2)), *with* Order at 160 n.294, J.A. 679 n.294, and Br. for Respondent at 36 (mentioning the Commission's test under § 3633(a)(1)). If this point is somehow critical to the Commission's analysis, the Commission must make that clear in the first instance. *See SEC v. Chenery Corp.*, 318 U.S. 80, 94-95 (1943).

We do not mean for these examples to exhaust the issues that the Commission must address on remand, only to illustrate some of what a fuller "consider[ation]" of the relevant costs will involve.

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In sum, the Commission must address the issues highlighted above before we can say whether its formula-based approach to determining the appropriate share under § 3633(a)(3) is permissible and reasonable. On remand, the Commission might decide to revise its judgment regarding the "appropriate share" under § 3633(a)(3). Indeed, at oral argument, counsel for the Commission conceded that the "floor" established under § 3633(a)(3) might need to be adjusted if the Commission found any costs uniquely or disproportionately associated with competitive products. Tr. of Oral Argument at 49-50. It is also possible, however, that the Commission might decide against revising its bottom-line judgment, given the other factors the Commission must consider under § 3633(b) and the latitude that the text affords the Commission in making a final determination.

We take no position on this matter. It is not for this court to say that the Commission must account for costs in any specific way under § 3633(b) or that the Commission must make any particular "appropriate share" determination under § 3633(a)(3). Rather, the judgment of the court is that, on remand, the Commission must consider all the costs referenced under § 3633(b), as the Accountability Act clearly commands. And any decision that the Commission reaches regarding the meaning and application of § 3633(b) in connection with the "appropriate share" determination under § 3633(a)(3) must be consistent with the terms of the statute, must be comprehensible, and must otherwise satisfy the requirements of reasoned decision-making.

III. CONCLUSION

For the reasons set forth above, we grant UPS's petition for review and remand the case to the Commission for further consideration consistent with this opinion.

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United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

Argued January 13, 2020 Decided April 14, 2020

No. 19-1026

UNITED PARCEL SERVICE, INC.,
PETITIONER

v.

POSTAL REGULATORY COMMISSION,
RESPONDENT

AMAZON.COM SERVICES, INC., ET AL.,
INTERVENORS

On Petition for Review of an Order
of the Postal Regulatory Commission

Kathleen M. Sullivan argued the cause for petitioner. With her on the briefs was *Steig D. Olson*.

Michael Shih, Attorney, U.S. Department of Justice, argued the cause for respondent. With him on the brief were *Michael S. Raab*, Attorney, *David A. Trissell*, General Counsel, Postal Regulatory Commission, *Anne J. Siarnacki*, Deputy General Counsel, and *Reese T. Boone*, Attorney.

Eric P. Koetting and *Morgan E. Rehrig*, Attorneys, U.S. Postal Service, *Michael F. Scanlon*, *John Longstreth*, and *James Pierce Myers* were on the brief for intervenors

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Amazon.com Services, et al. in support of the Postal Regulatory Commission.

Before: HENDERSON and MILLETT, *Circuit Judges*, and EDWARDS, *Senior Circuit Judge*.

Opinion for the Court filed by *Senior Circuit Judge* EDWARDS.

EDWARDS, *Senior Circuit Judge*: This case involves a petition for review filed by United Parcel Service, Inc. ("UPS"), challenging the Postal Regulatory Commission's ("Commission") Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, No. 4963, Dkt. No. RM2017-1 (P.R.C. Jan. 3, 2019) ("Order"), *reprinted in* Joint Appendix ("J.A.") 515-712. The disputed Order modifies Commission regulations that are meant to "ensure that all [of the Postal Service's] competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service." 39 U.S.C. § 3633(a)(3). In making this "appropriate share" determination under § 3633(a)(3), the Commission is obligated to "consider," among other things, "the degree to which any costs are uniquely or disproportionately associated with any competitive products." *Id.* § 3633(b). However, the Commission concluded that "there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products under the Commission's current cost attribution methodology" under § 3633(a)(2). Order at 28, J.A. 547.

The problem is that § 3633(a)(2) only requires the Commission to "ensure that each competitive product covers its costs attributable." The term *costs attributable* is narrowly defined as "the direct and indirect postal costs attributable to [a

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particular competitive] product through reliably identified causal relationships." 39 U.S.C. § 3631(b). However, it is not at all clear that "uniquely or disproportionately associated" costs described under § 3633(b) include only those costs that are attributable "through reliably identified causal relationships." And § 3633(b) makes it clear that "the Commission shall consider . . . the degree to which *any* costs are uniquely or disproportionately associated with any competitive products." *Id.* § 3633(b) (emphasis added). The Commission's Order fails to explain why these seemingly distinct statutory phrases cover the same costs, and further elides the requirements of § 3633(a)(3) and (b) by suggesting that, to the extent these statutory phrases overlap, the Commission need not consider costs under § 3633(b) if it already accounted for them under § 3633(a)(2).

UPS argues that the Commission's position is contrary to law because "the Order fails to consider . . . costs 'uniquely or disproportionately associated with any competitive products,' as the Act requires in section 3633(b)." Br. for Petitioner at 3. UPS also contends that the Commission erred in simply assuming, without adequate explanation, that "there are no institutional costs uniquely or disproportionately associated with competitive products." *Id.* We agree.

Two aspects of the Commission's Order require a remand. First, the Commission has not adequately explained how the statutory phrases "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships" and "costs . . . uniquely or disproportionately associated with any competitive products" can coincide. It is far from clear that these phrases have the same meaning. And the Commission has not demonstrated that, although they have distinct meanings, the phrases nonetheless coincide in application. Second, in focusing on costs attributed

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to competitive products under § 3633(a)(2), the Commission failed to discharge its responsibility under § 3633(b) to "consider . . . the degree to which *any* costs are uniquely or disproportionately associated with any competitive products." 39 U.S.C. § 3633(b) (emphasis added). The Commission must consider *any* costs made relevant by § 3633(b). It does not matter whether the Commission has arguably considered such costs in implementing its responsibilities under § 3633(a)(2). These two points are amplified in the opinion below.

The bottom line is that the Commission's Order is arbitrary and capricious because it is "largely incomprehensible" with respect to the matters in issue. *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015). Therefore, we are constrained to remand the case for further consideration. On remand, the Commission must adhere to the commands of the statute and address the costs specified in § 3633(b) in determining the "appropriate share" under § 3633(a)(3). Following reconsideration of this case, any Commission Order must be coherent and transparent, and it must satisfy the requirements of reasoned and reasonable decision-making. *Id*. at 744, 753. The present Order fails to meet these standards "because it fails to articulate a comprehensible standard," *id*. at 753, regarding the meaning and application of § 3633(a)(3) and (b).

I. BACKGROUND

A. Statutory Background

The Postal Service offers both "market dominant" and "competitive" products. Market-dominant products, like first-class mail, are "those over which the 'Postal Service exercises sufficient market power that it can effectively' raise prices or decrease quality 'without risk of losing a significant level of business to other firms offering similar products.'" *UPS v.*

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PRC, 890 F.3d 1053, 1055 (D.C. Cir. 2018) (quoting 39 U.S.C. § 3642(b)(1)); *see also* 39 U.S.C. § 3621 (listing market-dominant products). Competitive products, on the other hand, like priority mail or parcel post, are "products over which the Postal Service faces meaningful market competition" from companies like UPS. *UPS v. PRC*, 890 F.3d at 1056 (internal quotation marks and citation omitted); *see also* 39 U.S.C. § 3631 (listing competitive products).

In 2006, Congress enacted the Postal Accountability and Enhancement Act, Pub. L. No. 109-435, 120 Stat. 3198 (2006) ("Accountability Act"), to ensure (among other things) that the Postal Service offers its competitive products on fair terms. *See* S. REP. NO. 108-318, at 14-16 (2004). To that end, the Accountability Act requires the Commission to promulgate regulations that ensure that the Postal Service is not "using revenues from market-dominant products subject to its monopoly power to defray costs competitive products would otherwise have to be priced to cover." *UPS v. PRC*, 890 F.3d at 1055.

Specifically, § 3633(a) requires the Commission to issue three sets of regulations:

> (a) In general.—The Postal Regulatory Commission shall, within 18 months after the date of enactment of this section, promulgate (and may from time to time thereafter revise) regulations to—
>
> (1) prohibit the subsidization of competitive products by market-dominant products;
>
> (2) ensure that each competitive product covers its costs attributable; and

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> (3) ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service.

39 U.S.C. § 3633(a)(1)-(3). As may be seen, the foregoing provisions refer to "costs attributable" and "institutional costs." These terms are important in our consideration of the issues presented in this case.

As explained in the introduction to this opinion, the Accountability Act defines the term "costs attributable" as "the direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships." *Id.* § 3631(b). The Commission, in turn, interprets the term "institutional costs" to mean "residual costs" – that is, the Postal Service's total costs minus its costs attributable under § 3633(a)(2). *See UPS v. PRC*, 890 F.3d at 1055-56, 1061-63 (explaining the relationship between "institutional costs" and "costs attributable").

The Accountability Act calls for the Commission to periodically review its "appropriate share" determination under § 3633(a)(3). The statute also specifies that the Commission "shall consider" the following matters when it conducts that review:

> (b) Review of minimum contribution.—Five years after the date of enactment of this section, and every 5 years thereafter, the Postal Regulatory Commission shall conduct a review to determine whether the institutional costs contribution requirement under subsection (a)(3) should be retained in its current form, modified, or eliminated. In making its determination, the Commission shall consider all

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> relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products.

39 U.S.C § 3633(b).

In effect, then, the Accountability Act requires the Commission to establish a multi-part "price floor" for its competitive products. *See UPS v. PRC*, 890 F.3d at 1055-56. First, the Commission must issue regulations to prevent market-dominant products from subsidizing competitive products. Second, the price of "each competitive product" must be set high enough to cover the "direct and indirect postal costs attributable to such product through reliably identified causal relationships." Third, the Commission must also ensure that "all competitive products collectively" cover what the Commission determines to be an "appropriate share" of the Postal Service's institutional (*i.e.*, unattributed) costs. The Commission, in determining what share is appropriate, "shall consider," among other things, "the degree to which any costs are uniquely or disproportionately associated with any competitive products."

B. The Commission's 2016 Order Addressing § 3633(a)(2)

In 2016, the Commission issued an Order adopting a new method for calculating costs attributable under § 3633(a)(2). *See* Order Concerning United Parcel Service, Inc.'s Proposed Changes to Postal Service Costing Methodologies (UPS Proposals One, Two, and Three), No. 3506, Dkt. No. RM2016-2 (P.R.C. Sept. 9, 2016) (updated Oct. 19, 2016) ("2016 Order"). UPS challenged this 2016 Order on various grounds. In *UPS v. PRC*, 890 F.3d 1053 (D.C. Cir. 2018), we upheld the

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Commission's cost-attribution method as "reasonable and reasonably explained." *Id.* at 1069. Because the court's 2018 decision thoroughly explains the Commission's cost-attribution method, the decision provides important context for the questions at issue in this case.

First, the court's 2018 decision explains several concepts that the Commission uses to sort out the Postal Service's costs. To start, the decision explains that "the Commission distinguishes (albeit necessarily imperfectly) between 'fixed costs,' . . . which remain constant regardless of overall product volume, and 'variable costs,' . . . which vary with the Service's production levels." *Id.* at 1056 (citing 2016 Order at 6). Examples of fixed costs include executive salaries and product-specific fixed costs like advertising. *See id*. In addition, the decision explains that the Commission distinguishes between variable costs that are "volume-variable" – *i.e.,* which vary directly with the marginal cost of the cheapest relevant unit and the total number of units, *id.* at 1057 (citing 2016 Order at 36 n.56) – and variable costs that are not "volume-variable" in this sense, which the Commission calls "inframarginal costs," *id.* at 1058 (citing 2016 Order at 35). The concept of inframarginal costs is not entirely intuitive. The basic idea is that, thanks to economies of scale, marginal costs tend to decrease with volume, and the sum of the differences between the marginal cost of earlier, more expensive units and the marginal cost of the last, cheapest unit is the inframarginal cost. *See id.* at 1057-58; 2016 Order at 35-36.

Second, the court's 2018 decision holds that the Commission's decision to define "institutional costs" as "residual costs" – that is, as any costs not attributed to competitive products through reliably identified causal relationships under § 3633(a)(2) – was based on a permissible reading of the Accountability Act. *UPS v. PRC*, 890 F.3d at

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1061-63. An important upshot of the Commission's choice to treat institutional costs as "residual" is that the composition of the Postal Service's institutional costs will (by definition) depend on how attributed costs are calculated. For example, if the Commission were to attribute to each competitive product its product-specific fixed costs and its volume-variable costs – which is what the Commission did until 2016 – then the Postal Service's institutional costs would include all its other fixed costs and all of its inframarginal costs. *See id.* at 1056-58.

Third, the court's 2018 decision upholds the Commission's revised method for attributing costs under § 3633(a)(2). *See id.* at 1066-69. In short, the Commission adopted a method that enables it to attribute product-specific fixed costs, volume-variable costs, and some (but not all) inframarginal costs to each competitive product. *See id.* at 1060. The Commission is able to tie a portion of the Postal Service's inframarginal costs to specific competitive products through "reliably identified causal relationships" by calculating the "costs that would disappear were the Postal Service to stop offering those products for sale." *Id.* at 1055. This "incremental cost" method accounts for not only a "product's share of volume-variable costs, but also the inframarginal costs that would be removed if the product were not to be provided." *Id.* at 1059 (internal quotation marks omitted) (quoting 2016 Order App'x A at 19). In the Commission's view, "because the portion of inframarginal costs included within a product's incremental cost has a causal relationship with that product, the Accountability Act requires the Postal Service to attribute it." *Id.* at 1059-60 (internal quotation marks omitted) (quoting 2016 Order at 55, 61). The court's 2018 decision finds the Commission's position reasonable and reasonably explained. *Id.* at 1069.

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Fourth, the court's 2018 decision notes that the Commission's cautious cost-attribution method leaves some of the Postal Service's inframarginal costs unattributed. *See id.* at 1060 ("All other costs, including all remaining inframarginal costs, remain classified as institutional."). Indeed, the decision concludes that the Commission's caution was reasonable, given the Accountability Act's requirement that attributed costs have "reliably identified causal relationships" to competitive products. *See id.* at 1068. For example, the 2018 decision rejects the argument that the Commission's approach was arbitrary and capricious for assuming that competitive products are responsible for only the lowest-cost units associated with a given activity. The decision reasons that "[a]ttributing *more* than this amount . . . necessitates guesswork, and the Commission sensibly concluded that such guesswork was inconsistent with its statutory obligation to base attribution on only 'reliably identified causal relationships.'" *Id.* (quoting 39 U.S.C. § 3631(b)).

It is clear, then, that the court's 2018 decision in *UPS v. PRC* upholding the Commission's cost-attribution method under § 3633(a)(2) leaves open important questions that provide context for understanding and assessing the Commission's § 3633(a)(3) determination in this case. These questions include: Are some of the Postal Service's institutional costs – and especially its unattributed inframarginal costs – still related in some meaningful way to competitive products, even if those costs cannot be attributed under § 3633(a)(2)? And if so – if, for instance, some of those institutional costs are "uniquely or disproportionately associated with competitive products," 39 U.S.C. § 3633(b) – might they need to be accounted for when the Commission issues regulations under another provision of the Accountability Act?

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C. The Commission's Disputed Order in this Case

On January 3, 2019, the Commission issued the Order modifying its "appropriate share" determination under § 3633(a)(3) that is the subject of the dispute in this case. In the past, the Commission had determined that "all competitive products collectively" must cover at least 5.5% of the Postal Service's institutional costs. *See* Order at 4-5, J.A. 523-24 (summarizing the Commission's 2007 and 2012 orders). In the 2019 Order, however, the Commission decided that the "appropriate share" of the Postal Service's institutional costs to be covered by "all competitive products collectively" should be set using a dynamic formula. In short, the Commission's formula relies on two primary variables: the "Competitive Contribution Margin" and the "Competitive Growth Differential." These variables are meant to represent the Postal Service's market power and market position. *See id.* at 19-28, J.A. 538-47. The Commission intends to use the formula "to annually update the appropriate share based on prevailing competitive conditions in the market and other relevant circumstances." *Id.* at 19, J.A. 538.

For our purposes, however, the details of the Commission's formula-based approach are not critical. Instead, our focus in this case is on whether the Commission, in making its determination, adequately discharged its obligation under § 3633(b) to "consider all relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products." Therefore, this background section is similarly focused on the Commission's § 3633(b) analysis and in particular on the Commission's "consider[ation of] . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products."

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In a section of its Order titled "Connection to Section 3633(b) Criteria," the Commission recited the factors that the Accountability Act says it "shall consider," and then explained its position on costs "uniquely or disproportionately associated with" competitive products:

> The Commission has repeatedly found that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products under the Commission's current cost attribution methodology. As a result, the formula-based approach does not separately account for such costs.

Order at 28-29, J.A. 547-48 (citations omitted).

The Commission's conclusion draws on its analysis in earlier notices in the same docket. *See* Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, No. 4402, Dkt. No. RM2017-1 (P.R.C. Feb. 8, 2018) ("Initial Notice"); Revised Notice of Proposed Rulemaking, No. 4742, Dkt. No. RM2017-1 (P.R.C. Aug. 7, 2018) ("Revised Notice"). In its Initial Notice, for instance, the Commission offered an explanation of its thinking:

> The Commission finds that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to competitive products. Under the Commission's methodology, any cost that is uniquely or disproportionately associated with any competitive product is identified as an attributable cost because it exhibits a reliably identifiable causal relationship with

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> a specific competitive product. With regard to costs that are disproportionately associated with competitive products, the Commission's cost attribution methodology identifies relationships between costs and cost drivers, which include mail characteristics such as weight and shape (*e.g.*, letters or parcels). . . . In this way, the costs attributed to products reflect any disproportionate association of those costs with any specific products (including any competitive products).
>
> Under the Commission's methodology, the Commission also classifies any cost that is uniquely associated with any product (including any competitive product) as attributable to that product. These costs are often referred to as product-specific costs. For example, advertisements for a specific product and supplies for money orders are unique costs attributed to specific products under the Commission's methodology.
>
> . . . .
>
> For the reasons discussed above, the Commission concludes that its costing methodology already accounts for the "the degree to which any costs are uniquely or disproportionately associated with any competitive products." To the extent that any costs can be attributed to specific competitive products, they are already distributed under the Commission's current costing methodology and are not included in the institutional costs of the Postal Service.

Initial Notice at 43-45, J.A. 147-49; *see also* Revised Notice at 52-53, J.A. 304-05 (summarizing this same point).

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Later, in response to comments from UPS and others, the Commission provided a succinct summary of the position it took in its Initial Notice. *See* Order at 138-162, J.A. 657-81.

> In [the Initial Notice], the Commission found that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products. This is because all costs that are uniquely or disproportionately associated with competitive products exhibit a reliably identified causal relationship with a specific competitive product or group of products and are therefore attributed. The Commission described "unique" costs as product-specific costs and determined that any cost that is uniquely associated with a competitive product is attributed to that product through a reliably identified causal relationship. . . . In addition, the Commission found that any cost disproportionately associated with a competitive product is attributed to that product through the cost methodology's use of cost drivers. . . . In this way, the costs attributed products reflect any disproportionate association of those costs with specific products. As a result, the Commission determined that both types of costs are attributed to the competitive products that cause them.

Order at 138-39, J.A. 657-58 (citing Initial Notice at 43-44).

Finally, in response to UPS's comment suggesting that the Commission's analysis mistakenly conflates the "associated with" standard and the "reliably identified causal relationships" standard, the Commission concluded that "UPS overlooks key terms in section 3633(b), as well as the context of the statutory

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scheme as a whole." Order at 143, J.A. 662. The Commission emphasized the "degree of flexibility . . . inherent in the appropriate share provisions of section 3633" and the lack of any mechanical relationship between the Commission's consideration of the statutory factors and the Commission's ultimate determination. *Id*. at 144, J.A. 663. The Commission continued:

> For the relevant factor at issue, "the degree to which any costs are uniquely or disproportionately associated with any competitive products," UPS focuses on only a portion of the statutory language—"disproportionately associated." However, in reading the relevant factor in its entirety, the use of the words "degree" and "any" plainly contemplate that there may be no uniquely or disproportionately associated competitive product costs. Congress does not require costs to be found; only for the Commission to "consider" whether "any" exist. Nothing in section 3633(b) prevents the Commission from concluding as it has—that all costs uniquely or disproportionately associated with competitive products are, in fact, captured by the costing methodology it currently employs pursuant to section 3633(a)(2).

Order at 144, J.A. 663.

In short, the Commission's position appears to be that the statutory phrase "costs . . . uniquely or disproportionately associated with any competitive products" is no broader than the phrase "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships." And the Commission appears to base that conclusion on the assumption that costs are uniquely or

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disproportionately associated with competitive products only if competitive products can be reliably said to cause such costs.

II. ANALYSIS

A. Standard of Review

"'Because the Congress expressly delegated to the Commission responsibility to implement [the Accountability Act], we review its interpretation' of that statute under the standards enunciated in *Chevron* and its progeny." *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 750 (D.C. Cir. 2015) (quoting *U.S. Postal Serv. v. PRC*, 640 F.3d 1263, 1266 (D.C. Cir. 2011)).

> Under *Chevron*'s First Step, if "Congress has directly spoken to the precise question at issue . . ., that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress." If the statute is ambiguous, *Chevron*'s Second Step then requires us to consider whether the Commission has acted pursuant to delegated authority and, if so, whether its interpretation of the statute is "permissible."

U.S. Postal Serv. v. PRC, 785 F.3d at 750 (quoting *Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc.,* 467 U.S. 837, 842-43 (1984)). "Even if the statute is ambiguous and does not foreclose the Commission's interpretation, however, the Commission's exercise of its authority must be 'reasonable and reasonably explained' in order to survive arbitrary and capricious review under the Administrative Procedure Act. *Mfrs. Ry. Co. v. Surface Transp. Bd.*, 676 F.3d 1094, 1096 (D.C. Cir. 2012)." *Id.*; *see also* 39 U.S.C. § 3663 (incorporating APA review under 5 U.S.C. § 706).

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In deciding whether the Commission's Order is arbitrary and capricious, we are "reluctan[t] to interfere with [the Commission's] reasoned judgments about technical questions within its area of expertise." *UPS v. PRC*, 890 F.3d 1053, 1066 (D.C. Cir. 2018) (internal quotation marks omitted) (quoting *All. of Nonprofit Mailers v. PRC*, 790 F.3d 186, 197 (D.C. Cir. 2015)). At the same time, the Commission must adequately "consider" all the factors that the Accountability Act makes relevant, *see Lindeen v. SEC*, 825 F.3d 646, 657 (D.C. Cir. 2016), and the Commission's decision-making must be comprehensible, *see U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015); *Glob. Tel*Link v. FCC*, 866 F.3d 397, 413 (D.C. Cir. 2017).

B. The Commission's Disputed Interpretation and Application of § 3633(a)(3)

The dispositive question before the court in this case is whether the Commission, in reviewing its appropriate share determination, adequately discharged its statutory obligation to "consider" the "degree to which any costs are uniquely or disproportionately associated with any competitive products." We hold that the Commission failed to do this and, therefore, we are constrained to remand the case.

We do not mean to render any decision on what the appropriate share determination under § 3633(a)(3) should be. That is for the Commission to determine in the first instance. At this point, however, the Commission's interpretation and application of § 3633(a)(3) and (b) are incomprehensible and, thus, unreasonable. No deference is due to the Commission's current position because the disputed Order fails to apply the relevant terms of the statute, and it offers no reasoned basis for this failure.

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As detailed above, the Commission's position appears to be that the term "costs . . . uniquely or disproportionately associated with any competitive products" in § 3633(b) is no broader than – and indeed may coincide with – the term "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships," which defines "costs attributable" in § 3633(a)(2). To reach that conclusion, the Commission assumed that "all costs that are uniquely or disproportionately associated with competitive products exhibit a reliably identified causal relationship with a specific competitive product or group of products and are therefore attributed." Order at 138, J.A. 657. The Commission thus reasons that none of the Postal Service's institutional costs – including, apparently, its "remaining inframarginal costs," *UPS v. PRC*, 890 F.3d at 1060 – are uniquely or disproportionately associated with its competitive products in the sense intended in § 3633(b). This leads the Commission to conclude that there are no costs for it to "consider" under § 3633(b). *See, e.g.*, Order at 28-29, J.A. 547-48. The Commission's analysis defies reasoned decision-making.

As noted at the outset of this opinion, there are two significant problems with the Commission's position. First, the Commission has not adequately explained how the statutory phrases "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships," 39 U.S.C. § 3631(b), and "costs . . . uniquely or disproportionately associated with any competitive products," *id.* § 3633(b), can effectively coincide. Second, in focusing narrowly on costs attributed to competitive products under § 3633(a)(2), the Commission failed to discharge its responsibility under § 3633(b) to "consider . . . the degree to which *any* costs are uniquely or disproportionately associated

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with any competitive products." *Id.* § 3633(b) (emphasis added). We elaborate on these points in turn.

1. The Commission's Interpretation of Costs "Uniquely or Disproportionately Associated with Competitive Products" Under § 3633(b)

The Commission's current analysis of the relationship between costs "attributed through reliably identified causal relationships" and costs "uniquely or disproportionately associated with" is incomprehensible. In the passages from the Commission's Order reprinted above, the Commission assumes that the Postal Service's costs can be "uniquely or disproportionately associated with" competitive products only if there is a reliably identified causal relationship between those costs and competitive products. *See* Initial Notice at 43-44, J.A. 147-48; Order at 138-39, 657-58. In its brief to this court and at oral argument, however, the Commission's counsel suggests that the Commission gave the phrase "uniquely or disproportionately associated with" a distinct interpretation, and only then proceeded to conclude that there are no costs in that independent category that are not already attributed to competitive products under § 3633(a)(2). *See* Br. for Respondent at 29-32; Tr. of Oral Argument at 54-55. It is an understatement to say that one is hard-pressed to understand what the Commission means to say regarding the meaning of § 3633(b).

At this point, we cannot credit either one of the foregoing interpretations of the Accountability Act. To start, the Commission cannot simply *assume* that the "uniquely or disproportionately associated with" standard is subsumed by the "reliably identified causal relationships" standard. That would impermissibly conflate the language of § 3633(a)(2) – which incorporates the definition of "costs attributed" from

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§ 3631(b) – with the evidently distinct language of § 3633(b). *See BP Energy Co. v. FERC*, 828 F.3d 959, 968 (D.C. Cir. 2016) ("Even under the most deferential standard, an agency cannot read statutory provisions out of existence but must interpret statutes 'so that effect is given to all its provisions . . . [and] no part will be inoperative or superfluous, void or insignificant.'" (alteration in original) (quoting *Corley v. United States*, 556 U.S. 303, 314 (2009))). Instead, the Commission must explain why these two statutory phrases have the same practical reach despite the use of different language.

As noted above, the Commission attempted to offer such an explanation in its brief to this court. The Commission belatedly argues that it did not "equate[]" the two statutory phrases "as an interpretative matter." Br. for Respondent at 34. Rather, the Commission now contends that it gave independent meaning to the statutory terms "uniquely . . . associated with" and "disproportionately associated with," using the ordinary tools of statutory interpretation. *See id.* at 29-34; Tr. of Oral Argument at 54-55. Then, according to counsel, the Commission concluded that "all 'uniquely associated' costs and all 'disproportionately associated' costs satisfy the Commission's independent definition of the 'costs attributable' to a competitive product." Br. for Respondent at 31. This line of argument is hard to discern in what the Commission actually said, and it is somewhat hard to fathom on its own terms. But if that is the Commission's view, it must spell it out.

In any event, as things stand now, "we simply cannot comprehend the [Commission's] reasoning" about the meaning and application of § 3633(b). *Glob. Tel*Link v. FCC*, 866 F.3d 397, 413 (D.C. Cir. 2017). Therefore, the Commission's Order is neither reasoned nor reasonable. "At its core, the Commission's Order is arbitrary and capricious because it fails

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to articulate a comprehensible standard . . . ." *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015). "[W]e owe no deference to an agency determination that is 'largely incomprehensible.'" *Id.* (quoting *Coburn v. McHugh*, 679 F.3d 924, 926 (D.C. Cir. 2012)). The bottom line is that the Commission has not adequately explained why the statutory phrases at issue here have similar meanings, nor has it demonstrated that these statutory categories, even if distinct in meaning, nevertheless coincide in application. Therefore, the Commission's application of § 3633(a)(3) and (b) was arbitrary and capricious and must be remanded.

2. The Commission's Consideration of "Any" Such Costs Under § 3633(b)

A second problem with the disputed Order is that, in focusing its analysis on costs attributed to competitive products under 39 U.S.C. § 3633(a)(2), the Commission failed to "consider . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products" as required by 39 U.S.C. § 3633(b). As the plain meaning of that provision suggests, the Accountability Act clearly requires the Commission to consider *any* costs uniquely or disproportionately associated with competitive products at the time it reviews its appropriate share determination under § 3633(a)(3). This includes, but is not limited to, any costs fitting that description that the Commission may have already considered when it promulgated regulations under § 3633(a)(1) or § 3633(a)(2).

The record in this case indicates that the Commission did not follow this statutory mandate. Instead, the Commission, relying on its inadequately explained interpretation of the Accountability Act, focused narrowly on the costs it had considered – and attributed – in promulgating regulations under

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§ 3633(a)(2). At oral argument, counsel for the Commission suggested that by piecing together the Commission's responses to various comments, we could find that the Commission did indeed consider a broader class of costs. Tr. of Oral Argument at 75; *see also* Br. for Respondent at 35-38. Even assuming that is right, however, the Commission's Order does not make it clear or comprehensible, and we cannot fill in the blanks in the Commission's reasoning. The simple point here is that the Commission erred in concluding that it had discharged its responsibility to consider *any* costs uniquely or disproportionately associated with competitive products by virtue of the fact that it had already considered these costs when setting the price floor under § 3633(a)(2).

An agency Order that is at odds with the requirements of the applicable statute cannot survive judicial review. *See, e.g.*, *Michigan v. EPA*, 135 S. Ct. 2699, 2706 (2015). "An agency's failure to consider and address during rulemaking 'an important aspect of the problem' renders its decision arbitrary and capricious. A 'statutorily mandated factor, by definition, is an important aspect of any issue before an administrative agency . . . .'" *Mozilla Corp. v. FCC*, 940 F.3d 1, 60 (D.C. Cir. 2019) (per curiam) (first quoting *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.,* 463 U.S. 29, 43 (1983); then quoting *Pub. Citizen v. Fed. Motor Carrier Safety Admin.*, 374 F.3d 1209, 1216 (D.C. Cir. 2004)). On the record before us, the Commission's treatment of § 3633(b) cannot survive judicial review. Therefore, we are constrained to remand the Order to the Commission for further consideration.

On remand, the Commission must consider all costs uniquely or disproportionately associated with competitive products in setting the appropriate share, even if it has already accounted for those costs under § 3633(a)(1) and (a)(2).

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Furthermore, the Commission should fully address the issue left open in the court's 2018 decision in *UPS v. PRC*. The court in that decision recognized that, because the costs attributed test under § 3633(a)(2) is conservative, there may be institutional costs that are "uniquely or disproportionately associated with competitive products," even though they cannot be said to stand in "reliably identified causal relationships" with them. The Commission's Order in this case does not address this.

In addition, the Commission must explain the relevance (if any) of costs it may have considered in implementing § 3633(a)(1). At oral argument, counsel for the Commission suggested that the Commission might not have to further consider costs uniquely or disproportionately associated with competitive products under § 3633(b) because it had already considered them pursuant to § 3633(a)(1). Tr. of Oral Argument at 43-44, 48, 54-55. However, this possibility is offered as nothing more than a fleeting suggestion in the Commission's Order and its brief to the court. *Compare* Order at 144, J.A. 663, and Br. for Respondent at 19 (focusing only on § 3633(a)(2)), *with* Order at 160 n.294, J.A. 679 n.294, and Br. for Respondent at 36 (mentioning the Commission's test under § 3633(a)(1)). If this point is somehow critical to the Commission's analysis, the Commission must make that clear in the first instance. *See SEC v. Chenery Corp.*, 318 U.S. 80, 94-95 (1943).

We do not mean for these examples to exhaust the issues that the Commission must address on remand, only to illustrate some of what a fuller "consider[ation]" of the relevant costs will involve.

* * *

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In sum, the Commission must address the issues highlighted above before we can say whether its formula-based approach to determining the appropriate share under § 3633(a)(3) is permissible and reasonable. On remand, the Commission might decide to revise its judgment regarding the "appropriate share" under § 3633(a)(3). Indeed, at oral argument, counsel for the Commission conceded that the "floor" established under § 3633(a)(3) might need to be adjusted if the Commission found any costs uniquely or disproportionately associated with competitive products. Tr. of Oral Argument at 49-50. It is also possible, however, that the Commission might decide against revising its bottom-line judgment, given the other factors the Commission must consider under § 3633(b) and the latitude that the text affords the Commission in making a final determination.

We take no position on this matter. It is not for this court to say that the Commission must account for costs in any specific way under § 3633(b) or that the Commission must make any particular "appropriate share" determination under § 3633(a)(3). Rather, the judgment of the court is that, on remand, the Commission must consider all the costs referenced under § 3633(b), as the Accountability Act clearly commands. And any decision that the Commission reaches regarding the meaning and application of § 3633(b) in connection with the "appropriate share" determination under § 3633(a)(3) must be consistent with the terms of the statute, must be comprehensible, and must otherwise satisfy the requirements of reasoned decision-making.

III. CONCLUSION

For the reasons set forth above, we grant UPS's petition for review and remand the case to the Commission for further consideration consistent with this opinion.

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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USPS-20-1215-A-003482

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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USPS-20-1215-A-003483

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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USPS-20-1215-A-003484

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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USPS-20-1215-A-003558

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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USPS-20-1215-A-003599

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-003601

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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USPS-20-1215-A-003602

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* ("PAEA") classifies our products into two broad categories: Market-Dominant and Competitive "products," however, we use the term "services" in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS"), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund ("PSRHBF"). We must coordinate with the U.S. Office of Personnel Management ("OPM") to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

AMERICAN OVERSIGHT

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

AMERICAN OVERSIGHT

USPS-20-1215-A-003774

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

AMERICAN OVERSIGHT

USPS-20-1215-A-003775

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

AMERICAN OVERSIGHT

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

AMERICAN OVERSIGHT

USPS-20-1215-A-003777

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-003778

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

AMERICAN OVERSIGHT

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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USPS-20-1215-A-003838

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

AMERICAN OVERSIGHT

USPS-20-1215-A-003892

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

AMERICAN OVERSIGHT

USPS-20-1215-A-003893

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-003896

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

AMERICAN OVERSIGHT
USPS-20-1215-A-003897

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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USPS-20-1215-A-003971

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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USPS-20-1215-A-004012

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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USPS-20-1215-A-004013

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-004014

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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USPS-20-1215-A-004089

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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USPS-20-1215-A-004253

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

AMERICAN OVERSIGHT

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

AMERICAN OVERSIGHT

USPS-20-1215-A-004305

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

AMERICAN OVERSIGHT

USPS-20-1215-A-004306

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

AMERICAN OVERSIGHT

USPS-20-1215-A-004307

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-004309

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

AMERICAN OVERSIGHT
USPS-20-1215-A-004310

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* ("PAEA") classifies our products into two broad categories: Market-Dominant and Competitive "products," however, we use the term "services" in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS"), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund ("PSRHBF"). We must coordinate with the U.S. Office of Personnel Management ("OPM") to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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USPS-20-1215-A-004369

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's (“EEOC”) Office of Federal Operations (“OFO”) certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO’s order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs (“CHF”), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

AMERICAN OVERSIGHT

USPS-20-1215-A-004423

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

AMERICAN OVERSIGHT

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-004427

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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USPS-20-1215-A-004428

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's (“EEOC”) Office of Federal Operations (“OFO”) certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO’s order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs (“CHF”), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* ("PAEA") classifies our products into two broad categories: Market-Dominant and Competitive "products," however, we use the term "services" in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS"), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund ("PSRHBF"). We must coordinate with the U.S. Office of Personnel Management ("OPM") to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-004545

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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USPS-20-1215-A-004546

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Draft April 23, 2020 (5.0)

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

USPS-20-1215-A-004606

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Draft April 23, 2020 (5.0)

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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USPS-20-1215-A-004665

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's (“EEOC”) Office of Federal Operations (“OFO”) certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO’s order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs (“CHF”), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

AMERICAN OVERSIGHT

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

AMERICAN OVERSIGHT

USPS-20-1215-A-004718

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

AMERICAN OVERSIGHT

USPS-20-1215-A-004719

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

AMERICAN OVERSIGHT

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

AMERICAN OVERSIGHT

USPS-20-1215-A-004721

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

AMERICAN OVERSIGHT

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April 23, 2020 (5.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 23, 2020 (5.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will unlikely have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers’ increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service’s Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets

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and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

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NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our

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Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and

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- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the

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declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period and despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked our provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during,

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or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

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Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

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On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not

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include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of

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operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Congress of the United States
Washington, DC 20515

May 5, 2020

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, U.S. Capitol
Washington, D.C. 20510

The Honorable Steven Mnuchin
Secretary
United States Department of Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Leader McCarthy, Majority Leader McConnell, and Secretary Mnuchin:

As you consider legislative priorities in any upcoming stimulus packages to address the coronavirus (COVID-19) pandemic, we urge you to incorporate provisions that will address the needs of the U.S. Postal Service (USPS). Postal management believes that volume and revenue may drop by 50% due to COVID-19. Now is not the time to debate reforms to USPS but rather to provide much needed relief to keep this important service operational.

In March, USPS worked with the Centers for Disease Control and Prevention (CDC) to send a mailer with critical information about COVID-19 and recommendations for every American to prevent the spread of the virus. The Food and Drug Administration (FDA) is currently working on a self-testing nasal swab that must, once available, be efficiently delivered by the Postal Service to 135 million households across the country.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-137) provided $10 billion to the Treasury Department's Federal Finance Bank (FFB). The FFB has tried to impose operational changes to the Postal Service for years and these authorities were augmented in the CARES Act. USPS has not received a taxpayer appropriation (other than for military/overseas voting and free mail for the blind) since the 1980s but this current crisis warrants that change.

We ask that you consider including the following provisions:

1. A "public service" appropriation of at least $25 billion to the Postal Service to alleviate some of the strain caused by the pandemic.

2. An authorization for a continued "public service" appropriation for the difference between USPS revenue and expenses for the duration of this public health crisis.

3. A mechanism to reimburse the Postal Service for any COVID-19 related leave pay provided by the Families First Coronavirus Response Act (P.L. 116-127).

4. Ensure equal treatment for postal employees in any legislation that authorizes, and funds hazard pay for other front-line workers exposed to health risks related to the COVID-19 virus. Such

AMERICAN OVERSIGHT

legislation should cover postal workers, who face heightened exposure risks to the virus on a daily basis.

Millions of Americans depend on the Postal Service throughout their daily lives but especially during the coronavirus pandemic USPS is serving an important role. Any interruption to service could be detrimental not only to USPS but also to our constituents across the country.

Sincerely,

Brian Fitzpatrick
Member of Congress

David McKinley
Member of Congress

Don Young
Member of Congress

Fred Upton
Member of Congress

Peter King
Member of Congress

Mike Bost
Member of Congress

Christopher H. Smith
Member of Congress

John Katko
Member of Congress

Don Bacon
Member of Congress

Jeff Van Drew
Member of Congress

Rodney Davis
Member of Congress

Pete Stauber
Member of Congress

AMERICAN OVERSIGHT

Susan W. Brooks
Member of Congress

Tom Cole
Member of Congress

John Shimkus
Member of Congress

Michael T. McCaul
Member of Congress

Joe Wilson
Member of Congress

Paul Cook
Member of Congress

Tom Reed
Member of Congress

Markwayne Mullin
Member of Congress

Steve Stivers
Member of Congress

David P. Joyce
Member of Congress

Jaime Herrera Beutler
Member of Congress

Darin LaHood
Member of Congress

/S/
Mike Turner
Member of Congress

/S/
Will Hurd
Member of Congress

AMERICAN OVERSIGHT

Congress of the United States
Washington, DC 20515

May 5, 2020

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AMERICAN OVERSIGHT

Congress of the United States
Washington, DC 20515

May 5, 2020

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2. An authorization for a continued "public service" appropriation for the difference between USPS revenue and expenses for the duration of this public health crisis.

3. A mechanism to reimburse the Postal Service for any COVID-19 related leave pay provided by the Families First Coronavirus Response Act (P.L. 116-127).

4. Ensure equal treatment for postal employees in any legislation that authorizes, and funds hazard pay for other front-line workers exposed to health risks related to the COVID-19 virus. Such

AMERICAN OVERSIGHT

legislation should cover postal workers, who face heightened exposure risks to the virus on a daily basis.

Millions of Americans depend on the Postal Service throughout their daily lives but especially during the coronavirus pandemic USPS is serving an important role. Any interruption to service could be detrimental not only to USPS but also to our constituents across the country.

Sincerely,

Brian Fitzpatrick
Member of Congress

David McKinley
Member of Congress

Don Young
Member of Congress

Fred Upton
Member of Congress

Peter King
Member of Congress

Mike Bost
Member of Congress

Christopher H. Smith
Member of Congress

John Katko
Member of Congress

Don Bacon
Member of Congress

Jeff Van Drew
Member of Congress

Rodney Davis
Member of Congress

Pete Stauber
Member of Congress

AMERICAN OVERSIGHT

Susan W. Brooks
Member of Congress

Tom Cole
Member of Congress

John Shimkus
Member of Congress

Michael T. McCaul
Member of Congress

Joe Wilson
Member of Congress

Paul Cook
Member of Congress

Tom Reed
Member of Congress

Markwayne Mullin
Member of Congress

Steve Stivers
Member of Congress

David P. Joyce
Member of Congress

Jaime Herrera Beutler
Member of Congress

Darin LaHood
Member of Congress

/S/
Mike Turner
Member of Congress

/S/
Will Hurd
Member of Congress

AMERICAN OVERSIGHT

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 8-K

CURRENT REPORT
PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 30, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W.	
Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of April 30, 2020: N/A

AMERICAN OVERSIGHT

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

David C. Williams announced his resignation from the Board of Governors effective April 30, 2020. Governor Williams's term had expired on December 8, 2019, and he had continued to serve as a Governor in a holdover year.

AMERICAN OVERSIGHT

Signature

Pursuant to the requirements of the Postal Accountability and Enhancement Act of 2006, the Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

By: /s/ Thomas J. Marshall
Thomas J. Marshall,
General Counsel and
Executive Vice President

Date: May 4, 2020

AMERICAN OVERSIGHT

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

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General Counsel and
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Even if your state law has more permissive deadlines, it is critical that these time periods be kept in mind when informing voters how to successfully participate in an election using the mail, and when state and local election officials are making decisions as to how to send a piece of Election Mail to voters. In particular, voters should be aware of these time periods when determining when to request that an absentee ballot be mailed to them, and when to mail the ballot back to elections officials. For example, if a state law requires completed ballots to be received by election officials by a specified date (such as Election Day) in order to be counted, you should be aware of the possibility that completed ballots mailed shortly before that date may not, in fact, arrive by the state's deadline. Similarly, if a state law allows a qualified voter to request an absentee ballot shortly before Election Day and requires the state or local election official to mail that ballot to the voter, it is possible that the absentee ballot will not reach the voter before Election Day, depending on the date of the request.

The Postal Service is committed to the efficient and timely processing and delivery of Election Mail in accordance with our delivery standards, and we have developed labeling to provide greater visibility for these mailpieces during Postal Service handling, including the Official Election Mail logo, which is used on all Election Mail; and Tag 191, *Domestic and International Ballots*, which is used specifically for ballots. However, we cannot guarantee a specific delivery date or alter our standards to comport with individual state election laws. To account for our delivery standards and to allow for contingencies (e.g., weather issues or unforeseen events), we recommend that voters mail their marked return ballots at least 1 week before the due date

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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[Signature]

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

March 23, 2020

Ms. Maria Bonner
Deputy Director
White House Domestic Policy Council
EOP Office of Policy Development
Washington, DC 20504-0002

Dear Deputy Director Bonner:

As a follow-up from our conversation on March 20, 2020, the Postal Service is committed to continuing to fulfill its role as a provider of essential government services, and to assist the Administration in whatever way we can during this national emergency. We are working closely with federal, state, and local authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public. However, we are concerned that the implementation of state and local government actions restricting commercial and personal activities in response to the Coronavirus Disease 2019 (COVID-19) pandemic will inadvertently interfere with operations. This letter provides information concerning the Postal Service's status and our exemption from these state and local directives, as we are both a provider of essential services and part of the federal government.

Essential Government Service

The Postal Service's role as a provider of essential government services under federal law is clear. The postal system is used to deliver, among other things, important governmental information and benefits, mail that is essential to the functioning of our economy, elections materials, and packages containing vital necessities. For instance, the Postal Service assists with elections, the Census, and the provision of government benefits, like social security checks. We deliver transactional mail that is essential to the financial services industry and other commercial firms. We deliver medications and other necessary purchases made online. We consistently and continually fulfill our essential function as set forth by statute and Administration policy.

We are mandated by statute to operate "as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by an Act of Congress, and supported by the people."[1] 39 U.S.C. §101(a). The Postal Service performs this role as "an independent establishment of the executive branch of the Government of the United States."[2] Pursuant to our statute, we are mandated to provide prompt, reliable, and efficient universal postal services throughout the United States.

In addition to this statutory mandate, the Postal Service carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy (established for national emergencies pursuant to Presidential Directive and implemented by FEMA).

[1] 39 U.S.C. §101(a).

[2] *Id.* § 201.

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Specifically, "the delivery of postal services to the American Public" is defined as a Primary Mission Essential Function necessary for the continuation of critical government services.[3]

As background, Presidential Policy Directive 40 established that "it is the policy of the United States to maintain a comprehensive and effective continuity capability through Continuity of Operations (COOP), Continuity of Government (COG), and Enduring Constitutional Government (ECG) programs, ensuring the resilience and preservation of government structure under the United States Constitution and the continuous performance of National Essential Functions (NEFs) under all conditions."[4] National Security Presidential Directive 51 then instructed Executive Departments and Agencies to identify and submit a list of Primary Mission Essential Functions (PMEFs) that the Department or Agency plans in support of the NEFs.[5] PMEFs are those mission essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, and in the aftermath of an emergency.[6]

In addition to the PMEF designation, "postal and shipping workers" are considered essential critical infrastructure workers, as defined in recent guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA).[7] In its guidance materials issued on March 19, 2020, CISA explained that promoting the ability of essential critical infrastructure workers "to continue to work during periods of community restriction, access management, social distancing, or closure orders/directives is crucial to community resilience and continuity of essential functions."

White House Guidance further provides that if individuals work in a critical infrastructure industry, as defined by the Department of Homeland Security, they have a responsibility to maintain their normal work schedule, while following CDC guidance to protect individuals' health at work.[8]

In addition to our employees, the Postal Service relies heavily on our contractors, suppliers, and industry partners. Contractors and suppliers support all aspects of our operations, including in the transportation and delivery of the mail. This network of contractors and suppliers are likewise critical to the provision of this essential function. In addition, our mailing and printing industry partners are vital because they print and mail the critical items that are sent through the mail, and hence ensure

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[3] *See* List of List of Validated PMEFs by Department/Agency (available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefs_by_department_v2_fema.pdf).

[4] U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3 (January 17, 2017) (available at: https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf).

[5] National Security Presidential Directive/NSPB 51 (available at: https://fas.org/irp/offdocs/nspd/nspd-51.htm).

[6] *See, e.g.,* U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, 16, Annex B.

[7] Krebs, Christopher C., Director Cybersecurity and Infrastructure Security Agency (CISA), Memorandum on Identification of Essential Critical Infrastructure Workers During COVID-19 Response (March 19, 2020) (available at: https://www.cisa.gov/sites/default/files/publications/CISA-Guidance-on-Essential-Critical-Infrastructure-Workers-1-20-508c.pdf.).

[8] https://www.whitehouse.gov/wp-content/uploads/2020/03/03.16.20_coronavirus-guidance_8.5x11_315PM.pdf.

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that the government and businesses can access the mail. Our industry partners are also important in ensuring the efficiency of our package delivery network, through which we deliver vital necessities, including medicines and other goods. Moreover, the DHS guidance regarding essential critical infrastructure workers is not specific to the Postal Service, but rather extends to postal and shipping workers, including those in the private sector. We believe this reasonably includes our contractors, suppliers, and industry partners.

Given all of the above, we believe it is clear that the Postal Service is exempt from state and local ordinances restricting commercial and personal activities, and that this exemption should also apply as a general matter to our contractors and suppliers who are critical for our operations, and our industry partners who are printing, distributing, and entering items into the postal system. We are already seeing, however, that there is some confusion in the implementation of these ordinances. And the text of several such ordinances does not make clear that the Postal Service, and others in our supply chain, are excluded.

Supremacy Clause

The above conclusions are further buttressed by the Supremacy Clause of the United States Constitution, which otherwise limits the ability of state and local laws to affect the performance of federal functions. First, the "intergovernmental immunity" doctrine provides that states and localities are not allowed to directly regulate the actions of any arm of the federal government,[9] unless the federal government clearly and unambiguously submits to state regulation.[10] Second, the "preemption" doctrine provides that state and local laws are preempted by federal law if they seek to regulate an activity that is the subject of a comprehensive federal scheme, or would otherwise frustrate the achievement of the purposes and objectives of federal law.

The U.S. Constitution grants to Congress the enumerated power "to establish post offices and post roads,"[11] a power which "embraces the regulation of the entire Postal System of the country."[12] As noted above, Congress has in turn established the U.S. Postal Service as an "independent establishment of the executive branch of the Government of the United States" to provide postal services throughout the Nation. [13] To support this mission, Congress delegated to the Postal Service the power "to construct, operate, lease, and maintain buildings, facilities, equipment, and any improvements on any property owned or controlled by it."[14] Postal facilities serve the basic function

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[9] U.S. CONST. art. 6, cl. 2 ("This Constitution, and the laws of the United States which shall be made in pursuance thereof . . . shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding."); *M'Culloch v. Maryland*, 17 U.S. (4 Wheat.) 316, 406 (1819) ("The government of the United States, then, though limited in its powers, is supreme; and its laws, when made in pursuance of the constitution, form the supreme law of the land, 'anything in the constitution or laws of any state to the contrary notwithstanding.'").

[10] *Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 180 (1988) ("It is well settled that the activities of federal installations are shielded by the Supremacy Clause from direct state regulation unless Congress provides 'clear and unambiguous' authorization for such regulation.") (citations omitted).

[11] U.S. Const. art. I, § 8, cl. 7.

[10] *Ex parte Jackson*, 96 U.S. 727, 732 (1878).

[13] 39 U.S.C. § 201. *See also id.* § 101, 403.

[14] 39 U.S.C. § 401(6).

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of providing prompt, reliable, and efficient postal services nationwide, and must be maintained in "such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services."[15] Congress also granted comprehensive powers to the Postal Service to direct and maintain its operations, including the right to enter into contracts,[16] and broad personnel rights to hire its own employees and direct the performance of their duties and "to take whatever actions may be necessary to carry out its mission in emergency situations."[17]

In light of the clear congressional mandate that the Postal Service provide economical and efficient mail service on a nationwide basis – including during times of emergency – courts have consistently found that Congress intended the Postal Service to have broad immunity from state or local regulation.[18] Where local regulation affecting Postal Service operations is inconsistent with postal regulations, courts will deem it to be preempted under the Supremacy Clause as "an unconstitutional obstacle to the accomplishment and execution of the full purposes and objectives of Congress."[19] Thus, any state or local law purportedly directing postal employees to follow procedures inconsistent with Postal Service authority presents a clear conflict with federal law, which entrusts the Postal Service with the task of maintaining facilities and operations in accordance with federal law: "[W]here a postal worker is performing duties pursuant to federal law, a state cannot impose requirements that interfere with the performance of those duties."[20]

Moreover, the express authority allocated to the Postal Service to "operate" and "maintain" its facilities in the service of providing an efficient network of postal services on a nationwide basis and "to take whatever actions may be necessary to carry out its mission in emergency situations" "leaves no room" for state or local regulatory authority over health or safety matters and evidences a "federal interest . . . so dominant that the federal system will be assumed to preclude enforcement of state law

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[15] *Id.* §§ 101(a), 403(b)(3).

[16] *Id.* § 401(3).

[17] *Id.* § 1001(e) ("The Postal Service shall have the right, consistent with . . . applicable laws, regulations, and collective-bargaining agreements—(1) to direct officers and employees of the Postal Service in the performance of official duties; . . . (4) to maintain the efficiency of the operations entrusted to it; (5) to determine the methods, means, and personnel by which such operations are to be conducted; . . . and (7) to take whatever actions may be necessary to carry out its mission in emergency situations.").

[18] *See, e.g., Goldsmith v. U.S.,* 42 Fed.Cl. 664, 669, n.3 (Fed. Cl. 1999) ("The Postal Service may ignore local town or city requirements by virtue of the powers conferred by the Supremacy Clause of the United States Constitution.") (citation omitted); *Barbieri v. Hartsdale Post Office*, 863 F.Supp. 152 (S.D.N.Y. 1994) (holding local taxing authority to be preempted to the extent it purported to interfere with Postal Service's ability to correct erroneous postmarks); *Grover City v. U.S. Postal Service*, 391 F.Supp. 982, 986-87 (C.D.Cal. 1975) (dismissing city's suit to require door delivery on Supremacy Clause preemption grounds). Particularly in the area of municipal regulation, a long line of case law supports the supremacy of Postal Service regulations. *See, e.g., U.S. v. City of Pittsburg, Cal.,* 661 F.2d 783 (9th Cir.1981) (trespass ordinance); *U.S. Postal Service v. Town of Greenwich, Conn.*, 901 F.Supp. 500 (D.Conn., 1995) (construction code); *Middletown Tp. v. N/E Regional Office, U.S. Postal Service*, 601 F.Supp. 125 (D.N.J., 1985) (zoning ordinance); *Crivello v. Board of Adjustment of Borough of Middlesex*, 183 F.Supp. 826 (D.N.J.1960) (zoning ordinance); *City of N. Miami, Fla. v. Grant–Sholk Constr. Co*., 237 F.Supp. 573 (S.D.Fla., 1965) (zoning ordinance); *Breeze v. Town of Bethlehem*, 573 N.Y.S.2d 122 (N.Y.Sup., 1991) (zoning and land use); *Thanet Corp. v. Bd. of*

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on the same subject."[21] Furthermore, the constitutional enumeration of the postal powers supports the supremacy of the federal interest in this field. Even where express preemption language is absent, any state or local law which "stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress"—such as a local determination to close a postal facility—would be impliedly preempted by conflict.[22]

While it does not specifically invoke the Supremacy Clause, the Attorney General issued a memorandum to all United States Attorneys on March 20, 2020, in which he requested that they communicate with state and local law enforcement partners "to ensure that local law enforcement officials enforcing travel restrictions are aware of the fact that federal employees must be allowed to travel and commute to perform law enforcement and other functions and should not be prevented from doing so, even when travel restrictions are in place." This is consistent with the fact that the state and local ordinances should not apply to the Postal Service as part of the federal government, even if we were not providing an essential service as defined by the relevant ordinance.

Finally, to the extent that state and local ordinances would impede the Postal Service's functions, those ordinances are subject to the same preemption analysis regardless of whether the functions are performed by postal employees or contractors.[23] This principle has already been applied to Postal Service contractors.[24]

Adjustment of Princeton Tp., 260 A.2d 1 (N.J.Super.A.D., 1969) (zoning ordinance); *Stewart v. U.S. Postal Service*, 508 F.Supp. 112, 115 (N.D.Cal.1980) (zoning ordinance).

[19] *City of Pittsburg, Cal.,* 661 F.2d at 785 (citing *Hines v. Davidowitz*, 312 U.S. 52 (1941) (internal quotation marks omitted)). Courts have held this to be true even in the traditionally local area of public safety. *City of Hollywood*, 974 F.Supp. at 1465 & n.5 (noting in dicta that, public safety concerns being shared equally by both state and federal levels of government, the Postal Service's interest in a uniform system of facility construction and design would be paramount).

[20] *City of Pittsburg, Cal.*, at 785-86 (holding that local criminal trespass ordinance conflicted with Postal Service regulations regarding the manner in which delivery employees performed their duties and was thus preempted by the "Congressional mandate to provide efficient mail delivery service"); *cf. U.S. v. City of St. Louis, Branch 343, Nat. Ass'n of Letter Carriers*, 597 F.2d 121 (8th Cir. 1979) (holding that a municipal ordinance prohibiting letter carriers from crossing the private property of patrons without their express or implied consent was permissible only because it did not conflict with the same Postal Service regulation).

[21] *Hillsborough*, 471 U.S. 707 (quoting *Rice v. Santa Fe Elevator Corp.*, 331 U.S. 218, 230 (1947)).

[22] *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941).

[23] *See, e.g.*, *Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 181 (1988) (analyzing *Hancock v. Train*, 426 U.S. 167 (1976), as "establish[ing] that a federally owned facility performing a federal function is shielded from direct state regulation, even though the federal function is carried out by a private contractor, unless Congress clearly authorizes such regulation."); *United States v. California*, 921 F.3d 865, 882 n.7 (9th Cir. 2019) ("For purposes of intergovernmental immunity, federal contractors are treated the same as the federal government itself.") (citing *Goodyear*).

[24] *U.S. Postal Serv. v. Town of Greenwich, Conn.*, 901 F. Supp. 500, 507 (D. Conn. 1991) ("In the absence of such specific Congressional authorization, the Court finds that the state building code cannot be applied to the lessors of land to the Postal Service and to the contractors hired to construct postal facilities because it conflicts with federal law.") (citing, *inter alia*, *Hancock*, *Goodyear*, and *Leslie Miller*).

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Conclusion

As stated at the outset, we are committed to continuing to fulfill our role as a provider of essential government services, and we appreciate your consideration of this information. Thank you for your time last Friday and for any assistance you can provide to reinforce the conclusions of this memorandum.

In that regard, please let us know if you have any questions or if additional information would be helpful.

Sincerely,

Thomas J. Marshall

AMERICAN OVERSIGHT

SUMMARY OF USPS-RELATED PROVISIONS OF TAKE RESPONSIBILITY FOR WORKERS & FAMILIES ACT (3/23 HOUSE DRAFT)

I. Appropriation

On page 53 of the draft bill, **$20 billion** would be appropriated to us "for revenue forgone due to the coronavirus pandemic." That amount is "to remain available" through FY2022. This language raises two issues on which we could propose technical assistance:

- The "revenue forgone" purpose is too limiting, in the event that some party might later dispute whether we actually lost $20 billion in revenue due to the pandemic. Moreover, the impacts of the pandemic are not limited to revenue loss: we will also incur additional expenses. Hence, we would propose **eliminating the phrase or (alternatively) expanding it to "revenue forgone and other impacts."**

- The FY2022 limitation would require us to separately track when these $20 billion are obligated, as opposed to our general revenues, which have no such time limitation. To avoid this administrative complication, we would propose **changing the language to "remain available until expended."** This would treat these amounts consistent with the other amounts in the Postal Service Fund.

One issue raised last week concerned the application of § 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act (BBEDCA) to this appropriation, which ordinarily requires a Congressional and a Presidential designation of an emergency appropriation. We had raised a concern with the Presidential designation language, as it could imply that the President could veto our appropriation: a level of control over our funding that he ordinarily does not have. The language of the new draft bill does away with the Presidential designation language and stipulates merely that Congress is designating the funds as an emergency requirement. (The draft bill uses the same approach for other agencies' appropriations.) But the BBEDCA requirement for Presidential designation would remain operative, even if it is not explicitly invoked. To avoid the potential for Presidential control, we would propose **expressly waiving the Presidential designation requirement.**

It also appears that the drafters removed boilerplate language about the money having to be "in the Treasury [and] not otherwise appropriated." We had raised concerns that this might be interpreted to give Treasury discretion over our access to the funds.

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II. Borrowing

Section 140001 (page 725) would (1) cancel our outstanding debt; (2) authorize us to borrow $15 billion from Treasury, which Treasury would be required to lend to us; and (3) permanently abolish the $3 billion annual cap on borrowing.

The drafters do not appear to have addressed various concerns that we raised last week. To address those concerns, we would propose the following technical assistance:

- **Clarify that the cancelation of debt is "without penalty,"** to avoid Treasury charging us any pre-payment penalties.

- **Clarify that the $15 billion in new borrowing authority is additional to (not coextensive with) the $15 billion in normal borrowing authority.** While it's not crystal clear, this appears to be the intent, but given that our available borrowing authority would simultaneously be restored to (also) $15 billion, the language is ambiguous.

- **Clarify that the recent note purchase agreement's (NPA's) terms would apply by default (unless we and Treasury agree on other terms).** The draft bill has no language on the terms of borrowing. Given that it also has no deadline for the new borrowing, the borrowing could be indefinitely tied up in negotiations over terms, along the lines of what we have experienced with Treasury in the last year. To forestall that, the bill should apply the recent NPA as a backdrop to any negotiations. We would also go a step further and apply the NPA by default to <u>any</u> borrowing from Treasury (including under the preexisting borrowing statute).

III. Operations ("Prioritization of Delivery…")

Section 140002 (page 726) would:

a) Require us to prioritize medical deliveries during the COVID-19 emergency.

b) Allow us to establish temporary alternative delivery points.

c) Allow us to "institute flexible delivery," which is rather amorphous, but which could be interpreted to mean a less-than-six-day delivery schedule, in the event operations or employees are impacted by the pandemic.

These provisions would therefore give the Postal Service temporary authority to enact operational changes to address the impact of the pandemic. The language is very broad, though ambiguous in some respects. For instance, "flexible delivery" is not defined, so disputes could arise.

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IV. Other reforms

The draft bill does not include any other subjects covered by our proposal last week, which covered the following topics:

- Medicare integration;
- RHB prefunding repeal and vested liability;
- Interagency and intergovernmental agreements;
- Elimination of pension payments based on our prefunding level;
- Regulatory changes.

V. Financial services

In Division I under Financial Services, the Postal Service is to be used to help implement the "digital dollar wallets" providing emergency stimulus checks to individuals. Post Offices are to be used to help provide access and availability to application and account services for these digital wallets (page 323). We are also supposed to provide ATMs for access to those funds (page 324).

VI. Vote by mail

The vote-by-mail provisions are in Division L (pp. 643-705). The bill has potentially added more costs for the Postal Service through the designation of additional materials as "balloting materials," which shall be delivered "free of postage" under 39 U.S.C. § 3406. We are entitled to reimbursement for the revenue forgone by operation of 39 U.S.C. § 3406, so the primary effect of these provisions is that they will likely raise our appropriations requests moving forward.

- The principal substantive concern with the bill is that it requires states to send blank ballots to voters who request them as late as 5 days (excluding weekends) before Election Day. For states who send out blank ballots by mail, this deadline will make delivery challenging, especially if Marketing Mail is used. However, the bill also appears to allow states to send blank ballots electronically, and provides that voters can download a ballot if they have not received their ballot within two days before the election, so the "5-day" deadline likely will not prevent voters from being able to cast a ballot. We could work with states to encourage use of FCM for voter requests that are submitted near Election Day, but it would be helpful in this regard if the "5 days" language were changed to **"10 days**" on p. 655.

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- This potential timing problem will not impact the 2020 election. A separate provision states that, in the event of an emergency or disaster, the deadline above will not apply. Instead, state officials will transmit ballots 2 weeks before the election. The bill does not specify if this transmission needs to be by mail, so it is possible that state officials could send the ballots electronically (p. 655-656). This deadline also applies to the regularly scheduled general election for Federal office in November (p. 657). So, at least for this year, timing should not be an issue.

- The delivery of completed ballots by mail will not be a concern, as the bill provides that states must accept all ballots postmarked on or before Election Day.

- The bill requires states to implement a ballot tracking program, but does not require the use of an Intelligent Mail Barcode (IMb). This section does take effect for the November election, so states may be interested in using IMb to help in these efforts (although IMb cannot provide all the required information, such as whether a vote was counted).

- The bill creates a new section of Title 39 for absentee ballots for a federal election, which requires the ballot be carried expeditiously and with postage prepaid by the State or local government (p.665-671). So, in effect, the cost of most mailed absentee ballots should by covered by the states rather than provided "postage free" by the Postal Service.

- However, some absentee ballots would fall within Section 3406 (and thus must be provided "postage free"). This would apply to ballots for voters who:

    - Are registered to vote and have requested an absentee ballot but not received it at least 2 days before the election;

    - Reside in an area where an emergency or public health emergency has been declared within 5 days of the election and have not requested an absentee ballot;

    - Are hospitalized or expect to be so on election day; or

    - Have a disability.

- The bill includes provisions relating to accommodations on Indian lands (p. 684), as well as new appropriations to the states and the Election Assistance Commissions.

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VII. Leave

It appears that this version does not include provisions allowing the Office of Management and Budget to except certain federal employees from the new FMLA and emergency sick leave provisions enacted in the Families First Act last week. It also clarifies and expands aspects of the Families First Act (e.g., specifying that the emergency sick leave is supplemental to any existing sick leave policies).

VIII. Franked mail

This version maintains the Senate version's language re: Franked Mail – excepting mailings "sent in response to or to address threats to life safety'' from the mass mailings prohibition in 39 U.S.C. § 3210(a)(6)(D).

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UNITED STATES POSTAL SERVICE
PAYMENT TO POSTAL SERVICE FUND

For payment to the ''Postal Service Fund'', ~~for revenue forgone due to the coronavirus pandemic,~~ $20,000,000,000, to remain available until expended ~~September 30, 2022~~: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985, without regard to any requirement for a Presidential designation under such section.

* * * * *

SEC. 140001. ELIMINATION OF USPS DEBT; ADDITIONAL BORROWING AUTHORITY.

(a) IN GENERAL.—Notwithstanding any other provision of law—

(1) any outstanding debt of the United States Postal Service owed to the Treasury pursuant to sections 2005 and 2011 of title 5, United States Code, on the date of the enactment of this Act is hereby cancelled without penalty; and

(2) after the date of the enactment of this Act, the United States Postal Service is authorized to borrow money from the Treasury in an amount not to exceed $15,000,000,000 (in addition to any other borrowing in which the Postal Service is authorized to engage) to carry out the duties and responsibilities of the Postal Service, including those under title 39, United States Code, and the Secretary of the Treasury shall lend up to such amount at the request of the Postal Service.

(b) REPEAL OF FISCAL YEAR BORROWING LIMIT.—Section 2005(a)(1) of title 39, United States Code, is amended by striking ''In any one fiscal year,'' and all that follows through the period.

(c) TERMS OF BORROWING FROM THE TREASURY.—Any purchase by the Secretary of the Treasury of obligations issued by the Postal Service, either pursuant to subsection (a)(2) of this section or pursuant to section 2006 of title 39, United States Code, shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29, 2018 (subject to any modifications on which the Postal Service and the Secretary may mutually agree, pursuant to section 2006(a) of title 39, United States Code), except that no expiration date provided in such note purchase agreement shall apply.

SEC. 120003. EARLY VOTING AND VOTING BY MAIL

(a) REQUIREMENTS.—Title III of the Help America Vote Act of 2002 (52 U.S.C. 21081 et seq.) is amended by adding at the end the following new subtitle:

Commented [HJD-WD1]: We recommend striking this, lest it give rise to arguments later over how the $20 billion ends up comparing to the actual pandemic-related revenue loss (if that can even be accurately determined), when, in fact, the pandemic will have other impacts on us beyond revenue loss. If some sort of purposive language is desired here, it could read "for revenue forgone and other impacts due to the coronavirus pandemic".

Commented [HJD-WD2]: USPS funds tied to revenues are not otherwise limited in their availability. Limiting the availability of this revenue-forgone appropriation to FY2022 would require us to track obligations of these amounts separately from our general revenues. To avoid the administrative complication of doing so, it would be appropriate to cast this as a no-year appropriation ("until expended"), on par with the rest of our revenues.

Commented [HJD-WD3]: Since 1970, Congress has removed the Postal Service's funds from direct Presidential control. But, unless waived, BBEDCA § 251(b)(2)(A)(i) would only make this funding available if the President designates it as emergency spending. Thus, to avoid the possible implication that the President could veto emergency spending for the Postal Service, this provision should waive the requirement for Presidential designation (given the Postal Service's unique circumstances).

Commented [HJD-WD4]: This is necessary to ensure the intended effect, lest Treasury try to charge us a penalty for early cancellation of the debt under the relevant debt instruments.

Commented [HJD-WD5]: Given the "Notwithstanding" clause above, it seems that this $15 billion in new borrowing authority is intended to be additional to, not coextensive with, the normal $15 billion in borrowing authority under 39 USC 2005(a). But there is some ambiguity, particularly given the effect of the other provisions, which would reset the debt level to zero. This language would clarify the apparent intent.

Commented [HJD-WD6]: As drafted, the language is silent about the terms of borrowing, and so we would presumably have to negotiate with Treasury, which could take some time and could even be inconclusive. To ensure the intended effect (ready access to borrowing), the language here should provide that our most recent borrowing agreement should apply by default, in the event that we can't agree on alternative terms.

We would also propose that this set of default terms apply to normal borrowing from Treasury as well, not just in the context of borrowing under (a)(2) above. Hence casting this as a standalone provision related to all borrowing from Treasury. (If it is preferred to clarify the default terms only in the context of new borrowing authority, this language could easily be adapted to refer to borrowing pursuant to (a)(2), and even grafted onto that paragraph.)

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‘‘Subtitle C—Other Requirements’’

* * *

‘‘SEC. 322. PROMOTING ABILITY OF VOTERS TO VOTE BY MAIL.

* * *

‘‘(c) METHODS AND TIMING FOR TRANSMISSION OF BALLOTS AND BALLOTING MATERIALS TO VOTERS.—

* * *

‘‘(2) ENSURING DELIVERY PRIOR TO ELECTION.—If an individual requests to vote by absentee ballot in an election for Federal office, the appropriate State or local election official shall ensure that the ballot and relating voting materials are received by the individual prior to the date of the election so long as the individual’s request is received by the official not later than ~~5~~10 days (excluding Saturdays, Sundays, and legal public holidays) before the date of the election, except that nothing in this paragraph shall preclude a State or local jurisdiction from allowing for the acceptance and processing of ballot requests submitted or received after such required period.”

Commented [BDC-WD7]: This change will give states adequate time to allow ballots to reach voters before Election Day.

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UNITED STATES POSTAL SERVICE

April 17, 2020

Lori Rectanus
Director, Physical Infrastructure Issues
Government Accountability Office
ADDRESS

RE: U.S. Postal Service: Congressional Action to Enable a Sustainable Business Model Is Essential (Draft Report No. GAO-20-385)

Dear Ms. Rectanus:

On behalf of the United States Postal Service, this letter responds to your invitation to comment on the draft of the Government Accountability Office's (GAO's) audit report number GAO-20-385, which was transmitted to us for review on March 12.

Following the receipt of your draft report, the onset of the Coronavirus Disease 2019 (COVID-19) pandemic has had profound impacts both on the Nation, and the Postal Service. The pandemic has demonstrated the vital nature of the public services that the Postal Service performs, as Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy. The postal sector is also part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages to all communities in the Nation, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods that sustain us that are purchased online.

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our universal service mission, the pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

While short-term action by Congress is critical, the Postal Service's financial situation has long been unsustainable due to a combination of declining mail volumes and an inflexible statutory and regulatory structure that limits our ability to reduce costs and increase revenue. Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term financial viability, as discussed in your report. As discussed below, we generally concur with your discussion of the structural challenges facing the Postal Service and the general policy options for addressing them, albeit with some clarifications.

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As an initial matter, we concur with the National Bankruptcy Conference's thorough legal analysis, which concludes that the Federal bankruptcy laws do not apply to the Postal Service as an entity of the Federal Government. We further agree that attempting to apply a bankruptcy-like legal process meaningfully to the Postal Service would face significant legal hurdles, given that the central flaws in our business model derive from statute. In this regard, bankruptcy is a process to address outstanding debts, not significant future liabilities caused by statutory obligations. To place the Postal Service on a sustainable footing requires not only addressing our unpaid past liabilities, but also, more fundamentally, reform of statutorily determined aspects of our business model. Therefore, as the National Bankruptcy Conference and GAO note (e.g., at page 36 of the draft report), "all roads for [restructuring the Postal Service's existing and future obligations] lead back to Congress."

The essential policy issues for Congress can be boiled down to two questions: what does Congress want the Postal Service to do, and how should those mandates be paid for? The former question requires Congress to consider, in particular, the level of universal postal service that is appropriate to meet the evolving needs of the American people (which is particularly important to consider in times like these), and the compensation and benefits structure that should apply to the men and women who provide that essential, fundamental service. The latter question requires Congress to consider how the costs incurred by the Postal Service should be funded, whether through the sale of postal products and services, taxpayer appropriations, or other sources.

Over the past decade, the Postal Service has aggressively pursued opportunities within its control to reduce costs and sustain revenue, some of which are discussed in your report. Yet those opportunities remain insufficient to close the current gap between our costs and revenues. The Postal Service has therefore advocated for financial and structural reforms to our business model to rebalance costs and revenue, and to sustain that balance going forward, by giving the Postal Service greater pricing and product flexibility and greater ability to reduce costs.

The central aspect of our proposal has been to rationalize our post-retirement benefits structure by ensuring that our retiree health benefits program is appropriately integrated with Medicare. As your report notes (on page 13 of the draft), most companies do not offer retiree health benefits, and the number that do has declined over time. What is not specifically mentioned in your report is that, for the minority of employers that do continue to offer a retiree health benefits program, the universal practice is to integrate that program with Medicare. Doing so would wipe out most of the Postal Service's remaining retiree health benefits prefunding liability. While Medicare integration would shift some cost to Medicare, the increase would be very small when considering the Medicare program as a whole: it would increase Medicare spending by a small fraction of one percent. In addition, other options regarding our retirement benefits would not require taxpayer support, such as changes in liability calculation methods and diversified investment of fund assets.

Beyond these policy issues, GAO also recommends that Congress consider whether to retain the Postal Service's status as an independent establishment, or to adopt a different institutional structure. We agree with GAO that this topic could logically be part of a comprehensive examination of the Postal Service's business model by Congress. We understand the purpose of the GAO report is to not make any specific recommendations to Congress in this regard, but simply to lay out the various theoretical and practical effects of various possible institutional forms; our feedback on this matter was offered in the same spirit, and as a part of your intellectual exercise. Ultimately, Congress, with input from our Board of Governors and other interested stakeholders, would need to determine whether changing the Postal Service's institutional structure is necessary or appropriate to ensure the continued provision of prompt, reliable, and efficient universal postal services to the American people.

Given Congress's constitutional responsibility over postal services and the critical nature of the postal system to the functioning of the American economy and society, particularly in times like these, Congress would have to address the basic policy questions noted above regardless of whether the Postal Service remains an independent establishment or were recast in some other form. For example, even where

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foreign postal operators have been privatized, they remain – uniquely among letter and package delivery providers in their countries – legally obligated to provide universal service under statutory and regulatory conditions that constrain their autonomy over rates and costs. In those countries, privatization processes have involved legislative decisions about service levels, revenue diversification, labor and employment laws, ratemaking authority, governmental assumption of costs (e.g., pension liabilities in Germany and the United Kingdom, as well as operation of the post office network in the United Kingdom), and other taxpayer support (e.g., tax exemptions in various countries, and £ 1.1 billion in appropriated modernization funding in the United Kingdom). The draft report notes that the same was true of the privatization of Conrail in this country. And even established private automobile manufacturers and airlines have required Federal assistance and legal reforms in order to continue operating, pursuant to Congress's determination of the critical role of those industries in the American economy.

Hence, the core motivation of a sustainable postal service for the nation does not hinge on the provider's institutional form. Rather, that motivation – and the attendant legislative support – should apply so long as Congress deems postal services necessary to the nation's current and future needs. That said, it bears noting, when assessing how institutional form can affect institutional incentives, that a Government entity will necessarily prioritize the achievement of its service mission set forth in statute, while a privatized entity would have obligations to its shareholders.

At the same time, it should also be noted that (contrary to pages 34-35 of the draft report), institutional form in itself is not determinative regarding efficiency incentives. Although an independent establishment of the Executive Branch rather than a Government or private corporation, the Postal Service has long been recognized as at the forefront of postal operators – ahead of several cited in the draft report – in terms of operating efficiency. Many of the efficiency gains achieved by corporatized and privatized foreign postal operators in recent years essentially represent efforts to catch up to what the Postal Service has already done for decades (e.g., worksharing and automated delivery-point sequencing) or to keep pace with recent changes that the Postal Service began implementing before them (e.g., consolidation of its processing network and introduction of two-tier wage schedules). For example, the Postal Service was the first postal operator in the world to automate delivery sequencing (Royal Mail and La Poste followed more than a decade later). A change in institutional form is therefore clearly unnecessary to incent the Postal Service to be efficient. In that regard, we consider the drive to operate efficiently to be a part of the DNA of the Postal Service, and that would remain an inherent part of our culture irrespective of our institutional form. For that reason, we do not believe corporatization or privatization would somehow unlock new efficiency potential, or that a change in status to a fully or partially appropriated agency would result in disincentives for us to be efficient. Instead only reform in the laws governing Postal Service's cost structure can do that, and they would do so whether or not the Postal Service remains an independent establishment or takes on a different form.

Thank you once again for providing us with the opportunity to comment. We would be pleased to assist your office with further information or discussion of this matter if you believe it would be helpful.

Sincerely,

Thomas J. Marshall
General Counsel & Executive Vice President

Attachment

AMERICAN OVERSIGHT

LAW DEPARTMENT

UNITED STATES POSTAL SERVICE

April 17, 2020

Lori Rectanus
Director, Physical Infrastructure Issues
Government Accountability Office
ADDRESS

RE: U.S. Postal Service: Congressional Action to Enable a Sustainable Business Model Is Essential (Draft Report No. GAO-20-385)

Dear Ms. Rectanus:

On behalf of the United States Postal Service, this letter responds to your invitation to comment on the draft of the Government Accountability Office's (GAO's) audit report number GAO-20-385, which was transmitted to us for review on March 12.

Following the receipt of your draft report, the onset of the Coronavirus Disease 2019 (COVID-19) pandemic has had profound impacts both on the Nation, and the Postal Service. The pandemic has demonstrated the vital nature of the public services that the Postal Service performs, as Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy. The postal sector is also part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages to all communities in the Nation, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods that sustain us that are purchased online.

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our universal service mission, the pandemic has also had drastic~~serious~~ impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

While short-term action by Congress is critical, the Postal Service's financial situation has long been unsustainable due to a combination of declining mail volumes and an inflexible statutory and regulatory structure that limits our ability to reduce costs and increase revenue. Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term financial viability, as discussed in your report. As discussed below, we generally concur with your discussion of the structural challenges facing the Postal Service and the general policy options for addressing them, albeit with some clarifications.

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As an initial matter, we concur with the National Bankruptcy Conference's thorough legal analysis, which concludes that the Federal bankruptcy laws do not apply to the Postal Service as an entity of the Federal Government. We further agree that attempting to apply a bankruptcy-like legal process meaningfully to the Postal Service would face significant legal hurdles, given that the central flaws in our business model derive from statute. In this regard, bankruptcy is a process to address outstanding debts, not significant future liabilities caused by statutory obligations. To place the Postal Service on a sustainable footing requires not only addressing our unpaid past liabilities, but also, more fundamentally, reform of statutorily determined aspects of our business model. Therefore, as the National Bankruptcy Conference and GAO note (e.g., at page 36 of the draft report), "all roads for [restructuring the Postal Service's existing and future obligations] lead back to Congress."

The essential policy issues for Congress can be boiled down to two questions: what does Congress want the Postal Service to do, and how should those mandates be paid for? The former question requires Congress to consider, in particular, the level of universal postal service that is appropriate to meet the evolving needs of the American people (which is particularly important to consider in times like these), and the compensation and benefits structure that should apply to the men and women who provide that essential, fundamental service. The latter question requires Congress to consider how the costs incurred by the Postal Service should be funded, whether through the sale of postal products and services~~rates~~, taxpayer appropriations, or other sources.

Over the past decade, the Postal Service has aggressively pursued opportunities within its control to reduce costs and sustain revenue, some of which are discussed in your report. Yet those opportunities remain insufficient to close the current gap between our costs and revenues. The Postal Service has therefore advocated for financial and structural reforms to our business model to rebalance costs and revenue, and to sustain that balance going forward, by giving the Postal Service greater pricing and product flexibility and greater ability to reduce costs.

The central aspect of our proposal has been to rationalize our post-retirement benefits structure by ensuring that our retiree health benefits program is appropriately integrated with Medicare. As your report notes (on page 13 of the draft), most companies do not offer retiree health benefits, and the number that do has declined over time. What is not specifically mentioned in your report is that, for the minority of employers that do continue to offer a retiree health benefits program, the universal practice is to integrate that program with Medicare. Doing so would wipe out most of the Postal Service's remaining retiree health benefits prefunding liability. While Medicare integration would shift some cost to Medicare, the increase would be very small when considering the Medicare program as a whole: it would increase Medicare spending by a small fraction of one percent. In addition, other options regarding our retirement benefits would not require taxpayer support, such as changes in liability calculation methods and diversified investment of fund assets.

Beyond these policy issues, GAO also recommends that Congress consider whether to retain the Postal Service's status as an independent establishment, or to adopt a different institutional structure. We agree with GAO that this topic could logically be part of a comprehensive examination of the Postal Service's business model by Congress. We understand the purpose of the GAO report is to not make any specific recommendations to Congress in this regard, but simply to lay out the various theoretical and practical effects of various possible institutional forms; our feedback on this matter was offered in the same spirit, and as a part of your intellectual exercise. Ultimately, Congress, with input from our Board of Governors and other interested stakeholders, would need to determine whether changing the Postal Service's institutional structure is necessary or appropriate to ensure the continued provision of prompt, reliable, and efficient universal postal services to the American people.

Given Congress's constitutional responsibility over postal services and the critical nature of the postal system to the functioning of the American economy and society, particularly in times like these, Congress would have to address the basic policy questions noted above regardless of whether the Postal Service remains an independent establishment or were recast in some other ~~entity~~ form. For example, even

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where foreign postal operators have been privatized, they remain – uniquely among letter and package delivery providers in their countries – legally obligated to provide universal service under statutory and regulatory conditions that constrain their autonomy over rates and costs. In those countries, privatization processes have involved legislative decisions about service levels, revenue diversification, labor and employment laws, ratemaking authority, governmental assumption of costs (e.g., pension liabilities in Germany and the United Kingdom, as well as operation of the post office network in the United Kingdom), and other taxpayer support (e.g., tax exemptions in various countries, and £ 1.1 billion in appropriated modernization funding in the United Kingdom). The draft report notes that the same was true of the privatization of Conrail in this country. And even established private automobile manufacturers and airlines have required Federal assistance and legal reforms in order to continue operating, pursuant to Congress's determination of the~~ese industries'~~ critical role of those industries in the American economy.

Hence, the core motivation of a sustainable postal service for the nation does not hinge on the provider's institutional form. Rather, that motivation – and the attendant legislative support – should apply so long as Congress deems postal services necessary to the nation's current and future needs. That said, it bears noting, when assessing how institutional form can affect institutional incentives, that a Government entity will necessarily prioritize the achievement of its service mission set forth in statute, while a privatized entity would have obligations to its shareholders.

At the same time, it should also be noted that (contrary to pages 34-35 of the draft report), institutional form in itself is not determinative regarding efficiency incentives. Although an independent establishment of the Executive Branch rather than a Government or private corporation, the Postal Service has long been recognized as at the forefront of postal operators – ahead of several cited in the draft report – in terms of operating efficiency. Many of the efficiency gains achieved by corporatized and privatized foreign postal operators in recent years essentially represent efforts to catch up to what the Postal Service has already done for decades (e.g., worksharing and automated delivery-point sequencing) or to keep pace with recent changes that the Postal Service began implementing before them (e.g., consolidation of its processing network and introduction of two-tier wage schedules). For example, the Postal Service was the first postal operator in the world to automate delivery sequencing (Royal Mail and La Poste followed more than a decade later). A change in institutional form is therefore clearly unnecessary to incent the Postal Service to be efficient.

In that regard, and particularly considering the highly competitive nature of the marketplace in which we operate for all of our products, we consider the drive to operate efficiently to be a part of the DNA of the Postal Service, and that would remain an inherent part of our culture irrespective of our institutional form. For that reason, we do not believe~~Nor would~~ corporatization or privatization would somehow~~alone~~ unlock new efficiency potential that the Postal Service purportedly~~somehow~~ lacks under the current structure; only reform in the laws governing Postal Service's cost structure can do that, and they would do so whether or not the Postal Service remains an independent establishment. Finally, for the reasons noted above, ~~W~~we also do not believe ~~, or~~ that a change in our status to a more typical federal agency that is more reliant on appropriationsfully or partially appropriated agency would result in disincentives for us to be efficient.~~; Instead only reform in the laws governing Postal Service's cost structure can do that, and they would do so whether or not the Postal Service remains an independent establishment or takes on a different form~~.

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Thank you once again for providing us with the opportunity to comment. We would be pleased to assist your office with further information or discussion of this matter if you believe it would be helpful.

Sincerely,

Thomas J. Marshall
General Counsel & Executive Vice President

Attachment

AMERICAN OVERSIGHT

April 10, 2020

PRIVILEGED AND CONFIDENTIAL
ATTORNEY-CLIENT COMMUNICATION

MEGAN J. BRENNAN

SUBJECT: Additional Borrowing Authority Under the CARES Act

This memorandum examines the parameters for $10 billion in additional borrowing authority that Congress recently made available to the Postal Service in response to the ongoing Coronavirus Disease 2019 ("COVID-19") outbreak.

EXECUTIVE SUMMARY

- The new borrowing authority can be accessed only if the Postal Service determines that additional liquidity is necessary to fund operating expenses due to the COVID-19 emergency. Various aspects of this threshold requirement are subject to interpretation: "operating expenses," "due to," the degree of necessity, and the timing of the financial need. Because the statute charges the Postal Service with determining necessity, we arguably have primary discretion to interpret and apply this aspect of the statute. In this regard, we have a clear basis to determine, based on our current forecasts concerning the impact of the COVID-19 outbreak on Postal Service volumes, revenues, and liquidity, that receiving this additional $10 billion in full is consistent with the language of the statute; we are therefore legally authorized to request the full amount at any time. Nevertheless, the consent role of the Treasury Department ("Treasury") means that it could hold up borrowing if it disagrees with the Postal Service's interpretation, or if it questions the assumptions that the Postal Service is using to make our determination.

- Treasury must agree to the terms and conditions of borrowing. In light of recent experience, Treasury could attempt to condition its assent on conditions that enhance its oversight over Postal Service business decisions, and that even intrude upon the Board's and the Governors' discretion to lead the Postal Service. As we have previously advised, such conditions would violate constitutional and statutory parameters. On the other hand, it is possible that the circumstances and scrutiny from Members of Congress could lead Treasury to take a more flexible approach, and our preliminary indications are that Treasury will not insist upon consent rights.

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- Borrowing is limited to $10 billion. This limitation applies at all times; it cannot be temporarily exceeded so long as outstanding debt is returned to $10 billion later. Although we could attempt to access the borrowing authority repeatedly so long as we remain within the $10 billion limit, and Treasury could agree with that approach, the statutory language could also give Treasury (and other decision-makers) a reasonable basis to view the borrowing authority as being available only once.

- Under a reasonable interpretation of the statutory language, funds borrowed under the CARES Act cannot be used for capital expenses or to pay principal, interest, or fees on obligations issued under Title 39. Although there is no specific accounting or reporting requirement, Treasury or Congressional stakeholders could insist that the Postal Service demonstrate its compliance with the requirement that borrowed funds be used only for operating expenses.

ANALYSIS

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), Pub. L. No. 116-136. Section 6001(b) of the CARES Act permits the Postal Service to borrow up to $10 billion from the Department of the Treasury, separately from the $15 billion of borrowing authority already available to the Postal Service under 39 U.S.C. § 2005. This additional borrowing authority is subject to a number of conditions, however, the precise import of which are not immediately clear from the statutory text.[1]

Section 6001(b) provides as follows:

> (b) Additional borrowing authority.—Notwithstanding section 2005 of title 39, United States Code, or any other provision of law, if the Postal Service determines that, due to the COVID-19 emergency, the Postal Service will not be able to fund operating expenses without borrowing money—
>
> (1) the Postal Service may borrow money from the Treasury in an amount not to exceed $10,000,000,000—
>
> (A) to be used for such operating expenses; and
>
> (B) which may not be used to pay any outstanding debt of the Postal Service; and

[1] Because the legislation was negotiated largely behind the scenes by Congressional leaders and the Secretary of the Treasury, there are no committee reports or other normal incidents of legislative history to serve as an interpretive aid. The few floor statements by individual Members of Congress that discuss the Postal Service provisions do so only in general terms, and therefore are of no probative value.

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> (2) the Secretary of the Treasury may lend up to the amount described in paragraph (1) at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

This provision plainly establishes at least four principal conditions: two prior to borrowing, one concerning the amount of borrowing, and one on the use of borrowed funds. The Postal Service must first determine that it needs to borrow money in order to fund operating expenses due to the COVID-19 emergency. And it must reach mutual agreement with Treasury over the terms and conditions of borrowing. The borrowing is limited to "an amount not to exceed" $10 billion. The borrowed moneys must be used only for "operating expenses," which cannot include "pay[ing] any outstanding debt." Each condition raises various questions of interpretation.

I. Postal Service Determination of Necessity to Fund Operating Expenses

Under the opening paragraph of Section 6001(b), prior to borrowing any funds, the Postal Service must first determine "that, due to the COVID-19 emergency, the Postal Service will not be able to fund operating expenses without borrowing money." At least six aspects of this proviso are noteworthy.

First, the term "operating expenses" is not defined, but given the term's usage in a related context, "operating expenses" should be construed as distinct from "capital expenses." Specifically, the term "operating expenses" is used in the Postal Service's longstanding borrowing statute. Currently, that provision caps the net increase in borrowing "for the purpose of capital improvements and . . . for the purpose of defraying operating expenses" at $3 billion per fiscal year. 39 U.S.C. § 2005(a). Prior to the enactment of the Postal Accountability and Enhancement Act of 2006 (PAEA), the same sentence set separate annual caps on borrowing used for capital expenses and for operating expenses ($2 billion and $1 billion, respectively). *See* 39 U.S.C. § 2005(a) (2005). Because Section 6001(b) of the CARES Act relates to the same subject matter as 39 U.S.C. § 2005(a) – a fact recognized by the express citation of the Title 39 provision in CARES Act Section 6001's "notwithstanding" clause – it is reasonable to construe the two provisions *in pari materia*: that is, consonant with one another due to their related subject matter. *See, e.g.*, *Pasquantino v. United States*, 544 U.S. 349, 355 n.2 (2005) (noting that wire- and mail-fraud statutes have been construed *in pari materia*); *Nat'l Fed'n of Fed. Employees, Local 1309 v. Dep't of Interior*, 526 U.S. 86, 105 (1999); 2B Sutherland Statutes & Statutory Construction §§ 51:1-51:2, 53:2 (7th ed. 2020).

Under pre-PAEA 39 U.S.C. § 2005(a), the term "operating expenses" was understood by the Postal Service to mean all expenses other than capital expenses. "Operating expenses" therefore included not only expenses intuitively viewed as related to operations

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(e.g., salaries and supplier costs), but also post-retirement benefits expenses and even interest expense on borrowed funds.[2]

Second, the borrowing of funds is conditioned on the Postal Service "not be[ing] able to fund operating expenses without borrowing money." This implies that the additional borrowing authority is a true necessity: that is, the Postal Service must borrow money to continue funding its operating expenses, because the other available means of doing so will come up short. That said, access to the borrowing authority can precede an actual inability to fund operating expenses, as the relevant language is phrased in the future tense ("will not be able to fund").

Third, "due to" is not defined. The plain meaning of this phrase is "because of": there must be a causal relationship between the inability to fund operating expenses and the COVID-19 emergency. *See U.S. Postal Serv. v. Postal Regulatory Comm'n*, 640 F.3d 1263, 1267 (D.C. Cir. 2011) (construing "due to" in the statute authorizing exigent price increases). What is less clear is how close the causal nexus must be (and hence the level of proof that must be provided to substantiate that causal nexus). On that question, courts have recognized that "the phrase 'due to' is ambiguous. . . . The causal nexus of 'due to' has been given a broad variety of meanings in the law ranging from sole and proximate cause at one end of the spectrum to contributing cause at the other." *Id.* at 1268 (quoting *Kimber v. Thiokol Corp.*, 196 F.3d 1092, 1100 (10th Cir. 1999)) (brackets, internal quotation marks, and further citation omitted). Thus, it would certainly be possible to read Section 6001(b) as authorizing borrowing to the sole extent that financial strains can be specifically attributed to the COVID-19 emergency and that those strains overrun all other sources of funding. *Cf. id.* at 1267-68 (describing the Postal Regulatory Commission's (Commission's) initially strict application of "due to" in the exigency statute). But "due to"

> can mean 'due <u>in part</u> to' as well as 'due <u>only</u> to.' A financial crisis can often result from multiple contributing factors[.] It would not be incorrect to say that [a need for relief] is 'due to' [one] factor simply because it is also 'due to' other factors as well.

[2] We are aware of at least two alternative uses of "operating expenses" in relation to the Postal Service. First, in the Postal Service's periodic financial reports, "operating expenses" encompass all expenses (including depreciation on capital investments) other than interest expense. *E.g.*, U.S. Postal Serv., FY2019 Form 10-K, at 24-39. Second, under the pre-PAEA provision that governed the Governors' ratemaking authority, rates were required to cover "total estimated costs," the definition of which, in turn, distinguished operating expenses from depreciation on capital investments, interest and other debt-related expense, and an amount for contingencies. 39 U.S.C. § 3621 (2005). Although an argument could be made for applying a different reading, the permanent borrowing statute (39 U.S.C. § 2005(a)) is clearly more directly relevant to the CARES Act's borrowing provision than either periodic financial reporting or ratemaking.

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Id. at 1268 (emphasis in original). Hence, in the Section 6001(b) context, it could be enough for the Postal Service to face an inability to fund operating expenses because of the COVID-19 emergency as well as other factors.[3]

Fourth, the inability to fund operating expenses must be "due to the COVID-19 emergency." The "COVID-19 emergency" is expressly defined in relation to the President's declaration of a national emergency under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. CARES Act § 6001(a)(1). Once the President has rescinded that emergency declaration, then the predicate condition for borrowing could be curtailed. More precisely, to access the CARES Act borrowing authority thereafter, the Postal Service would need to determine that the inability to fund operating expenses remains "due to" emergency conditions prior to rescission.

The Postal Service can certainly argue that, to the extent that mail volumes remain lower and/or costs remain higher at a given point in time than they would have been had the pandemic not occurred, such continuing effects are "due to" the pandemic, even if the emergency declaration has been rescinded. This would justify continued funding under this provision if these continuing effects mean that the Postal Service cannot fund operating expenses without borrowing. That said, assuming that Treasury cooperates in lending money during the COVID-19 emergency, it could decide to stop doing so earlier than the Postal Service believes to be warranted, if Treasury decides that the Postal Service's inability to fund operating expenses is no longer "due to" the emergency. Such a prospect would resemble the Commission's decision to truncate the amount of Great-Recession-era losses that the Postal Service was able to recover through an above-inflation rate increase. There, the Commission relied on the "due to" language in the exigency statute discussed above to establish a cut-off point, after which it would no longer deem mail-volume losses to be "due to" the Great Recession. The Commission based this cut-off point on a determination of when the Postal Service theoretically entered a "new normal," based on macroeconomic indicators and when the Postal Service began to gain an "ability to adjust" its operations at the depth of the recession's impact. *See* Order No. 1926, Order Granting

[3] In *USPS v. PRC*, the court remanded the case to the Commission to interpret "due to" in the exigency statute. The Commission subsequently adopted a view close to the stricter end of the interpretive spectrum by requiring the Postal Service to quantify financial impacts attributable to the exigent circumstance rather than to other causes, although it granted that the quantification need not be absolutely precise. *See generally* Order No. 864, Order Resolving Issues on Remand, PRC Docket No. R2010-4R (Sept. 20, 2011). Key factors in the Commission's reasoning were the Postal Service's econometric resources, the scale of relief that it could seek (into the billions of dollars), and the fact that the exigency provision "is not intended as a remedial provision, but rather as a narrow exception to the price cap." *Id.* at 44. In the context of borrowing under the CARES Act, the Postal Service's resources and the scale of relief are comparable to what the Commission considered, and the additional borrowing authority could arguably (albeit not necessarily) be seen as a narrow exception to the Postal Service's normal borrowing authority. That said, critical differences between the two contexts militate against applying the Commission's logic here: the CARES Act's "due to" language is to be applied by the Postal Service itself, not by an external oversight body, and borrowing money that must be repaid (with interest) – unlike a price increase – does not permanently affect any other party's property interest.

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Exigent Price Increase, PRC Docket No. R2013-11 (Dec. 24, 2013), at 83-94.[4] Even if the Postal Service might assert that COVID-19 impacts persist beyond the emergency declaration's rescission, Treasury, taking a page from the Commission's book, could nonetheless point not only to the emergency's formal end, but also impute (however unrealistically) to the Postal Service an "ability to adjust" that renders its inability to fund operating expenses no longer "due to" the emergency.

Fifth, another interpretative ambiguity is the relationship between the necessity determination and the actual amount of borrowing that the Postal Service may request. In particular, the statute requires that the Postal Service determine that we could not fund operating expenses due to the pandemic "without borrowing money," but does not directly limit the size of the resulting request in any way other than by imposing a $10 billion cap. In this regard, the Postal Service could argue that so long as we demonstrate a need to borrow money, we can borrow the full $10 billion under the statute, and need not justify the precise amount requested within that overall cap. On the other hand, Treasury could argue that while the $10 billion is an overall cap, the statute also is most reasonably read to limit the size of a request to only what is strictly necessary to ensure that operating expenses are funded.

Sixth, all of this analysis is to be conducted as part of a determination by the Postal Service, but the scope of its actual discretion is unclear. Section 6001(b)(2) provides that Treasury "may" – not "must" – lend money requested by the Postal Service. *Cf.* 39 U.S.C. § 2006(b) (authorizing the Postal Service to "require the Secretary of the Treasury to purchase" up to $2 billion in Postal Service obligations). Treasury could point to this discretionary language as a basis to refuse to lend money on the basis that it disagrees with the Postal Service's determination of need. As further support, Treasury could contrast the CARES Act language with an earlier House version of the bill, which would have required Treasury to lend moneys requested by the Postal Service. H.R. 6379, 116th Cong. § 140001(a)(2) (2020) ("[T]he Secretary of the Treasury shall lend up to such amount at the request of the Postal Service."). This mandatory language was abandoned in favor of the discretionary language in the final bill. Given the intense negotiations between Congressional leaders and Treasury that produced the final CARES Act, as well as the attention that the Administration reportedly gave to the postal provisions, this result is almost surely meaningful, rather than accidental. In the end, even if the Postal Service is correct that we have discretion regarding the necessity determination as a legal matter, as a practical matter the Treasury could still refuse to provide the money for other reasons.

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[4] The Postal Service challenged this cut-off as arbitrary, as macroeconomic indicators did not necessarily correspond to mail-volume trends, and as it made little sense to cut off recovery at the depth of the losses, when the Postal Service had merely begun to adjust but had not yet adequately adjusted. These challenges were unsuccessful. *See Alliance for Nonprofit Mailers v. Postal Regulatory Comm'n*, 790 F.3d 186, 196 & n.3 (D.C. Cir. 2015); Order No. 2623, Order Resolving Issues on Remand, PRC Docket No. R2013-11R (July 29, 2015) (denying reconsideration), at 15-28, *aff'd*, *U.S. Postal Serv. v. Postal Regulatory Comm'n*, 841 F.3d 509 (D.C. Cir. 2016).

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In the event that Treasury attempts to second-guess the Postal Service's determination of need, the Postal Service could point to Congress's express conferral on the Postal Service of discretion to determine need; if Congress had intended to subject that determination to Treasury's oversight, it easily could have so provided. Given our recent experience with disagreements over statutory construction, it is possible that we would be unable to persuade Treasury of our interpretation, and resolution of any interagency dispute might ultimately lie with the Office of Legal Counsel (OLC) at the Department of Justice. To minimize the risk of a time-consuming and uncertain dispute, the Board would be well-advised to seek a common understanding with Treasury concerning this aspect of the statute.

While these interpretative issues present room for potential dispute with Treasury, the Postal Service does have a very strong argument that borrowing the full amount of the $10 billion is clearly necessary under the terms of the statute at this time. In this regard, our projections show that the Postal Service will experience a cash shortfall, and hence an inability to fund operating expenses, this calendar year unless the $10 billion is borrowed, and that we will need the full $10 billion to continue operations for as long as possible next fiscal year.[5] This circumstance is a direct result of the precipitous declines in mail volumes that we forecast for Quarter 3 of FY2020, which would not have occurred but for the onset of the pandemic. Therefore, the Postal Service is legally authorized under the statute to request the full $10 billion at this time. While the above-mentioned interpretive issues may complicate our ability to utilize this funding source, we think that such issues are more likely to arise as time passes than they would if we seek these funds now, when the longer-term effects of the pandemic are unclear.

II. Treasury Agreement to Conditions

Under Section 6001(b)(2), any borrowing must be "upon terms and conditions mutually agreed upon by the Secretary and the Postal Service." As you know, in adopting this language, Congress declined our proposed alternative, which would have allowed for negotiation against a backdrop of default terms from the now-expired note purchase agreement. Without such a backdrop, Treasury could seek to reject our proposed terms and to propose terms that we would view as unlawful, inappropriate, or otherwise undesirable. (Indeed, Treasury's insistence on such terms is what led to the expiration, rather than the renewal, of the note purchase agreement last year.)

Treasury might argue that, regardless of any disagreement concerning the appropriate terms and conditions of borrowing under Title 39, it has freer rein to propose such

[5] The projections show the potential for a cash shortfall by October. However, as noted above, the statute arguably requires capital expenses to be excluded from the determination of necessity. The Postal Service's projection assumes capital expenses of $2.0 billion over the rest of this fiscal year, and $2.5 billion for next fiscal year. If these capital expenses are excluded, the Postal Service would still experience a cash shortfall this calendar year.

AMERICAN OVERSIGHT

conditions under the CARES Act. As OLC has recognized, the legislative history of the Title 39 borrowing provision, as well as legislation establishing the Federal Financing Bank enacted shortly thereafter, is replete with Treasury's disavowals of any intent to interfere with the Postal Service's operational and business decisions. *See Scope of Treasury Department Purchase Rights with Respect to Financing Initiatives of the U.S. Postal Service*, 19 Op. Off. Legal Counsel 238, 245 n.5 (1995); *Authority of the Secretary of the Treasury Regarding Postal Service Bond Offering*, 17 Op. Off. Legal Counsel 6, 8-10 (1993). By contrast, the CARES Act contains no such legislative history, and its additional borrowing authority is expressly distinguished from, rather than subordinate to, the Title 39 borrowing provision. If anything, the contrast between the final CARES Act and the House bill demonstrates that the "mutual agreement" requirement was intentionally added. *See* H.R. 6379, 116th Cong. § 140001(a)(2) (containing no language about terms and conditions).

That said, any attempt by Treasury to use even this borrowing authority to oversee or second-guess the Governors' and Board's decisions would still vitiate Congress's intent in creating the Postal Service to be insulated from direct political control, and hence would violate constitutional and statutory parameters in the same manner as its prior attempt to impose such terms on our Title 39 borrowing. In this regard, the absence of any direct legislative history is simply not a material legal consideration. For reference, I am attaching our prior memorandum to the Board explaining these constitutional and statutory issues.

Our experience with non-renewal of the note purchase agreement shows that Treasury may not be swayed by the legal bona fides of our position and may insist on inappropriate terms regardless. In such an event, we may be able to seek a legal opinion from OLC supporting our view. Alternatively, Congress clearly expected that Treasury would facilitate borrowing under Section 6001(b), and any significant delay or lack of cooperation by Treasury could become a subject of Congressional inquiry and oversight.

III. Amount of Borrowing

Section 6001(b)(1) provides that the borrowing shall be "in an amount not to exceed" $10 billion. In contrast to the Title 39 borrowing provisions, this language does not specify whether the $10 billion limit applies to the amount of CARES Act borrowing "outstanding at any one time" or only as of a certain point in time (e.g., the end of a fiscal year), such that greater amounts can be borrowed so long as the outstanding amount is reduced by the cut-off time. *See* 39 U.S.C. § 2005(a)(1) (containing both types of cap). Without further qualification, however, a plain reading of "not to exceed" indicates that the $10 billion limit applies at all times; the limit cannot be exceeded temporarily so long as it is met later.

A related question concerns whether the $10 billion is a cap similar to the $15 billion cap on Title 39 borrowing, meaning that the Postal Service may access the borrowing authority multiple times (with aggregate borrowing at any one time remaining within the limit), or whether the statute only authorizes the provision of $10 billion in total. If the latter is true,

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another question is whether this borrowing authority can only be accessed in a one-time loan, or if multiple loans are allowed.

Based on existing practice and the uncertain duration of the current emergency, the Postal Service could reasonably take the view that it can repeatedly borrow money within the $10 billion limit. It is possible, however, that Treasury (or OLC, in the event of a dispute) could interpret the CARES Act as providing for a provision of $10 billion in total. A contrast with the Title 39 provision shows that Congress had a template for making the limit apply to an aggregate amount of borrowing "outstanding at any time," *id.*, which it chose not to use in the CARES Act. This, coupled with the plain meaning of the CARES Act language, arguably indicates that Congress did not intend for the CARES Act borrowing limit to operate in the same manner as the $15 billion borrowing cap. It is also conceivable that Treasury could assert that the statute only authorizes a single loan, based on the fact that the statute refers to a singular "amount" of borrowing, and not a multiple "amount of obligations," as in Section 2005, though this argument would be weaker.

Ultimately, this question only becomes relevant if we attempt to access the CARES Act borrowing authority a second time. Because of the possibility that we could be denied a second round of borrowing, it would be advisable to seek to borrow the maximum amount available ($10 billion) at the outset, which is advisable in any event given all of the interpretative issues concerning the "due to" language. In addition, it might also be advisable to seek to secure as long of a maturity as is feasible.

IV. Restrictions on the Use of Borrowed Funds

Section 6001(b)(1)(A) and (B) provide that borrowed funds can only be used to fund operating expenses and cannot be used to pay outstanding debt.

As discussed in section I above, it would be consistent with the history of the Postal Service's permanent borrowing statute to construe the reference to "operating expenses" as excluding capital expenses.

In addition, we think it evident that "debt" means liabilities from borrowing. *See* 39 U.S.C. § 2001(3) (referring to "debt instruments" in the context of the Title 39 borrowing provisions).[6] However, the limitation on using these additional funds to "pay any outstanding debt" is ambiguous in several respects.

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[6] One definition of "debt" refers broadly to any "liability" or "specific sum of money due by agreement or otherwise," such as payments to a supplier or employee for services rendered. *See* BLACK'S LAW DICTIONARY, "debt" (11th ed. 2019). However, as noted above, it is appropriate to read the terms of the CARES Act consistently with the terms of Title 39's borrowing provisions. In addition, it is functionally implausible to believe that Congress intended "debt" to refer to the Postal Service's liabilities generally, since that would mean that the funds borrowed under the CARES Act could be used only to provide liquidity for future operating expenses, and not for expenses already incurred (and thus "outstanding").

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First, it is unclear whether "outstanding debt" includes all payments on borrowed debt, or only payments on principal. On the one hand, to "pay [down] debt" might generally connote payment that has the effect of reducing or eliminating the principal owed. Perhaps for this reason, the Postal Service reports interest expense as a distinct line item in its periodic financial reports. On the other hand, a debt has not been repaid if accrued interest or prepayment fees remain outstanding. Indeed, the statutory language here does not distinguish between principal and other debt, and contextual definitions are broad enough to encompass any amounts (including interest and fees) that are owed under a loan agreement. *See* 39 U.S.C. § 2001(3); BLACK'S LAW DICTIONARY, "debt." In our view, the more reasonable construction is that "outstanding debt" includes principal, interest, and any fees arising under a loan agreement.

Second, it is unclear whether "outstanding debt" refers to debt outstanding when the newly borrowed moneys are spent, or only to debt outstanding at the time of enactment. The former reading is more plausible. Other CARES Act provisions, as well as the Title 39 borrowing provisions, use "outstanding" in ways that appear clearly to connote "outstanding at the time of the relevant event," and in no case "outstanding at the time of enactment." *See* CARES Act, Pub. L. No. 116-136, § 4003(c)(1)(A) (requiring rates for certain Treasury loans to be based on "the current average yield on outstanding marketable obligations of the United States of comparable maturity"); 39 U.S.C. § 2006(a) (same).

On a functional level, Congress placed specific conditions on borrowing under the CARES Act that do not apply to borrowing under Title 39, and so a broader reading of CARES Act's "outstanding debt" preclusion makes sense as an anti-circumvention measure. Otherwise, the Postal Service could borrow under the CARES Act (while eligible) to pay down Title 39 loans, with the newly liberated Title 39 borrowing authority remaining available even after the COVID-19 emergency had ended. To the extent that Congress was seeking to foreclose that possibility, as the language of the statute indicates that it was, the concern applies equally whether moneys are borrowed under Title 39 before or after the date of enactment.

Third, it is unclear whether "any outstanding debt" means only debt acquired under other authorities (i.e., the Title 39 borrowing provisions), or whether it also precludes using CARES Act borrowing to retire and renew earlier CARES Act debt. Under either reading, the CARES Act would preclude borrowing to repay funds borrowed under Title 39. That much would be consistent with Congress's apparent concern that the CARES Act borrowing authority remain distinct from Title 39 borrowing.[7] The additional question is

[7] That much is evident from Congress's decision not to adopt the House's proposal to cancel all Title 39 debt outstanding on the date of enactment. See H.R. 6379, 116th Cong. § 140001(a)(1). The House bill would then have authorized the Postal Service to borrow $15 billion from Treasury. H.R. 6379, 116th Cong. § 140001(a)(2). In light of the bill's resetting of outstanding debt to zero, it is unclear whether this additional borrowing authority would have been coextensive with or additional to the $15 billion debt ceiling in 39 U.S.C. § 2005(a).

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whether the preclusion extends to repayment of earlier CARES Act debt. On a formal level, the statutory text – "any outstanding debt of the Postal Service," without further qualification – would plainly include CARES Act debt. Therefore, it arguably would be most prudent for the Postal Service to not use these borrowed funds in such a manner. However, on a functional level, we could argue that precluding the use of these funds to pay outstanding CARES Act debt would make little sense. So long as all relevant borrowing meets the CARES Act criteria, using new borrowing to repay old debt merely consolidates (a) the use of cash to repay an old loan and (b) attainment of new cash by acquiring a new loan. If emergency circumstances remain such that repayment of the old loan would deprive the Postal Service of cash needed to fund operating expenses, then we would immediately qualify for a new loan under the CARES Act. Neither activity would be inconsistent with the CARES Act's purposes on its own, and so there is no apparent reason why they should be precluded in combination. Therefore, despite the facial breadth of "any outstanding debt," it would be reasonable to construe the preclusion as limited to borrowing under Title 39, not under the CARES Act.

In sum, it is reasonable to construe the CARES Act as prohibiting borrowed funds from being used for either capital expenses or the payment of any principal, interest, or fees arising from obligations issued under Title 39. As noted earlier, however, the CARES Act gives Treasury the discretion to refuse to lend, or to limit its lending, to the Postal Service if it disagrees with the Postal Service's interpretation of the law. It would be advisable to seek a common understanding with Treasury about these legal questions, to the extent possible.

Finally, the statute does not explicitly specify any accountability for the use of borrowed funds. It is unclear at this time whether current Treasury leadership (or Congress) will insist on such an accounting.[8]

CONCLUSION

On its face, the statute imposes conditions on borrowing but gives the Postal Service discretion to determine when and to what extent additional borrowing is needed. But given Treasury's discretion and the requirement to attain Treasury's agreement on borrowing terms, Treasury could simply refuse to lend if it disagrees with the Postal Service's interpretation, desires accountability for the use of funds, or insists on terms of its choosing (regardless of their legality or acceptability to the Postal Service). The only checks on Treasury are Congressional oversight and potential OLC resolution of a legal dispute.

Please let me know if you have any questions or concerns. Of course, the situation regarding our financial situation is very fluid, so if conditions change in a way that warrants

[8] According to the Corporate Treasury office, Treasury historically did not insist on a rigid accounting of the Postal Service's use of pre-PAEA borrowing authority, and the Postal Service thus had a fairly free hand to characterize the use of borrowed funds vis-à-vis the statute's distinct annual caps.

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material revision of the analysis in this memorandum, we will reexamine our analysis and advise you accordingly.

Thomas J. Marshall

Attachment

cc: Mr. Corbett

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B. Our Mission

- To serve the American people and, through the universal service obligation, bind our nation together by maintaining and operating our unique, vital and resilient infrastructure.

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- Operate in a modern, efficient and effective manner that allows us to minimize what we charge for our services, consistent with meeting, in a fair way, our obligations to our current and retired employees and other stakeholders.

- Remain an employer of choice, able to attract retain and develop high quality employees that possess the skills necessary to excel in a rapidly changing business environment

AMERICAN OVERSIGHT

Congress of the United States
Washington, DC 20515

April 3, 2020

Ms. Megan J. Brennan
Postmaster General and Chief Executive Officer
United States Postal Service
475 L'Enfant Plaza, S.W.
Room 4012
Washington, D.C. 20260

Dear Ms. Brennan:

We write with urgent concern about the immediate financial condition and needs of the U.S. Postal Service in light of the coronavirus emergency and resulting decline in economic activity. This crisis has jeopardized the Postal Service's ability to continue providing essential service to every American. We ask that you provide information as soon as possible to ensure that Congress and the public are fully informed about this matter.

On March 20, the Postal Service notified our Committees that due to the coronavirus crisis, it will "run out of cash due to a potential decline in revenue of $8-$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to $12.6 billion in revenues this fiscal year. During the coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including cleaning and disinfecting facilities, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs. Meanwhile, the Postal Service continues to provide universal service in every community across the country, delivering medications, emergency information, home supplies, and more.

On March 27, Congress passed the CARES Act (P.L. 116-136), which authorizes the Department of the Treasury to provide a $10 billion loan to the Postal Service "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The Secretary of the Treasury retains the discretion to make that loan and set terms, which must be mutually agreed upon by the Postal Service.

We strongly urge the Postal Service to assert its proper authorities with regard to the finances and management of the Postal Service and ensure that this loan is made in a timely manner and under conditions acceptable to the Postal Service.

Given the urgent need to fully understand the Postal Service's financial condition, we ask that you produce the following information by April 6, 2020:

1. The most recent financial estimates regarding the Postal Service's finances through the end of the fiscal year, under expected economic conditions, including: projected revenue, expenses, emergency expenses, and cash-on-hand. Such

AMERICAN OVERSIGHT

estimates should include information about the attendant economic assumptions. We request that you send a copy of the estimates that will be used in discussions with the Treasury Department about borrowing, and continue to send updated estimates as necessary;

2. A clear public statement from the Postal Service regarding its expected financial condition, to inform its customers about its revenues, expenses, and expected solvency; and

3. A statement of the amount of funds the Postal Service intends to request from the Treasury Department under the CARES Act, including the terms requested by the Postal Service for the authorized loan.

Thank you for your attention to this urgent matter. Please direct all questions and correspondence to our staffs at (202) 225-5051 and (202) 224-2627,

Sincerely,

Carolyn B. Maloney
Chairwoman
House Committee on Oversight and Reform

Gary C. Peters
Ranking Member
Senate Committee on Homeland Security and Governmental Affairs

Gerald E. Connolly
Chairman
House Subcommittee on Government Operations

Tom Carper
Ranking Member
Permanent Subcommittee on Investigations

Stephen F. Lynch
Chairman
House Subcommittee National Security

Brenda Lawrence
Member
House Committee on Oversight and Reform

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Enclosure

cc: The Honorable Ron Johnson, Chairman
Senate Committee on Homeland Security and Governmental Affairs

The Honorable Rob Portman, Chairman
Senate Permanent Subcommittee on Investigations

The Honorable Jody B. Hice, Ranking Member
House Subcommittee on National Security

AMERICAN OVERSIGHT

Responding to Committee Document Requests

1. In complying with this request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. Produce all documents that you have a legal right to obtain, that you have a right to copy, or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party.

2. Requested documents, and all documents reasonably related to the requested documents, should not be destroyed, altered, removed, transferred, or otherwise made inaccessible to the Committees.

3. In the event that any entity, organization, or individual denoted in this request is or has been known by any name other than that herein denoted, the request shall be read also to include that alternative identification.

4. The Committees' preference is to receive documents in electronic form (i.e., CD, memory stick, thumb drive, or secure file transfer) in lieu of paper productions.

5. Documents produced in electronic format should be organized, identified, and indexed electronically.

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INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION, BEGATTACH.

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8. Documents produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.

9. When you produce documents, you should identify the paragraph(s) or request(s) in the Committees' letter to which the documents respond.

10. The fact that any other person or entity also possesses non-identical or identical copies of the same documents shall not be a basis to withhold any information.

11. The pendency of or potential for litigation shall not be a basis to withhold any information.

12. In accordance with 5 U.S.C.§ 552(d), the Freedom of Information Act (FOIA) and any statutory exemptions to FOIA shall not be a basis for withholding any information.

13. Pursuant to 5 U.S.C. § 552a(b)(9), the Privacy Act shall not be a basis for withholding information.

14. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.

15. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) every privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author, addressee, and any other recipient(s); (e) the relationship of the author and addressee to each other; and (f) the basis for the privilege(s) asserted.

16. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (by date, author, subject, and recipients), and explain the circumstances under which the document ceased to be in your possession, custody, or control.

17. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, produce all documents that would be responsive as if the date or other descriptive detail were correct.

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18. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data, or information not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.

19. All documents shall be Bates-stamped sequentially and produced sequentially.

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21. Upon completion of the production, submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control that reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term "document" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, data, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone call, meeting or other inter-office or intra-office communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape, or otherwise. A document bearing any notation not a

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part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.

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3. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neutral genders.

4. The term "including" shall be construed broadly to mean "including, but not limited to."

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6. The term "identify," when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; (b) the individual's business or personal address and phone number; and (c) any and all known aliases.

7. The term "related to" or "referring or relating to," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is pertinent to that subject in any manner whatsoever.

8. The term "employee" means any past or present agent, borrowed employee, casual employee, consultant, contractor, de facto employee, detailee, fellow, independent contractor, intern, joint adventurer, loaned employee, officer, part-time employee, permanent employee, provisional employee, special government employee, subcontractor, or any other type of service provider.

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AMERICAN OVERSIGHT

Congress of the United States
Washington, DC 20515

April 3, 2020

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United States Postal Service
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AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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6. The term "identify," when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; (b) the individual's business or personal address and phone number; and (c) any and all known aliases.

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UNITED STATES POSTAL SERVICE®

Amazon

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Amazon Negotiated Service Agreements

	Contract	Effective Date	Most Recent Amendment Date	Expiration Date
1	Parcel Select	10/30/13	May 2017	10/29/23
2	Parcel Return Service	10/30/13	May 2017	10/29/23
3	Priority Mail Outbound	11/05/15	February 2020	11/4/19, amended through 5/1/20; Successor under re-negotiation
4	First-Class Package Service- Outbound (Not To Exceed) 15.99oz	01/02/18	N/A	01/01/21
5	Amazon Transportation for Merchants First- Class Package Service, Priority Mail	05/02/15	June 2019	12/31/19 (expired); Successor under renegotiation

Note: As of April 1, 2020

1

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Amazon revenue by product and NSA

				FY19				FY20 YTD (February)				
	Product	NSA	Contract	Revenue	Volume	Contribution	ACC	Revenue	Growth	Volume	Growth	Contribution
1	Parcel Select Heavyweight	NSA	PS/PRS	$1,252,070,619	492,441,264	$636,519,039	203%	$490,224,701	-24%	191,495,896	-25%	$249,217,058
		Non-NSA		$445,384,941	128,870,914	$284,296,299	276%	$406,921,014	171%	111,023,402	146%	$259,744,162
	Parcel Select Lightweight	Non-NSA		$936,062,569	541,482,650	$448,728,184	192%	$522,759,817	20%	285,559,677	7%	$250,599,769
2	Parcel Return Service[2]	NSA	PRS	$19,199,260	9,023,380	$9,092,496	190%	$981,376	-94%	378,797	-95%	$464,766
3	Priority Mail Outbound	NSA	PM 150	$84,739,078	13,227,579	$7,584,483	110%	$36,763,424	4%	5,630,160	2%	$3,290,472
		N/A	Returns[3]	$168,906	16,601	$34,325	126%	$221,121	N/A	21,884	-N/A	$42,997
5		NSA	Merchants	$2,059,413	489,473	$581,051	139%	Contract under negotiation				
		Non-NSA		$318,109,645	27,730,697	$135,087,043	174%	$169,202,413	23%	11,948,768	-6%	$71,852,753
4	First-Class Package Service	NSA	Outbound	$178,106,003	74,706,555	$35,887,020	125%	$48,233,189	-46%	19,941,050	-47%	$9,718,625
5		NSA	Merchants	$5,207,536	1,563,825	$1,849,128	155%	Contract under negotiation				
		NSA	FCPS 38	$2,631,986	875,121	$769,895	141%	-	-	-	-	-
		Non-NSA		$252,251,334	70,158,939	$93,692,132	159%	$99,066,862	14%	28,402,966	7%	$36,795,783
	Bound Printed Matter	Non-NSA		$119,571,657	102,932,722	$19,726,917	120%	$45,265,217	-22%	46,364,022	-15%	$7,467,850
	Other[1]	Non-NSA		$242,201,495	74,962,823	$20,000,000	109%	$141,616,730	21%	68,618,504	68%	$11,694,123

1 Other consists of FCM, Marketing Mail, International, Ground packages, and various other non market-dominant products

2 Amazon stopped sending volume through PRS during FY19 because they could not keep contractual volume ratios. However, PS Amendment 7 gave Amazon new rates and ratios to facilitate continuation

3 Figures are QTD through December 2019

Overall in FY19, NSAs drove 41% of revenue and 39% of volume with Amazon, creating $680M in contribution

Additional context on recent and existing NSAs with Amazon:

- Parcel Select – signed in 2014, expires October 2023. Covers both Parcel Select Heavyweight and PRS
- Priority Mail (PM 150) – signed 2016, expires May 2020; Successor under negotiation
- First-Class Outbound – signed 2018, expires January 2021
- Transportation for Merchants – signed in 2015, expired 2019; Covers PM and FCPS; new contract under negotiation
- FCPS 38 lapsed in FY19 and successor was not pursued

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Comparison of Large Parcel Select NSAs

	amazon	FedEx	DHL	newgistics pitney bowes	ups
Effective date		6/1/2012	1/10/2019	4/3/2019	8/28/2019 (GEO Pricing started 1/26/20)
Duration	10 yrs. (orig. 5)	9 yrs. (orig. 7)	3 yrs.	3 yrs.	3 yrs. (2x 1-yr extensions)
Termination notice	12 months	12 months	30 days	30 days	365 days
Termination date	10/29/2023	5/31/2021 Termination submitted (9/30/2019)	1/31/2022	4/2/2022	12/31/2022
Non-discounted ZIPs	8,588	23,714	22,419	21,196	33,281
% Non-discounted vol. (1 lb+)	38%	37%	21%	33%	3%
Price cap	Volume based (2.0% to 5.5%)	5% Std, 3.5% Alt (capped at cell-level with banking)	2% (2019) 5% (2020+)	5%	5% or 1% below published (min. of 1%) 4.5% (Lightweight)
Annual price change date	1 October	1 June	Pub. rate change	1 February	Pub. rate change
FY20 Mar YTD (PS+PSLW)					
Volume	696M	204M	125M	38M	344M
Vol. % change to SPLY	8.9%	-21%	-4.8%	5.4%	0.6%
Revenue	1,697M	514M	261M	89M	791M
Rev. % change to SPLY	20.7%	-14.9%	5.3%	6.8%	2.8%
2019 price increase	2%	5% Std, 3.5% Alt	2%	N/A	0% (waived)
2020 price increase	2%	5% Std, 3.5% Alt	2%	2%	2.7%
%DDU of DDU/DSCF	99.4%	88%	90%	85%	87%
% PSLW volume	48%	45%	82%	56%	48%
Curent STD 2 lb DDU $/Pc	$2.44	$2.44	$2.39	$2.18	B-$2.40; C-$2.48; A&D-3.29
Curent ALT 2 lb DDU $/Pc	N/A	$2.11	T1 - $2.13 T2 - $2.02	T1 - $1.94 T2 - $1.86	$2.18

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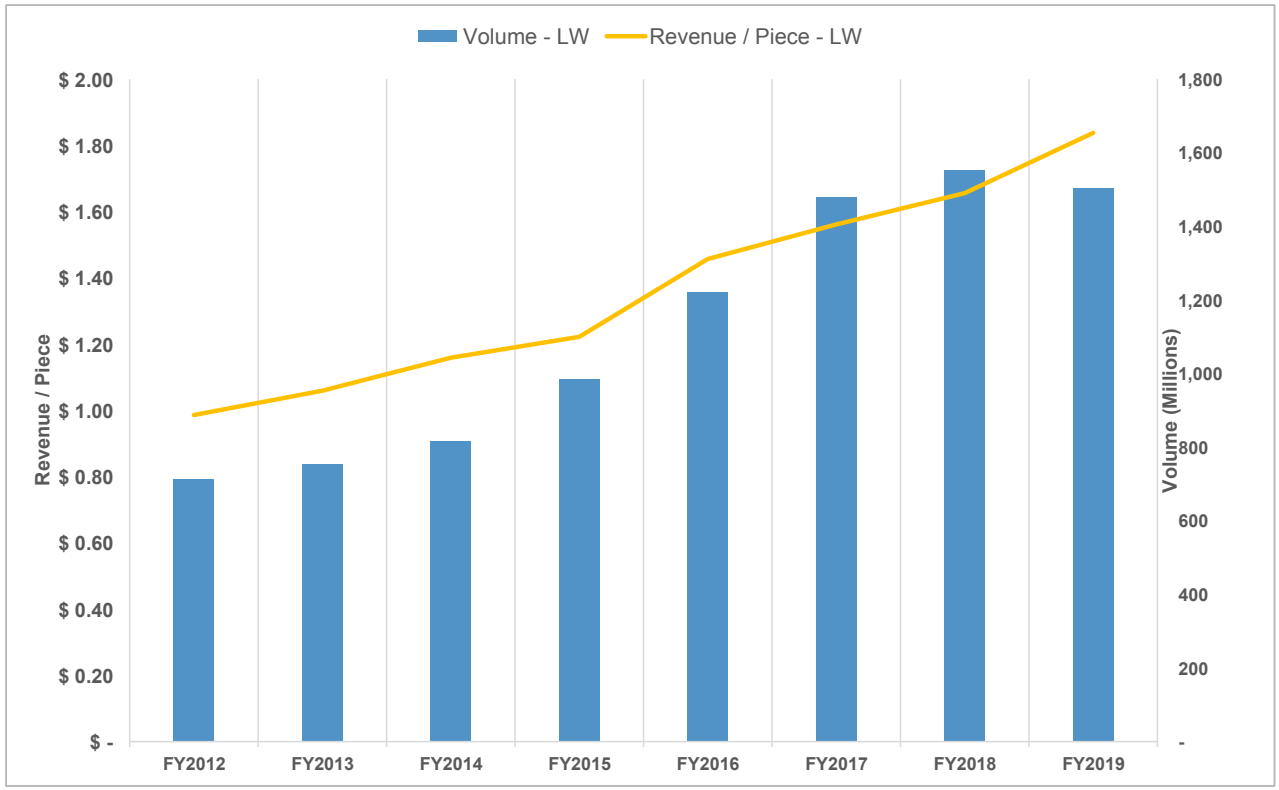
Parcel Select Lightweight Volume + Rev/Piece



4

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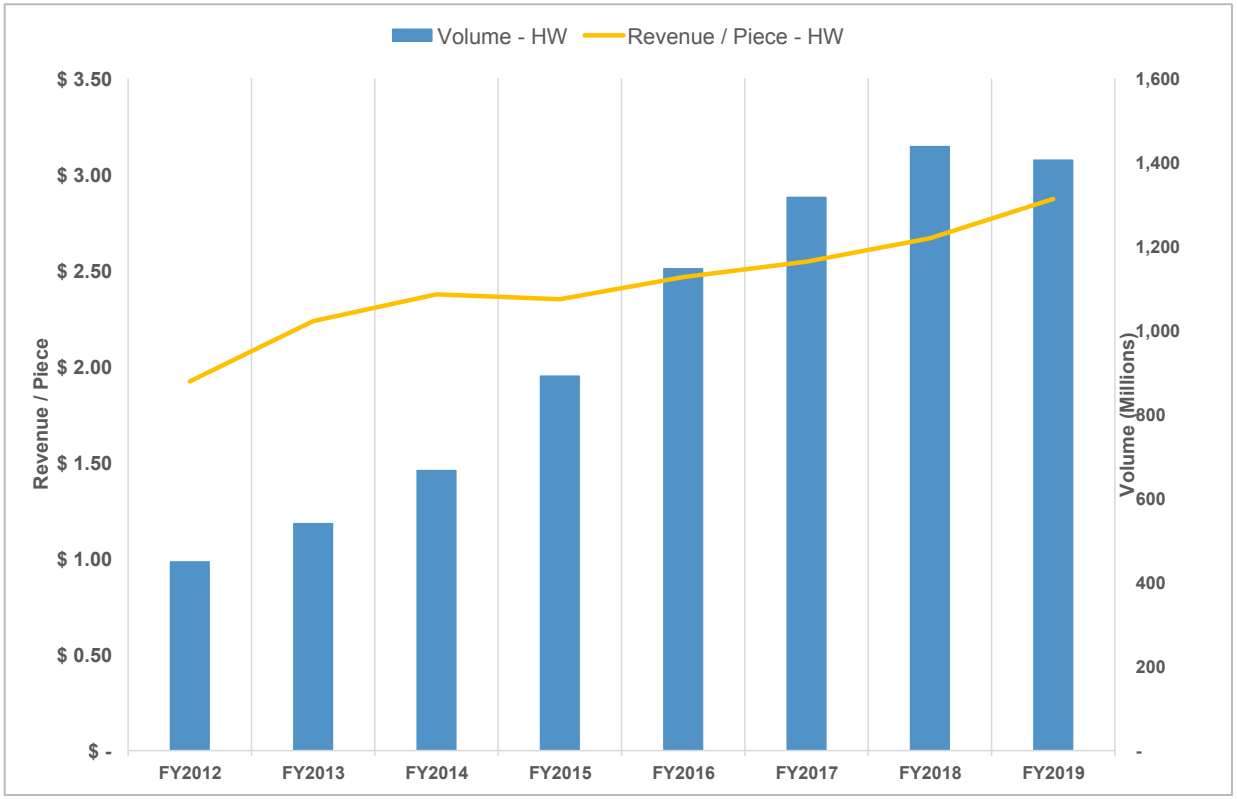
Amazon 6 yr trend – Volume/Revenue



5

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COMPANY	YTD REV	SPLY REV	REV VAR	% REV VAR to SPLY	YTD VOL	SPLY VOL	VOL VAR	% VOL VAR to SPLY
AMAZON.COM INC	$2,329,480,808	$2,023,096,349	$306,384,459	15.1%	847,567,823	823,079,256	24,488,567	3.0%
EBAY INC	$743,818,177	$714,666,069	$29,152,108	4.1%	130,698,408	131,883,503	(1,185,095)	(0.9%)
ETSY INC	$145,558,736	$134,910,331	$10,648,405	7.9%	29,653,288	27,982,687	1,670,601	6.0%
PAYPAL HOLDINGS, INC.	$137,612,395	$135,936,593	$1,675,802	1.2%	22,772,050	23,219,451	(447,401)	(1.9%)
POSHMARK, INC.	$117,487,086	$99,376,924	$18,110,162	18.2%	17,144,437	15,012,873	2,131,564	14.2%
QURATE RETAIL GROUP	$100,632,812	$103,736,919	($3,104,107)	(3.0%)	41,656,831	42,170,265	(513,434)	(1.2%)
STITCH FIX	$79,795,651	$66,752,275	$13,043,376	19.5%	11,592,622	10,035,249	1,557,373	15.5%
KOHLS CORPORATION	$56,176,786	$56,178,546	($1,760)	(0.0%)	21,086,304	21,552,381	(466,077)	(2.2%)
MACYS INC	$54,850,459	$56,571,073	($1,720,614)	(3.0%)	21,297,716	23,874,955	(2,577,239)	(10.8%)
NORDSTROM INC	$53,227,464	$47,957,317	$5,270,147	11.0%	12,904,414	11,903,004	1,001,410	8.4%

COMPANY	YTD REV	SPLY REV	REV VAR	% REV VAR to SPLY	YTD VOL	SPLY VOL	VOL VAR	% VOL VAR to SPLY
AMAZON.COM INC	$2,329,480,808	$2,023,096,349	$306,384,459	15.1%	847,567,823	823,079,256	24,488,567	3.0%
UNITED PARCEL SERVICE	$864,644,681	$854,574,847	$10,069,834	1.2%	376,246,456	380,927,121	(4,680,665)	(1.2%)
EBAY INC	$743,818,177	$714,666,069	$29,152,108	4.1%	130,698,408	131,883,503	(1,185,095)	(0.9%)
FEDEX	$592,895,410	$674,905,224	($82,009,813)	(12.2%)	224,028,491	276,595,533	(52,567,042)	(19.0%)
INTUISHIP	$482,950,887	$496,887,935	($13,937,048)	(2.8%)	99,436,550	113,328,079	(13,891,529)	(12.3%)
EXPRESS ONE	$449,955,731	$383,328,183	$66,627,548	17.4%	72,337,989	53,683,237	18,654,752	34.7%
STAMPS.COM	$371,817,577	$280,816,742	$91,000,834	32.4%	64,792,663	53,375,567	11,417,096	21.4%
DHL	$304,436,731	$291,061,763	$13,374,968	4.6%	140,345,431	145,355,595	(5,010,164)	(3.4%)
VISIBLE SUPPLY CHAIN MANAGEMENT, LLC	$260,379,319	$233,118,991	$27,260,328	11.7%	47,723,493	43,527,662	4,195,831	9.6%
PITNEY BOWES	$161,350,175	$177,178,946	($15,828,772)	(8.9%)	60,346,120	63,417,084	(3,070,964)	(4.8%)
ETSY INC	$145,558,736	$134,910,331	$10,648,405	7.9%	29,653,288	27,982,687	1,670,601	6.0%
PAYPAL HOLDINGS, INC.	$137,612,395	$135,936,593	$1,675,802	1.2%	22,772,050	23,219,451	(447,401)	(1.9%)
SHOPIFY INC.	$137,534,758	$82,604,255	$54,930,503	66.5%	24,578,008	15,792,911	8,785,097	55.6%
POSHMARK, INC.	$117,487,086	$99,376,924	$18,110,162	18.2%	17,144,437	15,012,873	2,131,564	14.2%
US DEPT OF VETERANS AFFAIRS	$105,173,496	$96,750,374	$8,423,122	8.7%	42,209,746	41,489,290	720,456	1.7%
QURATE RETAIL GROUP	$100,632,812	$103,736,919	($3,104,107)	(3.0%)	41,656,831	42,170,265	(513,434)	(1.2%)
ACTIVE FREEDOM LTD	$89,888,747	$16,368,609	$73,520,138	449.2%	20,481,797	5,450,632	15,031,165	275.8%
STITCH FIX	$79,795,651	$66,752,275	$13,043,376	19.5%	11,592,622	10,035,249	1,557,373	15.5%
SHIPPO	$78,493,874	$56,613,897	$21,879,977	38.6%	16,614,679	10,310,371	6,304,308	61.1%
QUAD GRAPHICS	$65,277,320	$59,056,286	$6,221,035	10.5%	84,910,784	81,797,794	3,112,990	3.8%
ONE STOP MAILING	$62,706,756	$44,213,634	$18,493,121	41.8%	37,420,706	28,313,667	9,107,039	32.2%
US ELOGISTCIS SERVICE CORP	$61,396,932	$34,981,482	$26,415,450	75.5%	22,074,661	11,257,614	10,817,047	96.1%
PIRATESHIP	$58,569,006	$24,327,053	$34,241,954	140.8%	10,112,874	4,254,336	5,858,538	137.7%
KOHLS CORPORATION	$56,176,786	$56,178,546	($1,760)	(0.0%)	21,086,304	21,552,381	(466,077)	(2.2%)
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AMERICAN OVERSIGHT

[On USPS Letterhead]

April 13, 2020

VIA E-MAIL

Tiffany Muller
President and Executive Director
End Citizens United PAC
P.O. Box 66005
Washington, DC 20035

Re: Fundraising Campaign Using the U.S. POSTAL SERVICE and USPS Trademarks

Dear Ms. Muller:

We are writing regarding End Citizens United's recent fundraising campaign that uses the U.S. POSTAL SERVICE, USPS, USPS's Long Life Vehicle ("LLV") ( ), and the USPS Sonic Eagle logo ( ) trademarks (collectively, the "USPS Marks"). On or about April 8, 2020, End Citizens United launched a fundraising campaign that prominently features the USPS Marks and seeks to raise $30,000 for use in connection with future advertisements that presumably will feature the USPS Marks. A copy of the April 8, 2020 fundraising email and a subsequent fundraising email from ECU are enclosed. United States Postal Service ("USPS") is concerned that these fundraising emails and End Citizens United's contemplated advertisements are likely to cause confusion about whether USPS sponsored or approved this campaign and/or the contemplated advertisements. Avoiding any appearance of political partisanship is vital to the achievement of USPS's mission of service to the American people. *See, e.g., De Gallo v. Parent*, 557 F.3d 59, 73 (1st Cir. 2009); *see also* 18 U.S.C. § 1913. A public perception that USPS either supports or endorses End Citizens United or its political activities thus raises significant public policy and legal concerns for USPS.

As you surely know, USPS owns the USPS Marks, and it has numerous incontestable trademark registrations for them, including U.S. Registration Nos. 2423574, 2709084, 2709131, 3774838, 3774839, 5829577, 5124485, 5124486, and 5124487. As a result of

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USPS's longstanding use of the USPS Marks, the marks are famous, and the public has come to rely on the USPS Marks to identify USPS's products and services, as well as the products and services of companies that are sponsored by or affiliated with USPS. As you also know, USPS has not sponsored or approved of End Citizens United's fundraising campaign or advertisements, and End Citizens United does not have USPS's authorization or consent to use the USPS Marks. As a result, any use of the USPS Marks by End Citizens United that is likely to cause confusion violates state and federal law.

Of course, USPS recognizes that End Citizens United has the right to refer to USPS and use the USPS Marks consistent with free speech principles under the doctrine of nominative trademark fair use. That doctrine only applies, however, when (1) a party's use of another's trademark is necessary to describe the trademark owner's services; (2) the party used only so much of another's trademarks as is reasonably necessary; ***and*** (3) the party has not done anything to suggest sponsorship or endorsement by the trademark owner or to inaccurately describe the relationship between the parties. *See Century 21 Real Estate Corp. v. Lendingtree, Inc.*, 425 F.3d 211, 222 (3d Cir. 2005); *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

End Citizen United's past and contemplated future use is unlikely to meet all three of these requirements. As an initial matter, the use of the USPS LLV design and the USPS Sonic Eagle logo is more than is necessary to reference the USPS. *See Toyota Motor Sales, U.S.A., Inc. v. Tabari* , 610 F.3d 1171, 1181 (9th Cir. 2010) (holding use of stylized mark and logo was more use of the mark than necessary). Additionally, the fundraising emails (and likely any future advertisements) focus on increasing funding to USPS and this focus, when combined with the use of USPS's trademarks, exacerbates the likelihood of confusion as to whether USPS sponsored or approved of the End Citizens United's communications. The likelihood of confusion is further compounded by the absence of any disclaimer of an affiliation or sponsorship by USPS, *see Toyota Motor Sales*, 610 F.3d at 1182, especially when End Citizens United disclaims an affiliation with others, such as political candidates and candidate's committees. In light of the foregoing, End Citizens United is not entitled to use the USPS Marks under the guise of nominative fair use.

Therefore, USPS respectfully requests that End Citizens United either:

1. Cease and desist its use of the USPS Marks and all other trademarks owned by USPS in connection with its fundraising efforts and its advertisements; or

2. Agree to the following in connection with its fundraising or advertising:

AMERICAN OVERSIGHT

a. End Citizens United will not use any USPS logos or designs under any circumstance;

b. End Citizens United's use of the USPS Marks in plain text (i.e., not in bold or italics) and be in the same size, font, and color as surrounding text;

c. End Citizens United will include the following prominent disclaimer in connection with all uses of USPS Marks: "United States Postal Service is not associated or affiliated with End Citizens United and has not sponsored or approved of this communication";[1] and

d. While USPS believes that 2(a)-(c) are reasonably calculated to reduce the likelihood of confusion, it is possible that certain uses of the USPS Marks still could be likely to cause confusion, and End Citizens United will cooperate with any additional reasonable requests from USPS to address USPS's concerns with any future uses of the USPS Marks.

As we hope this letter makes clear, USPS is not trying to prevent End Citizens United from engaging in fundraising or trying to prevent End Citizens United from advocating for its point of view. At the same time, USPS cannot allow its trademarks to be used in a manner that is likely to cause confusion as to USPS's sponsorship or approval of End Citizens United's campaigns and advertisements. Accordingly, we respectfully request that End Citizens United confirm in writing that it will comply with the reasonable attempts to prevent confusion detailed above by no later than April __, 2020. Thank you for your prompt attention to this important matter.

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AMERICAN OVERSIGHT

Sincerely,

[Insert name]

AMERICAN OVERSIGHT

[On USPS Letterhead]

April 13, 2020

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AMERICAN OVERSIGHT

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Sincerely,

[Insert name]

AMERICAN OVERSIGHT

PM-150 Amazon Successor Agreement Brief – 4/15/2020

Context and History

Amazon's Priority Mail Fulfillment proposed Successor Agreement represents a contribution growth opportunity between Amazon's Fulfillment business and USPS.

Under the successor agreement proposed, $26M of Amazon's ~$192M Priority Mail Fulfillment business would be discounted. **This NSA represents an effective price increase, while more specifically targeting discounts to win business that UPS currently wins.**

- Historically, USPS discounted >$80M of Priority Mail volume. However, much of this was inelastic (e.g., non-contiguous) and **USPS shifted a majority of this volume to published rates (~50% price increase).**
- USPS prioritized any remaining discounted rates to target UPS' business with Amazon and take incremental share in high-contribution low-zone low-weight product. **This would represent *net new business* USPS has not won to-date.**
    - Zones 1-4 (ground zones) saw price decrease of ~5% overall relative to prior NSA
    - Zones 5-8 (air zones) saw price increase of ~18% overall relative to prior NSA

Contract Structure

This Priority Mail contract has 2 features to protect USPS interests, grow contribution, and sustain Amazon relationship:

- **Geo-based pricing:** Pricing is based on charging price required to win the business based on the particular lane (e.g., lanes treated as "international" by UPS and FedEx are charged at published rates).
- **Earned discount model**: Amazon will *earn* all incremental discounts by providing USPS with volume that historically has gone to Amazon's internal network, UPS, or regional carriers. *This is an industry standard aligned to what competitor would do.*
    - Each tier will result in a net growth in both volume and contribution.
    - In instances where volume decline, rates will also decline.

In summary, USPS targeted **discounts to maximize revenue in each cell, to win higher contribution low-weights and zones**. Prices were created to **reflect the competitive landscape**. **At higher prices USPS would cede volume to UPS, and lose net contribution.**

Competitive intelligence

During negotiations, Amazon disclosed that they had 85M pieces of "Priority Mail equivalent" volume in 2019. The Postal Service only receives approximately 20% (16M) of Amazon's "Priority Mail equivalent".

- **The remaining 69M pieces (up to >$500M revenue) go to competitors –** majority to UPS and Delivery Service Providers
- Amazon's shipper selection process is executed on a package-by-package **driven by which providers can meet required service standard and then by price offered**.
- USPS is losing business because Priority Mail does **not meet Prime-service standard and price has not historically been competitive for non-Prime rated product.**
- In particular, **UPS has a stronger Ground offering in terms of reach, price, and reliability** which challenges USPS' full-network position with Amazon, which is why USPS discounts are critical to winning net new business.

Discounts were targeted to individual rate-cells to incentivize favorable volume where USPS also has strong service performance.

Impact on overall relationship

Although this contract represents a small portion of Amazon's total revenue with the Postal Service, it carries implications for the broader Amazon relationship:

- **Amazon prioritized finalizing this NSA over other aspects of its business prior to discussing expanding USPS' share of business** in the last-mile segment (USPS' largest business opportunity).
- **Finalization of this contract,** demonstrates the Postal Service's internal ability to advance customer relationships.

Financial benefits of this NSA

This new contract relationship represents:

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- **USPS increased annual contribution by ~$25M by shifting 75% of volume from discounted rates to published rates.** Since implementing, USPS has seen limited loss of volume, reinforcing this strategy.
- **USPS agreement creates multi-year contribution opportunity worth between ~$5-9M** by targeting discounts to high-contribution, high service performance product where UPS has significant share.

AMERICAN OVERSIGHT

Fulfilling our Mission – Parcel Select: A Path Forward

Section 1 – How is our market position is at risk today? How is COVID shaping that? Our market position is already at risk, and there is an expanding market to grab onto with Parcel Select.

- *Articulating the instability perceived by major customers.*
- *Defining how COVID is making this a near-term opportunity to build long-term opportunity. That we are overall at an inflection point to win the market.*
- *Describing difficulty to win brick & mortar retail segment with instability – Target, Walmart, CVS, broader healthcare segment. These traditional American companies are trying to grow their online business and want USPS as a partner but they can't build without certainty in our products. Particularly Parcel Select.*
- *Pricing competitiveness in the market currently – margins cut to grow density (eg FedEx).*
- *Cost curves and investments by competitors to drawn down costs by improved operational efficiency and last mile efficiency through retail access/alternate delivery points. Stated strategy by UPS to achieve 97% of US population with x miles of an access point.*
- *We have limited opportunity to take price without losing business.*

Section 2 – What is Parcel Select? Parcel Select is a product that serves broad base of customers directly and indirectly. Growing product with staple retailers.

- *Defining the role of Parcel Select in the USPS network.*
- *Explaining its core customer base. Highlighting the growing role of retailers.*
- *Evolution and end of FedEx SmartPost, and resulting impact on UPS SurePost therefore impact on USPS.*
    - *UPS Teamsters specifics – must have SmartPost, under 10#, diversions to UPS ground by address, UPS Ground if Amazon ping to UPS database shows another delivery to blockface win goes to Ground*
- *Introduce Walmart and Target as Parcel Select DSCF and DDU*
- *Introduce role of Parcel Select with pharmaceuticals and the estimated volume of pharmaceuticals reaching the US public.*

Section 3 – How does Parcel Select function economically? USPS is unique in its ability to offer Parcel Select, building off the USO – and it is one of the core pillars of ensuring equitable access to all Americans.

- *Explaining the simple economics around Parcel Select and its contribution / profitability.*
- *Explaining that the perceived low rates are because customers execute the first and middle mile work themselves, and can choose at what margin they need to operate. Similar to workshare, these customers are able to do the middle-mile more effectively than USPS network.*
    - *Need to show the cost curves of first and middle mile vs competitors. If we need a "real" example, use Walmart or Target. We can't win DSCF entry – but we can win DDU entry.*
- *This product builds on top of USPS existing USO-driven network to create equal access to the economy. And give businesses across the country universal access to deliver product at reasonable prices.*
    - *Without it, large geographic share of United States could have been left behind from economic opportunities.*
- *Defining how it feeds the broader network to enable USPS to more profitably serve the American public in both mail and packages. Increasing density across network improves USPS' ability to serve entire country while increasing overall contribution.*
- *If we lost Parcel Select business, what is the economic impact on the last mile and what would that do the price we would have to offer for FCPS and Priority to meet PRC required CCs which escalate annually. FCPS and Priority – how much is currently retail vs commercial? How much of FCPS and Priority is from small and mid size businesses. They would essentially be bearing the brunt of pricing USPS out of the Parcel Select business.*
- *If we quadruple prices, we would be out of Parcel Select business AND this gives UPS and FedEx ability to raise their prices. Their customers are the shippers themselves – small, medium and large businesses that they are consolidating volume for to move to last mile. Show history of UPS and FedEx published price increases over time – they are virtually identical.*
- *Articulating / Refuting directly the analyst report that has laid belief that Parcel Select was unprofitable. And highlight that the analyst report has been "retracted."*

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Section 4 – What are the consequences of price increases to Parcel Select? If prices are raised, it will result in "in-sourcing" and large volumes will leave our network. And the "negative spiral" will ensue.

- *Even in a normal environment, raising prices tends to drive volume into alternative network. In some instances, competitors will in-source volume at a loss to build their own density. And once they've build the densities, they will have middle-mile and last-mile advantages to win the entire business. This enables them to create downward pressure on all USPS product.*
- *As competitors gain density from growing e-commerce market, they are increasingly able to deliver themselves. While USPS prices have increased, competitor cost-to-deliver has decreased. This compromises USPS' role as the leading B2C package delivered.*
- *Defining how customer cost curves function. Using FedEx as example of ability to "in-source volumes" and demonstrate how this plays out in real history.*
    - *Show FedEx volume trends and headlines / Sales tactics graphically – similar to how was done for Amazon.*
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Fulfilling our Mission: Path forward for Parcel Select

"Neither snow, nor rain, nor heat, nor gloom of night stays
these couriers from the swift completion of their appointed rounds"

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In early 2019, USPS management defined a strategy for the last-mile product (Parcel Select) to: (1) re-invigorate legacy relationships while guaranteeing contribution and (2) expand to a broader base of retailers like Walmart and Target. As Parcel Select volumes declined for the first time, management saw this strategy as key to growing contribution and maintaining the resilience of the package business.

As this strategy was implemented, the public narrative around USPS' last-mile pricing created uncertainty for many customers (customers like Walmart have asked their attorneys to assess risk of doing business with USPS). Other customers, like the Department of Veterans Affairs, are exposed if any major pricing changes occur. This uncertainty has compromised the ability to grow this high contribution business.

COVID-19 has introduced tailwinds as competitors have faltered in delivering consistently. Customers, like Target, have re-discovered USPS as a reliable carrier and are considering investing in a last-mile partnership. In a time of national crisis, USPS has lived into its mission of binding the nation together.

Because customers solidify network planning well in advance of peak season, the next two months are a time-limited opportunity to secure existing contribution and lay a path to growth.

Failure to execute the strategy will give time for competitors to adapt to the new normal. In this scenario, USPS will lose share in package business and management's efforts to close the deficit will be hampered.

The following articulates the Parcel Select strategy's business case and value to the American public.

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1 Introduction

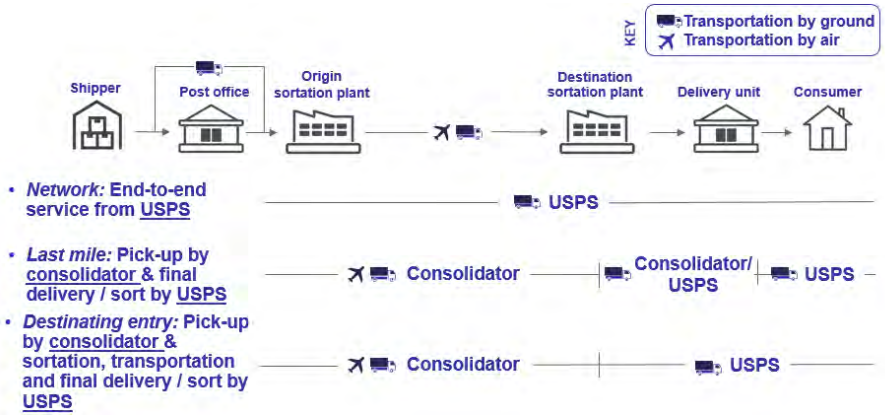
Purpose of this memo
The objective of this document is to brief the Board of Governors on the ongoing Parcel Select (last-mile) strategy and its value to the Postal Service and to the American public.

Management requests authority to continue execution of the Parcel Select strategy.

The role of our package business
In 2019, packages generated $22.7B of revenue and $7.4B of contribution for the Postal Service. The contribution from the package business helps fund the Universal Service Obligation and enables USPS to deliver on its mission to serve all Americans, not only those in cities and affluent neighborhoods. As mail volumes decline, packages have been and will continue to be critical to the financial health of USPS.

Brief overview of Parcel Select as a last-mile network product
USPS serves customers with two product types: full-network (First-Class Package Service, Priority Mail) and last-mile (Parcel Select). Parcel Select generates $6.8B in revenue and $3.3B in contribution.

In the last-mile space, USPS partners either with consolidators (like UPS or DHL) or works directly with retailers (like Walmart or CVS) to carry out the *last mile* delivery. Last mile customers deliver their packages to either a USPS sortation facility or to a Delivery Unit (Post Office). USPS then executes the last mile. USPS' last mile product has supported a vibrant and competitive American package market.



The Postal Service is facing headwinds in the last mile space
Legacy carriers like UPS and FedEx built their businesses on the high margin B2B market. With the growth of e-commerce, they have heavily invested to transform their networks to capture the lower margin and high-growth B2C market. Operating profitable B2C networks requires unprecedented densities for these carriers, and they initially relied on USPS' last mile product to support their expansion. However, due to consistent price increases, these customers are building their own networks and pursuing volume at lower margins. As a result, in 2019 USPS Parcel Select volumes declined for the first time.

FedEx announced publicly it will end its partnership with USPS. FedEx told USPS they were leaving for one reason: ***"the price was too high."***

COVID-19 has accelerated e-commerce penetration for most retail businesses
As a result of the COVID-19 pandemic, all retailers are shifting their business models to catch the wave of a turbocharged e-commerce landscape. Online sales have grown ~50%, and Parcel Select volumes

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have increased 30-40% vs prior year. While the current growth in package volumes is a temporary spike, a significant portion of the new volumes will persist even as Americans' lives return to a "new normal."

We are at an inflection point in our Parcel Select strategy
Many retailers – including Target, Walmart, and pharmaceutical companies – need to provide 'fast and free' shipping to be competitive online. Retailers operate with thin margins, and require both affordable and stable price points for their shipping. They are ready to invest in the Postal Service relationship by developing cost-effective networks that bring their product to our facilities.

However, these network investments represent substantial capital outlays, with multi-year payback periods. To justify the investment, our customers need operational and price certainty. The recent public narrative around USPS calls into question both our price stability and near-term operational viability. Customers have voiced that a USPS partnership comes with risk: price volatility, operational unpredictability (e.g., reduction in delivery days), and possibility of a total withdrawal from packages.

We need to move with pace. Given current market conditions, customers are reluctantly relying on the Postal Service because our competition has been unable to react to the new normal introduced by COVID-19. While other carriers have wavered operationally, our customers and the American public have been reminded that the United States Postal Service is a force uniting America.

2 Overview of our Parcel Select customer base

Shippers access Parcel Select in two ways.

1. *Indirectly* using consolidators like DHL, FedEx, UPS, or Pitney Bowes who do the first and middle mile for the customer and pass the package to the Postal Service at the Delivery Unit (Post Office). These relationships support a broad base of shippers from small storefronts to critical government services like the Department of Veteran's Affairs.
2. *Directly* by bringing their product to USPS facilities. Examples of these customers include: Walmart, Amazon, and Target.

Indirect partnerships bring end-shippers to USPS via mixed-network solutions, where USPS executes the last mile. UPS and FedEx have a non-exclusive relationship and use USPS when it is economical. Pitney Bowes and DHL almost exclusively use USPS to execute their last mile.

- Very few customers have the density to drop at a plant or a post office directly. Instead, many large brick and mortar retailers use partners to access our network, including: **Macy's, Gap, Kohl's, Victoria's Secret, Bath & Body Works and Walgreens.**
- Companies like **QVC, HSN, General Motors, and Unilever** also access our network indirectly.
- Using this model, USPS delivers for more than 20,000 businesses across the United States.

Direct partnerships bring packages directly to the USPS network like consolidators. These partnerships require significant capital investments from customers. **Potential new customers** need operational and price stability as soon as possible to prepare mid-term capital plans and near-term plans for peak 2021.

- **Walmart is piloting Parcel Select in Florida and was considering building its network around USPS in order to compete with e-commerce players.** They have indicated USPS has favorable economics, superior service, excellent customer experience, and nimble support relative to FedEx. *They are now concerned with USPS viability and have their teams assessing the risk.* Before making further investments, *they will assess our operational and price viability.*
- **Target** was planning to pilot a direct Parcel Select relationship with USPS. Target has historically partnered indirectly with USPS through UPS.

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- **Amazon** is the largest legacy partner and has voiced desire to continue building the relationship. *They remain concerned about the risk of a relationship with USPS.*
- USPS has ongoing conversations with **Home Depot, Staples, and Chewy.com** (PetSmart).

Across both direct and indirect partnerships, USPS plays a particularly crucial role in pharmaceuticals. Since March 14th, **USPS has made more than 20M pharmaceutical deliveries through Parcel Select.** Customers include: US Department of Veteran Affairs, Humana, CVS, Walgreens, and Costco.

3 The economics of Parcel Select

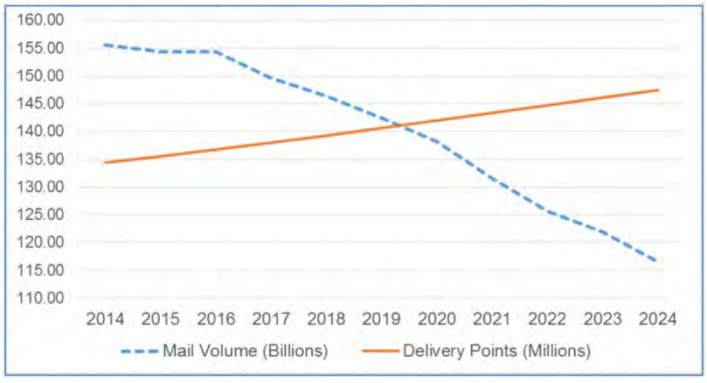
In 2019 alone, Parcel Select contributed $6.8B of revenue and $3.3B in contribution. Every Parcel Select relationship is profitable. A majority of packages entered at a Post Office cover their cost by 1.5 to 2 times.

There is significant public discourse on the business case for Parcel Select pricing. Many arguments that pricing is below cost appear tied to an erroneous 2017 Citibank report[1] which has been disproven by USPS management. CitiBank indicated USPS would need to increase prices by 50% in order to break-even, but was based on a flawed set of assumptions.

CitiBank has retracted its analysis – with the lead analyst publicly stating "I'd love to say it wasn't a mistake."[2]

Parcel Select is high-contribution because the marginal cost to deliver to a residence is quite low when the Postal Service would already drive by every address due to its Universal Service Obligation. Parcel Select is actually a key way for USPS to improve contribution from each stop. This is particularly important as the number of delivery points have *grown*, while overall network volumes have *dropped*.

Exhibit 3. Delivery Point (not including PO Boxes) and Mail Volume Forecasts



	2014	2019	2024	Five Year % Change
Daily Pieces per Delivery Point	3.8	3.3	2.6	-22%
Revenue per Delivery Point	$ 504.87	$ 507.21	$ 484.53	-4%

4 Pricing Overview for Parcel Select

To retain and grow business in the last mile, USPS must price competitively. This means pricing below the customer's alternative (self-delivery or another carrier) while maximizing USPS contribution.

[1] Citi published a report entitled "The Free Shipping Tax" on April 18, 2017. In this article it indicated that Parcel Select prices would need to increase 50% in order to break-even. The analyst used an incorrect number based on the floor of the institutional cost coverage, as opposed to the actual institutional cost coverage figure.
[2] https://www.businessinsider.in/one-of-the-central-arguments-in-trumps-attacks-on-amazon-is-all-wrong-and-its-citigroups-fault/articleshow/63658626.cms

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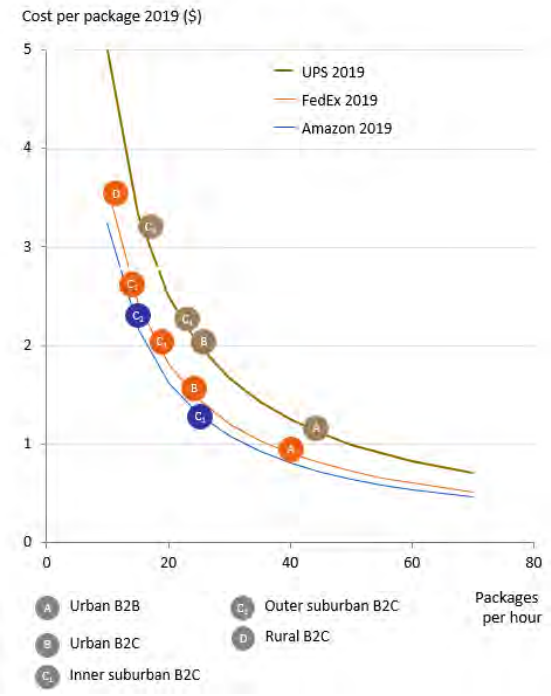
- **As with all competitive products, published prices are established and approved by the Board of Governors.** The Board of Governors approved moderate price increases for both Parcel Select Lightweight and Parcel Select Heavyweight in 2019 for FY2020.
- Today, **~60% of Parcel Select volume is charged at published rates (***no NSA discounts).* This means that, for a majority of customers, price changes take effect almost immediately.
- When necessary to win new business, USPS uses Negotiated Service Agreements to discount from published rates to be competitive with what the market will bear. These discounts are tied to published rate increases.

Today, competitors' costs to deliver are decreasing for several reasons:

- *Improved density* – More people are getting more packages. This makes routes more profitable.
- *Lower and reduced labor costs* – UPS, FedEx, and Amazon use flex and contract drivers to reduce cost.
- *Significant multi-year capital investments* – Competitors investing to improve efficiency in package sortation, automate facilities, and develop last-mile residential networks.
- *New innovations* – Competitors building low-cost delivery alternatives such as retail access points and lockers.

The below exhibit demonstrates how competitor's costs-to-deliver the last-mile vary based on both density (number of packages on a route) and by underlying cost structures (labor rates). Over the past five years, these curves have consistently shifted downwards. In parallel, USPS consistently increased price, leading to a point of "diseconomy" for Parcel Select customers.



From FY16, across all of Parcel Select, USPS published prices ~38%.

	Jan. 2016	Jan. 2017	Jan. 2018	Jan. 2019	
Parcel Select	11.9%	5.5%	5.6%	7.6%	

In 2019, FedEx publicly indicated that it would fully insource Parcel Select volumes, discontinue its SmartPost product, and expand to offer Sunday delivery. FedEx told USPS management:

"This decision was based on pure economics. The service was excellent."

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This indicates prices were not competitive. In April of 2020, USPS saw a 34% decline in FedEx volume. **USPS is on track to lose ~$1.1B in revenue and ~$600M in contribution by 2022.**

Even in a strong relationship like UPS, there are significant headwinds to consider. In particular, the union agreement between Teamsters and UPS state:

- UPS is required to in-source any time there are two packages going to same address.
- UPS SurePost product (its Parcel Select product) is tied in the UPS Teamster's contract to the existence of the FedEx SmartPost product. FedEx has announced the cessation and rebranding of the FedEx SmartPost product. **We believe this will be a major point in upcoming 2022 Teamster negotiation and puts ~$1.4B in revenue and ~$750M in contribution.**

5 Implications of a Significant Price Increase

If USPS were to raise Parcel Select prices by anywhere from 0.5-4 times current published pricing, we would rapidly price ourselves "out of the market." Management has assessed that the entire $3.3B of annual contribution would be at risk. Under extreme price increase scenarios, customers would in-source or divert volumes to alternative carriers within a year.

	FY19 PS Volume at risk[3]	FY19 PS Revenue at risk	FY19 PS Contribution at risk	FY19 % of no-discount volume
Amazon	1,150M	$2,600M	$1,300M	57%
UPS	630M	$1,400B	$750M	63%
FedEx	460M	$1,100M	$580M	57%
DHL	250M	$480M	$230M	88%
Pitney Bowes	70M	$170M	$80M	68%
Total for Big 5	2,500M	$5,700M	$2,900M	62%

In the event of a significant price increase, we expect the following scenarios would likely occur:

- *USPS would lose $1.3B of contribution from Amazon within 1 year.* Volume would shift into Amazon Delivery Service Provider network and UPS network (already has $8B of Amazon business).
- *USPS would lose the UPS relationship and the contribution guarantee established in contract.* UPS would sunset its relationship with the Postal Service and in-source significant volumes to Ground network by activating "peak operations". Under current peak operations, UPS is able to absorb 20M units / day. In-sourcing SurePost would only require absorbing 2M units / day.
- *FedEx would maintain its current course of decline, which was driven by USPS pricing* and might accelerate in-sourcing plans.
- *Partners like DHL and Pitney Bowes would become immediately uncompetitive in the market.* They would likely be unable to find a replacement delivery partner, and would sell-off their assets while pulling out of this business.

Forcing Parcel Select volumes out of Postal Service network will effectively cede USPS competitive package business. A significant price change would:

[3] Source: Volume and revenue figures from Business Customer Intelligence. Contribution is estimated based on partner volume and inject profile.

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- Result in rapid in-sourcing of volume that would fundamentally change competitor cost structures. Competitors will quickly be able to poach the First Class Package Service and Priority Mail volume from increasingly insecure and nervous customer base.
- Drive heightened levels of insecurity into full-network customers and retail partners.
- Significantly disrupt the ongoing operations of many small / medium businesses as well as the aforementioned retailers.

Additional impacts of major price increases include:

- **Disproportionate impact to the pharmaceutical sector at a time** when these services are more critical than ever. In particular, customers like the Department of Veterans Affairs, Walgreens, or ExpressScripts would **see price increases in <1 month.**
- **Loss of USPS as the price anchor in the market for *all business and all consumers*.** Rural Americans would likely absorb the greatest price increases.[4]

6 Labor and cost implications of rapid package volume loss.

In the event of rapid losses of Parcel Select volumes, the Postal Service would need to remove costs as a result of lost revenue. These variable costs are directly tied to American jobs.

Currently, the Postal Service has the ability to lay off its non-career workforce for lack of work, as well as a portion of its career bargaining unit work force depending on the union. The loss of Parcel Select volume would equate to approximately 55,961,000 bargaining unit work hours or the removal of ~28,000 non-career jobs.

Notably, the Postal Service's universal service obligation means that a reduction in workload associated with a loss of package volume may not translate to dollar-for-dollar cost savings. The Postal Service will still incur the fixed costs of servicing the nation's delivery points, albeit with reduced revenue per delivery point.

This average wage-rate increase would negatively impact all USPS economics across both market dominant and domestic competitive product.

[Additional information in Appendix D on labor economics associated with package volume loss]

7 Parcel Select commercial strategy

Since early 2019, USPS management has been implementing an updated Parcel Select strategy:

- **Part 1. Expanding the product to serve as the "great equalizer" for brick and mortar retailers** as they build their e-commerce business (Walmart, Target).
- **Part 2. Executing a sequence of negotiations with all three >$1B Parcel Select customers – UPS, FedEx, and Amazon** to secure long-term commitments.
- **Part 3. Building flexible pricing agreements with DHL and Pitney Bowes to give them tools to win competitive business** and build 100% last-mile USPS partnerships.

[4] This narrative is reinforced by the significant lobbying efforts that UPS undertakes to challenge existing pricing, with a push to force USPS to allocate more costs to its parcel business and force up prices.

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For all components, USPS is maximizing contribution by pricing to what the market will bear:

- Competitive market analysis to surgically set pricing by weight and entry point
- Implemented dimension-weight pricing element

7.1 Expanding Parcel Select to large retailers.

As traditional retailers expanded e-commerce businesses, USPS launched a "great equalizer" mission.

Walmart signed an agreement in December 2019 and became the first major retailer to begin developing a network around USPS Delivery Units. This agreement laid the foundation for USPS to win net-new business – Walmart is 85% FedEx today. **However, this relationship is at immediate risk if USPS cannot provide certainty to customer.**

- **Walmart account is worth ~$10M today but has an upwards potential of >$100M – all of which currently goes to competitors.**
- Walmart has capital plans to build a sort center network to enter packages at the Post Office. *They can only do this with both operational and pricing certainty as significant capital investment will be required by Walmart to execute this strategy to align their network to our network.*
- If Walmart program scales, it will meet the 2-day service expectation of consumers with no membership fee and increase access to e-commerce for low income Americans.
- By leveraging the USPS Parcel Select product, Walmart can now compete with Amazon's seven day a week delivery offering.

Target has been in ongoing negotiations and solution development work with USPS for over a year. USPS has not secured the business and lost the business to UPS' competitive bids in late 2019. Target now has plans to pilot a program similar to Walmart by September 2020.

Many retailers are interested in building relationship at USPS sortation plants (one step "up" from the post office). Currently, USPS is cost-disadvantaged due to automation and operational capacity constraints in these facilities.

- As part of management's package strategy, network investments would enable USPS to develop a competitive product for a broader customer base including: Staples, Office Depot, and Home Depot.
- The Postal Service is trying to win new business in this mid-network product. However, customers say USPS' price is not competitive and build solutions with FedEx and UPS instead.

7.2 Executing a sequence of negotiations with UPS, FedEx, and Amazon.

At the beginning of 2019, the Postal Service initiated a reset of the largest Parcel Select customers.

- **UPS** negotiations (concluded in June 2019) created a new relationship with UPS and blueprinted a *new overall approach* to Parcel Select customers:
  - *Growth is a requirement* for discounts and decline results in a reversion to published rates
  - *Rate certainty is provided* with growth requirements.
  - *Sunday product is available at a premium.*
  - *Commitment to give USPS 100% of UPS Mail Innovations (Parcel Select Lightweight)*.
- **FedEx** negotiations faced headwinds given plan to in-source volumes. USPS exercised FedEx termination clause in September 2019. Post NSA termination notice, USPS entered into

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negotiations with the goal of winning Sunday delivery and retaining suburban and rural SmartPost volume:
    - *FedEx requested discounts on Parcel Select Lightweight and discounts in Heavyweight.*
    - *FedEx was unwilling to commit volumes and USPS management concluded negotiations*.
- **Amazon** negotiations were planned to begin in early 2020, with intent of solidifying the growth relationship in alignment with UPS agreement. [NOTE – Deep Dive in Section 8].

7.3 Building flexible pricing agreements with DHL and Pitney Bowes.

DHL and **Pitney Bowes** are consolidators like UPS, however they do not have last-mile capabilities. They build custom solutions and use USPS for the last mile.

- Both partners indicated new customers could be won if there was an "alternative price" that could be employed at Postal Service management's discretion.
- Alternative price program enables partners to cite "net new" or "at risk" business and to request improved rates to increase likelihood of winning business (for example, USPS and Pitney Bowes are actively collaborating to win BarkBox as a customer – a $5M opportunity).

8 Opportunity to build a growing partnership with Amazon.

Amazon is USPS' largest customer. In FY19, it generated $3.9B in revenue across all business. In Parcel Select, it generated $2.6B in revenue and $1.3B in contribution. **It generated more contribution than any other customer by almost 2 times.**

In early 2020, USPS prepared to initiate Amazon negotiations following the conclusion of FedEx negotiations. There are two foundational components to the ongoing relationship reset:

1. Guaranteeing contribution certainty for USPS' existing business in exchange for price increase certainty on non-discounted (or published rate) volume.
2. Winning business currently going to other carriers at and expanding overall relationship.

Component 1. Guaranteeing contribution for USPS

USPS has an opportunity to guarantee multiple years of contribution in exchange for price increase certainty on non-discounted volume.

Management recommends aggressively leveraging Amazon's most-recent request for price increase certainty to execute the Parcel Select strategy and establish high-consequence volume commitments.

Amazon is looking to engage in negotiations as quickly as possible, to facilitate their own network planning. This is to USPS' advantage, as it represents a significant departure from how Amazon traditionally operates. The opportunity to create this contribution security is time-limited, and it is critical to move swiftly while USPS has an outsized role in enabling business continuity.

Proposed terms would align, in principle, with UPS agreement.

Exhibit: Potential Terms to Improve Amazon NSA and Secure Contribution Certainty

Term	Opening Ask	Similar NSA Examples	Improvement on current Amazon NSA
Commitment length	3-5 years 1 year termination notice	FedEx and UPS	NO guaranteed contribution commitments today.

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Decline Penalty	Move all Parcel Select volume to published pricing if growth falls below commitments.	UPS	This would capture significant contribution in event Amazon began to withdraw
Geo-segments	Align price to relative competitive market price.	UPS	Maximizes contribution by aligning to customer economics
Volume Growth Tiers	Volume growth calculated on rolling 4Q basis.	Volume tiers for FedEx Growth tiers for UPS NSA	Ensures revenue increase of up to $3B+ over 3 years
Rapid volume reduction	Volume volatility in a 5-digit ZIP removes discounts.	UPS FedEx (ZIP level)	Incentivizes operational consistency

Component 2. Building new business.
Since peak 2019, Amazon has needed additional capacity and entered new volume at USPS' sortation facilities at published rates (no discounts). As they continue to invest in their own fulfillment capabilities, they are looking for a long-term sortation partner beyond temporary "capacity augmentation".

Currently, they see significant opportunity to transfer volumes currently won by other carriers if negotiations can commence. These negotiations are nascent, but represent an opportunity to begin to retake share of the business, **USPS has fallen from 60% of share to 30% of share today in 3 years.**

What happens if neither component is executed?
Amazon is expected to grow to 70% of the e-commerce market by 2024. Failure to retain or grow this relationship represents a significant opportunity-cost in terms of both retaining and growing contribution.

If UPS cannot guarantee contribution from Amazon in exchange for certainty (Component 1), it will lose a majority of Amazon's volume in a post-COVID world. Amazon will be forced to in-source and reduce USPS' total share of volume. **This likely represents a loss of ~$1.0B in annual contribution by FY2023.** This business would continue to decline as Amazon scaled alternative solutions until USPS only provided the most-rural deliveries (<6-7% of volume today).

If Component 2 is not executed, USPS has an **opportunity-cost which would limit the overall potential** to retake share of Amazon's business and to grow as amazon grows. (Note: **UPS currently has $8B of revenue** with Amazon and has been investing to expand this relationship).

9 Request of the Board of Governors to move forward with Parcel Select strategy

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

Any major price increases for USPS customers will result in a limited near-term contribution windfall lasting less than one year. Extreme price increases would make initiating "peak operations" profitable for all competitors, and they would quickly absorb volumes at reduced margins, mitigating any near-term windfall contribution. **USPS will ultimately see an annual loss of ~$3.3B in contribution, and will lose the opportunity to further grow business.**

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Without this strategy, package volumes will resume their decline as competitors adapt to the new normal. In parallel, USPS' fiscal deficit will grow.

Management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Authority to sustain current course parcel select strategy and proceed with customer negotiations.
- Serve as a voice to customers and communicate USPS will stand by their businesses as they grow their package business.
- Provide outreach to CEOs of Target and Walmart to provide certainty.

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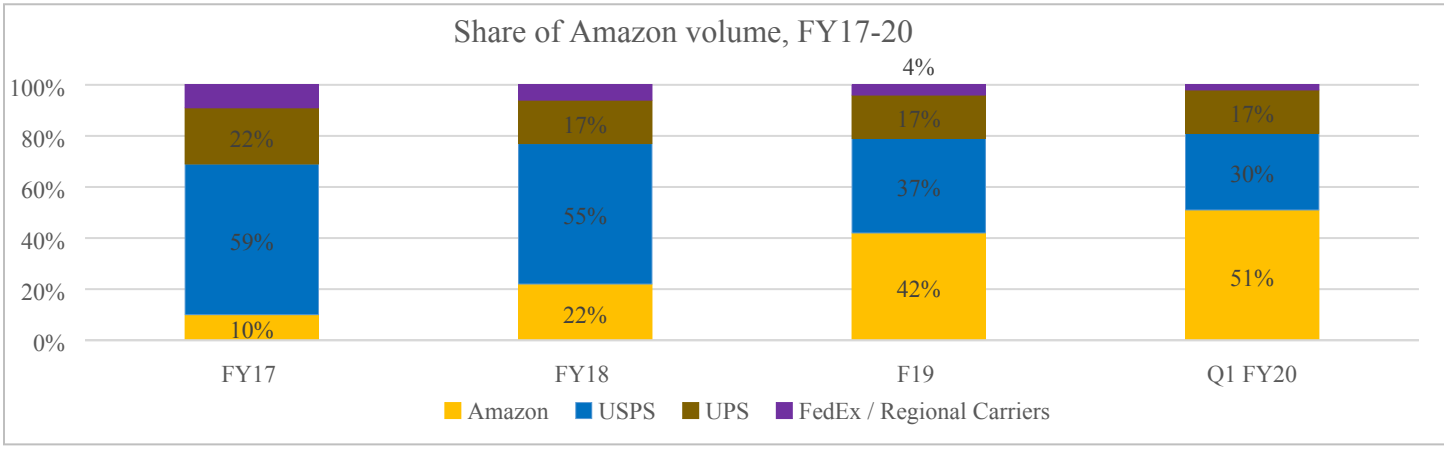
10 Appendix A – Additional information on competitor in-sourcing capabilities

Amazon has been aggressively insourcing volume with Amazon Logistics, sending 2B+ packages in FY19, which primarily cuts into USPS' share:



Major USPS last-mile competitors (UPS, FedEx and Amazon Logistics) are **all currently making investments** to increase capacity and network capabilities. While FedEx is not building out capabilities for <1lb parcels (or currently taking a large share of Amazon), UPS and AMZL have investments that suggest expanded capacity across both lightweight and heavyweight parcels.

UPS has the capability to absorb a majority of USPS-Amazon volume in the near future with limited incremental investment.

- **Major investments in new and expanded facilities will increase UPS daily capacity by ~3-5M pieces per day in 2020:**
  - 1 new regional super-hub in Harrisburg, PA with ability to process up to 100K packages per hour.
  - 2 new super-hubs in Tacoma, WA & Ontario, CA with ability to process ~50K packages per hour.
  - 3 new automated sortation & distribution centers with ability to process at least ~20K packages per hour.
  - Transition to ~100% sortation automation increases efficiency by 30%.
- **Ability to handle incremental volume in the last mile will require significant expansion of workforce** (+100K temporary workers employed during peak) and delivery fleet (+25%)

USPS management has assessed the multi-year contribution impact based on the following go-forward Amazon scenarios:

a) Contribution harvest strategy through rate increases while maintaining NSA.
b) Steady-state contract status with steady contribution decline.
c) Contractually "locked-in" state to grow contribution.
   - C1: Maintain minimum 0% volume growth ("no decline") to keep NSA pricing
   - C2: Maintain low 5% volume growth to steal share from competitors
   - C3: Maintain strong 15% volume growth in line with Amazon's e-commerce growth
d) Increase published prices to 4X *and* terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)

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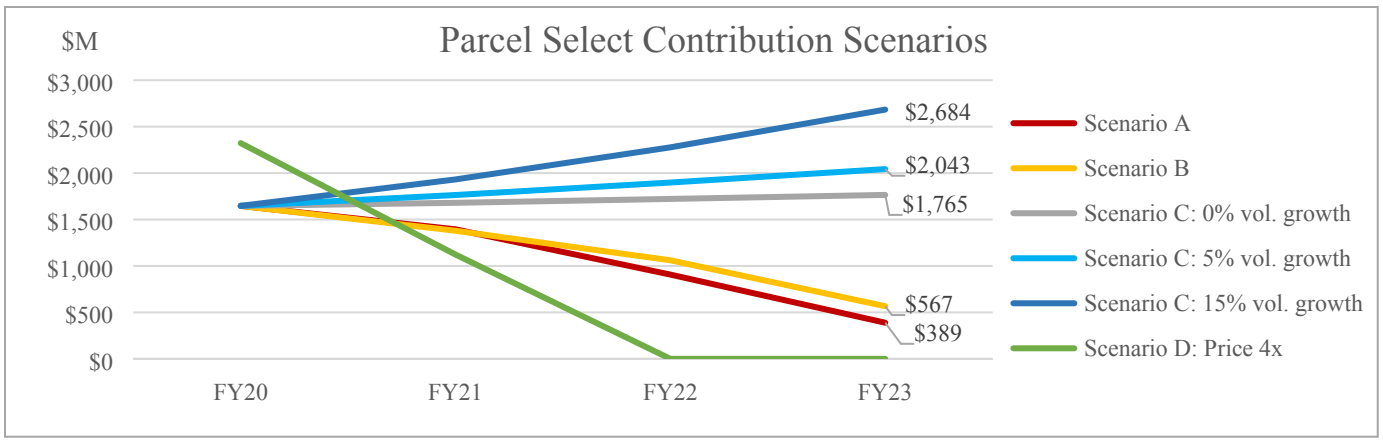

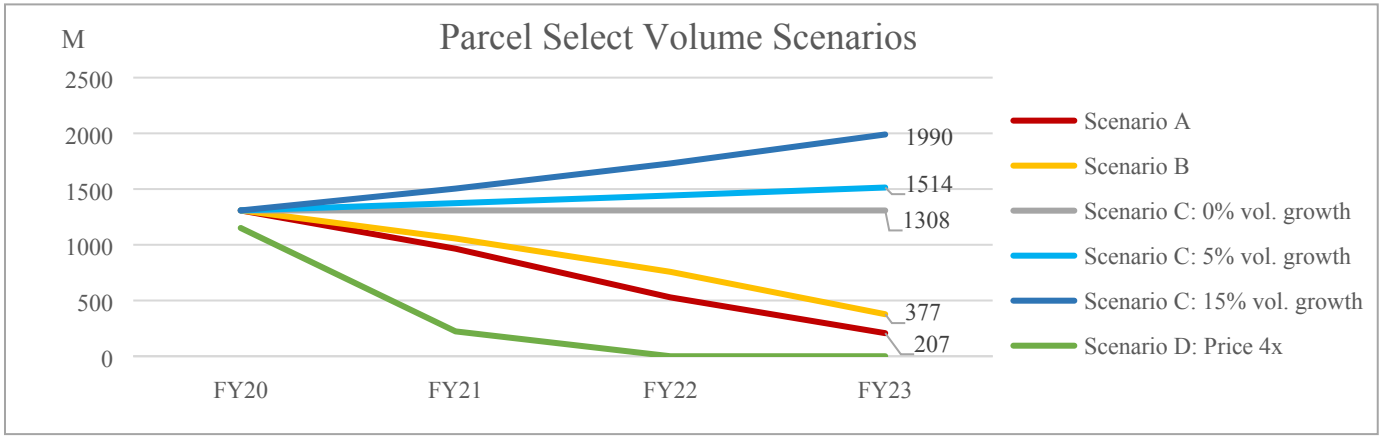

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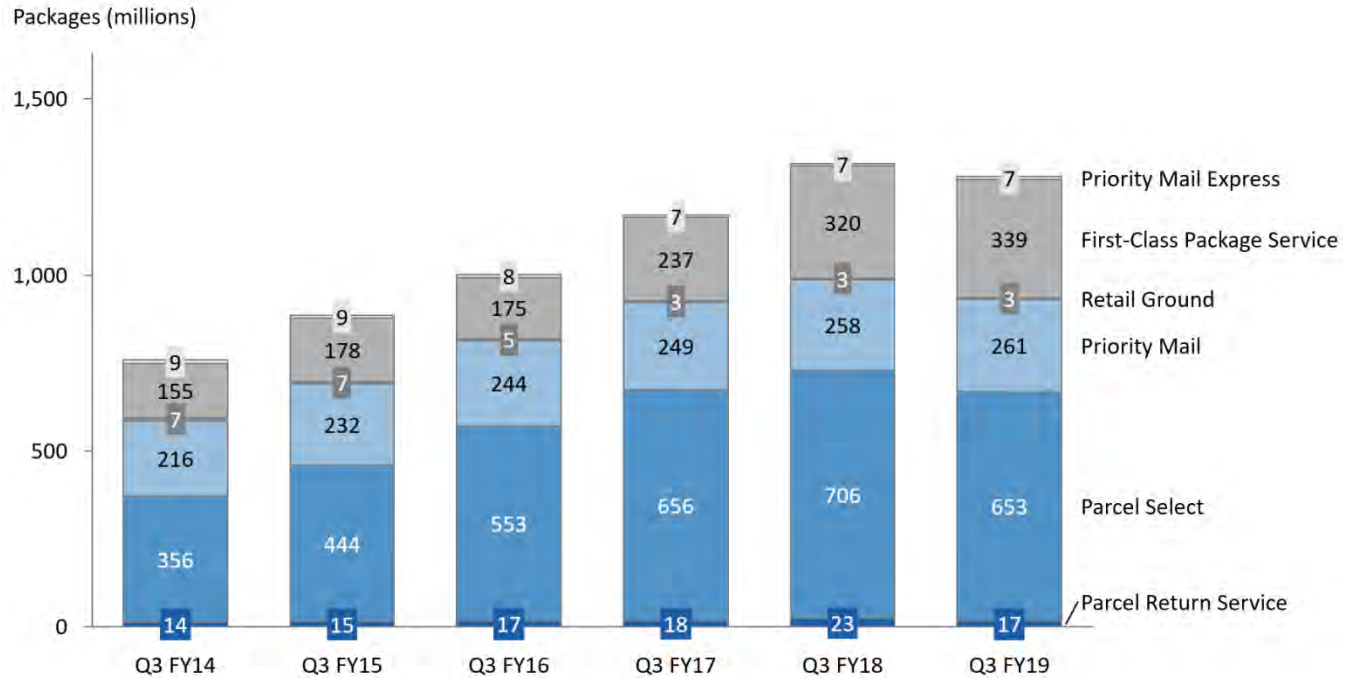
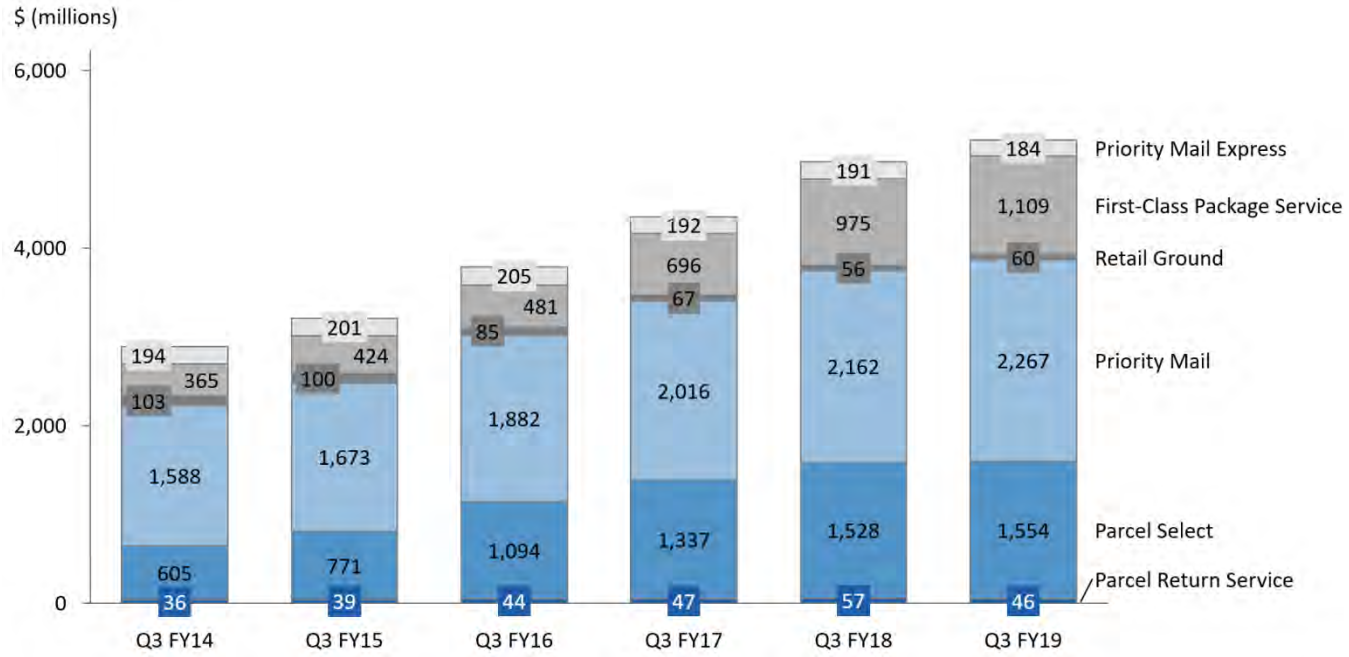
11 Appendix B: Competitive Parcel Volume and Revenue over Time

Volume



Revenue



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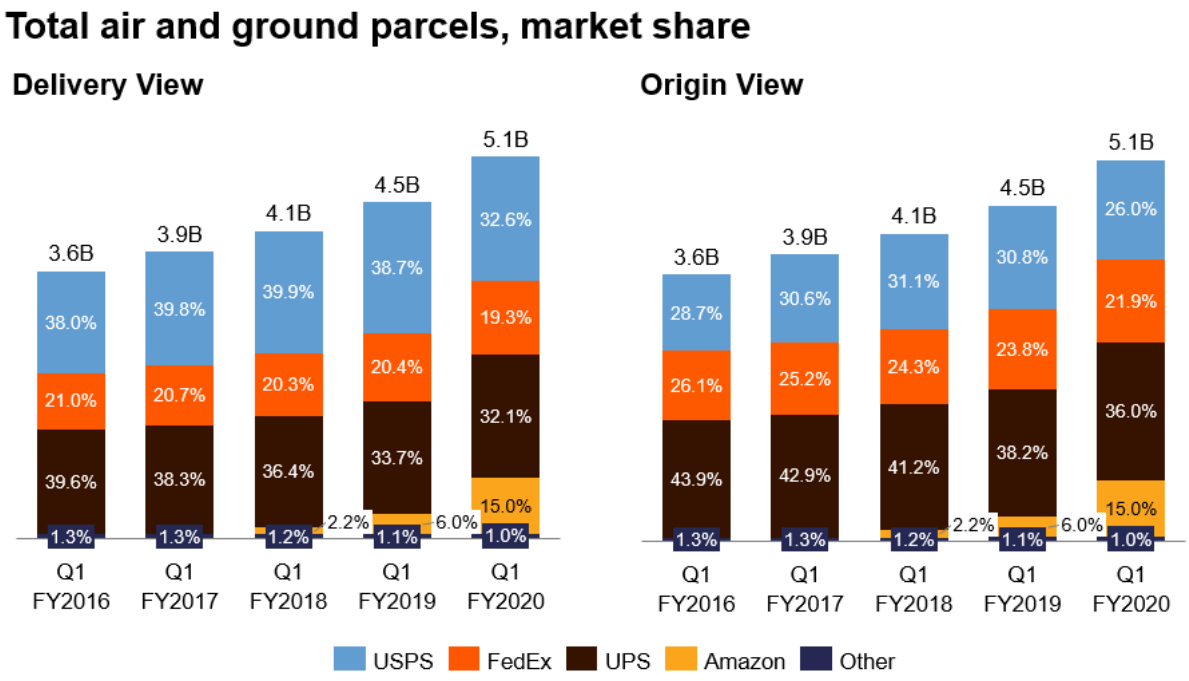
12 Appendix C: Total air and ground parcels, market share[5]



Note: USPS includes Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, Standard Mail Parcels, BPM Parcels, Library Mail and Media Mail.
Source: The Colography Group, Inc. Domestic Quarterly Market Growth And Competitor Share Report

[5] Colography, for parcels less than 70 pounds. *Note: The delivery chart above includes all network and last mile parcels and credits each company based on which company delivers the parcel to final destination. Some of these products may have traversed the networks of these other carriers prior to entry into the Postal Service's network for delivery. For USPS these views include Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, and Standard Mail Parcels. USPS excludes BPM Parcels, Library Mail. For the delivery view, USPS volume includes SurePost and SmartPost volume. The origin view reflects volume that originates with the shipper.*

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13 Appendix D: Labor Implications

In the event of rapid losses of package volumes triggered by major price increases, the Postal Service would need to remove costs as a result of the lost revenue. These variable costs are directly tied to American jobs. These stable jobs would be compromised at a time of significant economic decline.

- The loss of Parcel Select volume would equate to approximately 55,961,000 bargaining unit work hours.

	Work Hours	Non-Career Equivalent	Non-Career On Rolls	Non-Career Remaining After
Clerks and Mail Handlers	21,543,143	10,858	33,968	23,110
City Carriers	19,945,250	10,058	36,887	26,829
Rural Carriers	13,878,271	6,950	51,695	44,745
Vehicle Service Drivers (APWU)	593,931	299	236	(63)
TOTAL	55,960,954	28,165	122,786	94,621

- The loss of *all* competitive package volume would equate to approximately 169,425,000 work hours, broken down as follows:

	Work Hours	Non-Career Equivalent	Non-Career On Rolls	Non-Career Remaining After
Clerks and Mail Handlers	104,055,997	52,448	33,968	(18,480)
City Carriers	34,555,645	17,426	36,887	19,461
Rural Carriers	25,335,085	12,687	51,695	39,008
Vehicle Service Drivers (APWU)	5,478,257	2,761	236	(2,525)
TOTAL	169,424,984	85,321	122,786	37,465

- Currently, the Postal Service has the ability to lay off its non-career workforce for lack of work, as well as a portion of its career bargaining unit work force depending on the union.

- Notably, the Postal Service's universal service obligation means that a reduction in workload associated with a loss of package volume may not translate to dollar-for-dollar cost savings. The Postal Service will still incur the fixed costs of servicing the nation's delivery points, albeit with reduced revenue per delivery point.

- In some cases (APWU Clerks and Mail Handlers, for example), there are not enough employees (career and non-career) eligible for layoff to capture all of the savings from the reduction in work hours associated with the loss of competitive package volume. The Postal Service would have to

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wait for excess employees to attrit out (or consider seeking and negotiating a VERA) in order to capture further savings.

- While non-career employees may be let go relatively quickly for lack of work, the union(s) will no doubt challenge any attempt to eliminate a wide swath of the workforce. Furthermore, for those employee crafts (Clerks, Mail Handlers) where it would be necessary to lay off career employees to capture the savings, there are a number of contractual steps the Postal Service must take before implementing a layoff.

- From an operational standpoint, the practicality of eliminating the most flexible component of the Postal Service's workforce would also need to be considered and weighed against potential cost savings. Moreover, the employees who remain on the rolls (i.e., who are protected from layoff) will be the most expensive, most senior employees, so cost per remaining work hour will increase.

For the reasons above, it would not be possible to reduce these costs at a pace that is commensurate with the revenue lost. Therefore, USPS' cash position would be *further* negatively impacted by a radical loss of volumes.

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Fulfilling our Mission: Path forward for Parcel Select

"Neither snow, nor rain, nor heat, nor gloom of night stays
these couriers from the swift completion of their appointed rounds"

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In early 2019, USPS management defined a strategy for Parcel Select to (1) reinvigorate legacy partnerships while securing contribution and (2) win new customers. As Parcel Select volumes declined for the first time, this strategy became critical to maintaining the resilience of the package business.

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Authority to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers ~~to say~~ that USPS will ~~stand by their~~be a partner to their businesses as they grow packages.
- Provide outreach to CEOs of ~~Target and~~ Walmart, Target and Amazon to provide certainty.

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1 Introduction

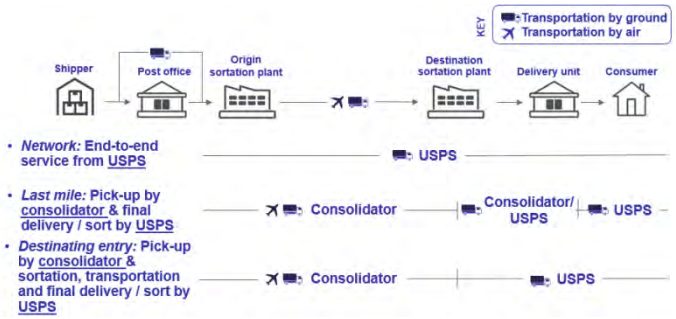
Purpose of this memo
The objective of this document is to brief the Board of Governors on the ongoing Parcel Select (last-mile) strategy and its value to the Postal Service and to the American public.

Management requests authority to continue execution of the Parcel Select strategy.

The role of our package business
In 2019, packages generated $22.7B of revenue and $7.4B of contribution for the Postal Service. The contribution from the package business helps fund the Universal Service Obligation and enables USPS to deliver on its mission to serve *all* Americans, not only those in cities and affluent neighborhoods. As mail volumes decline, packages have been and will continue to be critical to the financial health of USPS. Without packages, USPS financial position would degrade.

Brief overview of Parcel Select as a last-mile network product
USPS serves customers with two product types: full-network (First-Class Package Service, Priority Mail) and last-mile (Parcel Select). In 2019, Parcel Select ~~generates~~ generated $6.8B in revenue and $3.3B in contribution.

In the last-mile space, USPS works either with consolidators (like UPS or DHL) or works directly with retailers (like Walmart or CVS) to carry out the *last mile* delivery. For the most part, last-mile customers deliver their packages to a Delivery Unit (Post Office), and manages the last mile to the address.



The Postal Service is facing headwinds in the last mile space
Legacy carriers like UPS and FedEx built their businesses on a high margin B2B market. With the growth of e-commerce, they heavily invested to transform their networks to capture the lower margin and high-growth B2C market. Operating profitable B2C networks requires unprecedented densities for these carriers, and they initially relied on USPS Parcel Select to support their expansion. However, due to consistent USPS price increases, these customers built their own networks and pursued delivering volume themselves. As a result, in 2019 Parcel Select volumes declined for the first time.

*FedEx announced publicly it will end its partnership with USPS. FedEx told USPS they were leaving for one reason: **"the price was too high."***

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COVID-19 has accelerated e-commerce penetration for most retail businesses
As a result of the COVID-19 pandemic, retailers are shifting their business models to catch the wave of a turbocharged e-commerce landscape. Online sales have grown ~50%, and Parcel Select volumes have

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increased 30-40% vs. prior year. While the current growth in package volumes is a temporary spike, a significant portion of the new volumes may persist even as Americans' lives return to a "new normal."

We are at an inflection point in our Parcel Select strategy
Many retailers – including Target, Walmart, and pharmaceutical companies – need to provide 'fast and free' shipping to be competitive online. Retailers' business models have thin margins, and require both affordable and stable price points for their shipping. They are ready to invest in the Postal Service relationship by developing cost-effective networks that bring their product to our facilities.

However, these network investments represent substantial capital outlays, with multi-year payback periods. To justify the investment, our customers need operational and price certainty. The recent political narrative around USPS calls into question both our price stability and our near-term operational viability. Customers have told management that a USPS partnership now comes with new risks: price volatility, operational unpredictability, and legislation to limit USPS to mail delivery only.

We need to move quickly. While other carriers have wavered operationally, our customers and the American public have been reminded that the United States Postal Service is a force uniting America. This is the moment to hold fast to our Parcel Select strategy – make clear the Board's competitive business strategy and ~~and~~ proceed with negotiations to secure our future~~.~~

2 Overview of our Parcel Select customer base

Shippers access Parcel Select in two ways.

1. ***Indirectly*** using consolidators like DHL, FedEx, UPS, or Pitney Bowes who do the first and middle mile for the customer and pass the package to the Postal Service at the Delivery Unit (Post Office). These relationships support a broad base of shippers from small storefronts to critical government services like the Department of Veteran's Affairs.
2. ***Directly*** by bringing their product to USPS facilities. Examples of these customers include: Walmart, Amazon, and Target.

Indirect partnerships bring end-shippers to USPS via mixed-network solutions, where USPS executes the last mile. UPS and FedEx have a non-exclusive relationship and use USPS when it is economical. Pitney Bowes and DHL almost exclusively use USPS to execute their last mile.

- Very few customers have the density to drop at a plant or a post office directly. Instead, many large brick and mortar retailers use partners to access our network, including: **Macy's, Gap, Kohl's, Victoria's Secret, Bath & Body Works and Walgreens.**
- Companies like **QVC, HSN, General Motors, and Unilever** also access our network indirectly.
- Using this model, **USPS delivers for more than 20,000 businesses** across the United States.

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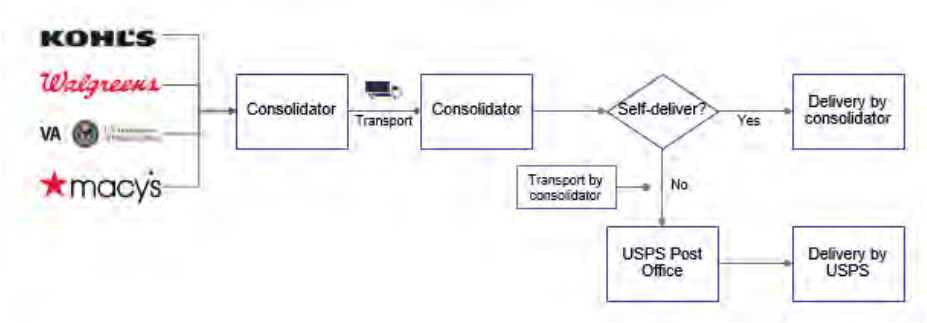

Direct partnerships bring packages directly to the USPS network like consolidators. These partnerships require significant capital investments from customers. Potential new customers need operational and price stability as soon as possible to prepare mid-term capital plans and near-term plans for peak 2021.

- **Walmart** is piloting Parcel Select in Florida and was considering building its network around USPS in order to compete with e-commerce players. They have indicated USPS has favorable economics, superior service, excellent customer experience, and nimble support relative to FedEx. *They are now concerned with USPS' price stability and scalability of this pilot program. They have their staff assessing the risk* before making further investments.
- **Target** was planning to pilot a direct Parcel Select relationship with USPS. Target has historically partnered indirectly with USPS through UPS.
- **Amazon** is the largest legacy partner and stated it wants to continue building the relationship. Due to the administration's recent comments about "Internet companies" and their relationship with the US Postal Service, *they remain concerned about the risk associated with~~of~~ USPS.* Amazon for the first time in our relationship reduced volume in 2019 by XX% driven in part by their concerns about their ability to meet their customer promise through USPS. They have demonstrated that they can and will pull away business from us to mitigate risk.~~.~~
- USPS is in ongoing conversations with **Home Depot, Staples, and Chewy.com** (PetSmart).

Across both direct and indirect partnerships, USPS Parcel Select plays a particularly crucial role in pharmaceuticals. Since March 14, USPS has made more than 20M Parcel Select pharmaceutical deliveries. Customers include: US Department of Veteran Affairs, Humana, CVS, Walgreens, and Costco.

3 The economics of Parcel Select

In 2019 alone, Parcel Select contributed $6.8B of revenue and $3.3B in contribution. Every Parcel Select NSA is profitable. A majority of packages entered at a Post Office cover their cost by 1.5 to 2 times.

There is significant political discourse on the business case for Parcel Select pricing. Many arguments that pricing is below cost appear tied to a 2017 Citibank report that was wrong.[1] Citibank indicated that USPS would need to increase price by 50% in order to break even – but it was based on incorrect assumptions. This article ~~has since~~was also ~~been~~ disproven by both Business Insider[2] and USPS management~~, and~~.

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[1] Citi published a report entitled "The Free Shipping Tax" on April 18, 2017. In this article it indicated that Parcel Select prices would need to increase 50% in order to break-even. The analyst used an incorrect number based on the floor of the institutional cost coverage, as opposed to the actual institutional cost coverage figure.

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USPS management informed the White House Domestic Policy Advisor in 2017 of the CitiBank retraction.

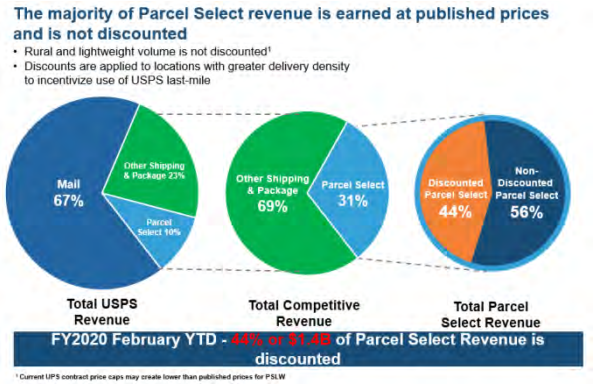
> *CitiBank has retracted its analysis – with the lead analyst publicly stating "I'd love to say it wasn't a mistake."*[2]

Parcel Select is high-contribution because the marginal cost to deliver to a residence is quite low when the Postal Service would already drive by every address due to its Universal Service Obligation. Parcel Select is actually a key way for USPS to improve contribution from each stop. This is particularly important as the number of delivery points have *grown*, while overall network volumes have *dropped*.

4 Pricing Overview for Parcel Select

To retain and grow business in the last mile, USPS must price competitively. This means pricing below the customer's alternative (self-delivery or another carrier) while maximizing USPS contribution.

- **As with all products, published prices are established and approved by the Board of Governors.** The Board approved moderate price increases for both Parcel Select Lightweight (12.3%, 4.2%) and Heavyweight (9.9%, 2.2%) for FY2019 and FY2020 respectively.
- Today, **~~60~~56% of Parcel Select volume is charged at published rates (***no NSA discounts)*. This means that, for a majority of customers, price changes take effect almost immediately.



- When necessary to win new business, **USPS uses Negotiated Service Agreements** to be competitive with what the market will bear. These discounts are tied to published rate increases.

Today, competitors' costs to deliver are decreasing for several reasons:

- *Improved density* – More people are getting more packages. This makes routes more profitable.
- *Lower labor costs* – UPS, FedEx, and Amazon use flex and contract drivers to reduce cost.
- *Significant multi-year capital investments* – Competitors investing to improve efficiency in package sortation, automate facilities, and develop last-mile residential networks.
- *New innovations* – Competitors building low-cost delivery alternatives such as retail access points and lockers

[2] https://www.businessinsider.in/one-of-the-central-arguments-in-trumps-attacks-on-amazon-is-all-wrong-and-its-citigroups-fault/articleshow/63658626.cms

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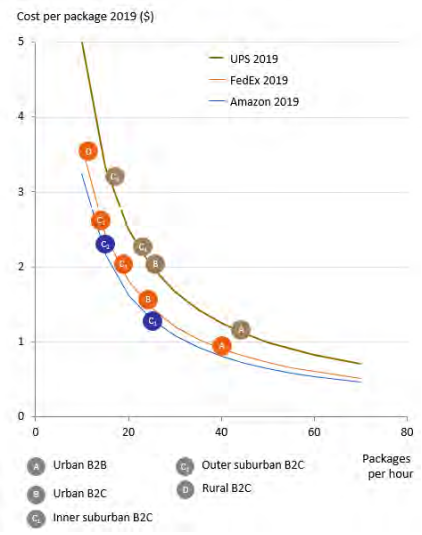

The exhibit to the left demonstrates how competitor's costs-to-deliver the last-mile vary based on both density (number of packages on a route) and by underlying cost structures (labor rates). Over the past five years, these curves have consistently shifted downwards. In parallel, USPS consistently increased price, leading to a point of "diseconomy" for Parcel Select customers.

From FY16, across all of Parcel Select, USPS published prices increased ~38%.

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	FY 2016	Jan. 2017	Jan. 2018	Jan. 2019	Jan. 2020	Total	Annual Avg
Parcel Select Price Increase	11.9%	5.5%	5.6%	7.6%	3.2%	38.4%	6.7%
Parcel Select Volume	2.4B	2.8B	3.0B	2.9B	N/A		

In 2019, FedEx publicly indicated that it would fully insource Parcel Select volumes, discontinue its SmartPost product, and expand to offer Sunday delivery. FedEx told USPS management:

"This decision was based on pure economics. The service was excellent."

This indicates prices were not competitive. In April of 2020, USPS saw a 34% decline in FedEx volume. **USPS is on track to lose ~$1.1B in revenue and ~$600M in contribution by 2022.**

Even in a strong relationship like UPS, there are significant headwinds to consider. In particular, the union agreement between Teamsters and UPS state:

- UPS is required to in-source any time there are two packages going to same address.
- UPS SurePost product (its Parcel Select product) is tied in the UPS Teamster's contract to the existence of the FedEx SmartPost product. FedEx has announced the cessation ~~and rebranding~~ of the FedEx SmartPost product. **We believe this will be a major point in upcoming 2022 Teamster negotiation and puts ~$1.4B in revenue and ~$750M in contribution at risk.**

5 Implications of a Significant Price Increase

If USPS were to raise Parcel Select prices by anywhere from 0.5-4 times current published pricing, we would rapidly price ourselves "out of the market." Management has assessed that the entire $3.3B of annual contribution would be at risk. Under extreme price increase scenarios, customers would in-source or divert volumes to alternative carriers within a year.

	FY19 PS Volume at risk[3]	FY19 PS Revenue at risk	FY19 PS Contribution at risk	FY19 % of no-discount volume
Amazon	1,150M	$2,600M	$1,300M	57%
~~**UPS**~~	~~630M~~	$1,400M	$750M	63%

[3] Source: Volume and revenue figures from Business Customer Intelligence. Contribution is estimated based on partner volume and inject profile.

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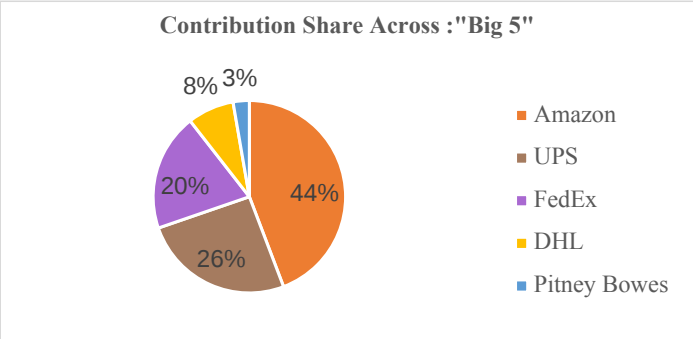
FedEx	460M	$1,100M	$580M	57%
DHL	250M	$480M	$230M	88%
Pitney Bowes	70M	$170M	$80M	68%
Total for Big 5	2,500M	$5,700M	$2,900M	62%



In the event of a significant price increase, we expect the following scenarios would likely occur:

- *Amazon: USPS would lose $1.3B of contribution within 1 year.* Volume would shift into Amazon Delivery Service Provider's and UPS' networks (already has $8B of Amazon business).[4]
- *UPS: USPS would lose the relationship and the contribution guarantee established in contract.* UPS would sunset its relationship with the Postal Service and in-source significant volumes to Ground network by activating "peak operations."
- *FedEx would maintain its current course of decline* and might accelerate in-sourcing plans.
- *Partners like DHL and Pitney Bowes would become immediately uncompetitive in the market.* They would likely be unable to find a replacement delivery partner, and would sell their assets.

Losing Parcel Select business effectively cedes the package market while disproportionately exposing small and medium businesses:

- All customers will become wary of relying on USPS as a shipping solution.
- Small & Medium businesses that pay published rates will be disproportionately impacted.
- UPS and FedEx will in-source all their packages. Their cost-to-deliver will rapidly fall, and they will actively pursue USPS' Priority Mail and First Class Package Service volumes, and will win.

USPS has the most pricing flexibility in low-density regions where competitors have the highest cost to deliver. However this flexibility is tenuous and constrained because:

- Unilateral price increases would impact all Lightweight volume regardless of geography
- Even lowest-density areas are facing downwards price pressures and are at-risk as competitors unlock new models like flex drivers or access points (previously described)

[4] Source: Jan 2020 https://www.wsj.com/articles/ups-results-get-boost-from-amazon-11580388498

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Additional impacts of major price increases include:

- **Disproportionate impact to the pharmaceutical sector at a time** when these services are more critical than ever. In particular, customers like the Department of Veterans Affairs, Walgreens, or ExpressScripts would **see price increases in <1 month.**
- **Loss of USPS as the price anchor in the market for *all business and all consumers*.** Rural Americans would likely absorb the greatest price increases.[5] If USPS exited packages, UPS and FedEx would have the ability to take exorbitant price increases in an oligopolistic fashion.
- **Rapid loss of volume and loss of contribution would further impact USPS' cash position.**

6 Labor and cost implications of rapid package volume loss.

In the event of rapid losses of Parcel Select volumes, the Postal Service would need to remove costs as a result of lost revenue. These variable costs are directly tied to American jobs.

Currently, the Postal Service has the ability to lay off its non-career workforce for lack of work, as well as a portion of its career bargaining unit work force depending on the union. The loss of Parcel Select volume would equate to approximately 55,961,000 bargaining unit work hours or the removal of ~28,000 non-career jobs.

Notably, the Postal Service's universal service obligation means that a reduction in workload associated with a loss of package volume may not translate to dollar-for-dollar cost savings. The Postal Service will still incur the fixed costs of servicing the nation's delivery points, albeit with reduced revenue per delivery point.

This average wage-rate increase would negatively impact all USPS economics across both market dominant and domestic competitive product.

[Additional information in Appendix D on labor economics associated with package volume loss]

7 Parcel Select commercial strategy

Since early 2019, USPS management has been implementing an updated Parcel Select strategy:

- **Part 1. Expanding the product to serve as the "great equalizer" for brick and mortar retailers** as they build their e-commerce business (Walmart, Target).
- **Part 2. Executing a sequence of negotiations with all three >$1B Parcel Select customers – UPS, FedEx, and Amazon** to secure long-term commitments.
- **Part 3. Building flexible pricing agreements with DHL and Pitney Bowes to give them tools to win competitive business** and build 100% last-mile USPS partnerships.

For all components, USPS is maximizing contribution by pricing to what the market will bear:

- Competitive market analysis to surgically set pricing by weight and entry point.
- Dimension-weight pricing element.

[5] This narrative is reinforced by the significant lobbying efforts that UPS undertakes to challenge existing pricing, with a push to force USPS to allocate more costs to its parcel business and force up prices.

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- Sophisticated ZIP-level pricing to match market elasticities.

7.1 Expanding Parcel Select to large retailers.

As traditional retailers expanded e-commerce businesses, USPS launched a "great equalizer" mission.

Walmart signed an agreement in December 2019 and became the first major retailer to begin developing a network around USPS Delivery Units. This agreement laid the foundation for USPS to win net-new business – Walmart currently ships 85% of volume with FedEx today. **However, this relationship is at immediate risk if USPS cannot provide certainty to customer.**

- **Walmart account is worth ~$10M today but has an upwards potential of >$100M – all of which currently goes to competitors.**
- Walmart has capital plans to build a sort center network to enter packages at the Post Office. *They can only do this with both operational and pricing certainty as significant capital investment will be required by Walmart to execute this strategy to align their network to our network.*
- If Walmart program scales, it will meet the 2-day service expectation of consumers with no membership fee and increase access to e-commerce for low income Americans.
- By leveraging the USPS Parcel Select product, Walmart can now compete with Amazon's seven day a week delivery offering.

Target has been in ongoing negotiations and solution development work with USPS for over a year. USPS has not secured the business and lost the business to UPS' competitive bids in late 2019. Target now has plans to pilot a program similar to Walmart by September 2020.

Many retailers are interested in building relationship at USPS sortation plants (one step "up" from the post office). Currently, USPS is cost-disadvantaged due to capacity constraints in these facilities.

- As part of management's package strategy, network investments would enable USPS to develop a competitive product for a broader customer base including: Staples, Office Depot, and Home Depot.
- The Postal Service is trying to win new business in this mid-network product. However, customers say USPS' price is not competitive and build solutions with FedEx and UPS instead.

7.2 Executing a sequence of negotiations with UPS, FedEx, and Amazon.

At the beginning of 2019, the Postal Service initiated a reset of the largest Parcel Select customers.

- **UPS** negotiations (concluded in June 2019) created a new relationship with UPS and blueprinted a *new overall approach* to Parcel Select customers:
  - *Growth is a requirement* for discounts and decline results in a reversion to published rates
  - *Rate certainty is provided* with growth requirements.
  - *Sunday product is available at a premium.*
  - *Commitment to give USPS 100% of UPS Mail Innovations (Parcel Select Lightweight)*.
- **FedEx** negotiations faced headwinds given plan to in-source volumes. USPS exercised FedEx termination clause in September 2019. Post termination notice, USPS entered into negotiations with the goal of winning Sunday delivery and retaining suburban and rural SmartPost volume:
  - *FedEx requested discounts on Parcel Select Lightweight and discounts in Heavyweight.*
  - *FedEx was unwilling to commit volumes and USPS management concluded negotiations*.
- **Amazon** negotiations were planned to begin in early 2020, with intent of solidifying the growth relationship in alignment with UPS agreement. [NOTE – Deep Dive in Section 8].

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7.3 Building flexible pricing agreements with DHL and Pitney Bowes.

DHL and **Pitney Bowes** are consolidators like UPS, however they do not have last-mile capabilities. They build custom solutions and use USPS for the last mile.

- Both partners indicated new customers could be won if there was an "alternative price" that could be employed at Postal Service management's discretion.
- Alternative price program enables partners to cite "net new" or "at risk" business and to request improved rates to increase likelihood of winning business (for example, USPS and Pitney Bowes are actively collaborating to win BarkBox as a customer – a $5M opportunity).

8 Opportunity to build a growing partnership with Amazon.

Amazon is USPS' largest customer. In FY19, it generated $3.9B in revenue across all business. In Parcel Select, it generated $2.6B in revenue and $1.3B in contribution. It generated more contribution than any other customer by almost 2 times.

In early 2020, USPS prepared to initiate Amazon negotiations following the conclusion of FedEx negotiations. There are two foundational components to the ongoing relationship reset:

1. Guaranteeing contribution certainty for USPS' existing business in exchange for price increase certainty on non-discounted (or published rate) volume.
2. Winning new business currently going to other carriers at and expanding overall relationship.

Component 1. Guaranteeing contribution for USPS

USPS has an opportunity to guarantee multiple years of contribution in exchange for price increase certainty on non-discounted volume.

Management recommends aggressively leveraging Amazon's most-recent request for price increase certainty to execute the Parcel Select strategy and establish high-consequence volume commitments.

Amazon is looking to engage in negotiations as quickly as possible, to facilitate their own network planning. This is to USPS' advantage, as it represents a significant departure from how Amazon traditionally operates. The opportunity to create this contribution security is time-limited, and it is critical to move swiftly while USPS has an outsized role in enabling business continuity.

Proposed terms would align, in principle, with UPS agreement.

Exhibit: Potential Terms to Improve Amazon NSA and Secure Contribution Certainty

Term	Opening Ask	Similar NSA Examples	Improvement on current Amazon NSA
Commitment length	3-5 years 1 year termination notice	FedEx and UPS	NO guaranteed contribution commitments today.
Decline Penalty	Move all Parcel Select volume to published pricing if growth falls below commitments.	UPS	This would capture significant contribution in event Amazon began to withdraw
Geo-segments	Align price to relative competitive market price.	UPS	Maximizes contribution by aligning to customer economics
Volume Growth Tiers	Volume growth calculated on rolling 4Q basis.	Volume tiers for FedEx	Ensures revenue increase of up to $3B+ over 3 years

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		Growth tiers for UPS NSA	
Rapid volume reduction	Volume volatility in a 5-digit ZIP removes discounts.	UPS FedEx (ZIP level)	Incentivizes operational consistency

Component 2. Building new business.
Since peak 2019, Amazon has needed additional capacity and entered new volume at USPS' sortation facilities at published rates (no discounts). As they continue to invest in their own fulfillment capabilities, they are looking for a long-term sortation partner beyond temporary "capacity augmentation".

Currently, they see significant opportunity to transfer volumes currently won by other carriers if negotiations can commence. These negotiations are nascent, but represent an opportunity to begin to retake share of the business, **USPS has fallen from 60% of share to 30% of share today in 3 years.**

What happens if neither component is executed?
Amazon is expected to grow to 70% of the e-commerce market by 2024. Failure to retain or grow this relationship represents a significant opportunity-cost in terms of both retaining and growing contribution.

If USPS cannot guarantee contribution from Amazon in exchange for price certainty, it will lose a majority of Amazon's volume. Amazon will be forced to in-source. **This represents a loss of ~$1.0B in annual contribution by FY2023.** This business would continue to decline as Amazon scaled alternative solutions until USPS only provided the rural deliveries (<6-7% of volume today).

If Component 2 is not executed, USPS **would lose the opportunity** to retake lost Amazon business (Note: **UPS currently has $8B of revenue** with Amazon).

9 Request of the Board of Governors to move forward with Parcel Select strategy

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

Any major price increases for USPS customers will result in a limited near-term contribution windfall lasting less than one year. Extreme price increases would make initiating "peak operations" profitable for all competitors, and they would quickly absorb volumes at reduced margins, mitigating any near-term windfall contribution. **USPS will ultimately see an annual loss of ~$3.3B in contribution, and will lose the opportunity to further grow business. Further, the overall package business would be compromised, and USPS would see its deficit grow and its cash position degenerate quicker than projected.**

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Authority to sustain current course parcel select strategy and proceed with customer negotiations.
- Call customers and tell them USPS will stand by their businesses as they grow packages.

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- Provide outreach to CEOs of ~~Target and~~ Walmart, Target and Amazon to provide certainty.

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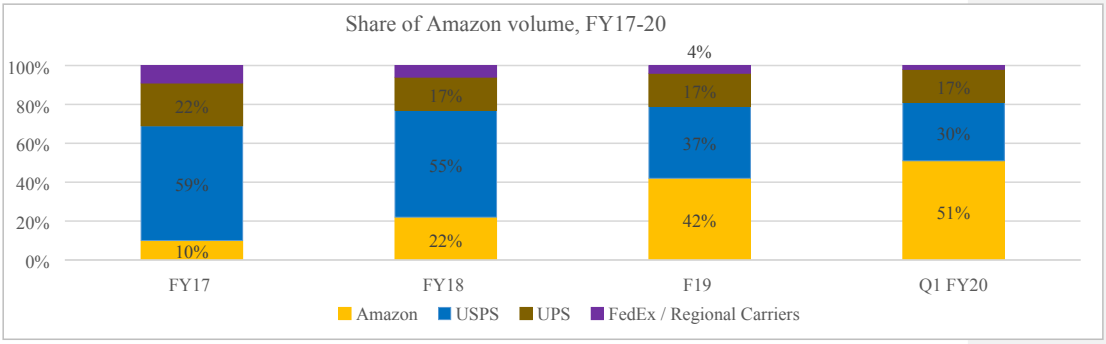
10 Appendix A: Additional information on competitor in-sourcing capabilities

Amazon has been aggressively insourcing volume with Amazon Logistics, sending 2B+ packages in FY19, which primarily cuts into USPS' share:



Major USPS last-mile competitors (UPS, FedEx and Amazon Logistics) are **all currently making investments** to increase capacity and network capabilities. While FedEx is not building out capabilities for <1lb parcels (or currently taking a large share of Amazon), UPS and AMZL have investments that suggest expanded capacity across both lightweight and heavyweight parcels.

UPS has the capability to absorb a majority of USPS-Amazon volume in the near future with limited incremental investment.

- **Major investments in new and expanded facilities will increase UPS daily capacity by ~3-5M pieces per day in 2020:**
  - 1 new regional super-hub in Harrisburg, PA with ability to process up to 100K packages per hour.
  - 2 new super-hubs in Tacoma, WA & Ontario, CA with ability to process ~50K packages per hour.
  - 3 new automated sortation & distribution centers with ability to process at least ~20K packages per hour.
  - Transition to ~100% sortation automation increases efficiency by 30%.
- **Ability to handle incremental volume in the last mile will require significant expansion of workforce** (+100K temporary workers employed during peak) and delivery fleet (+25%)

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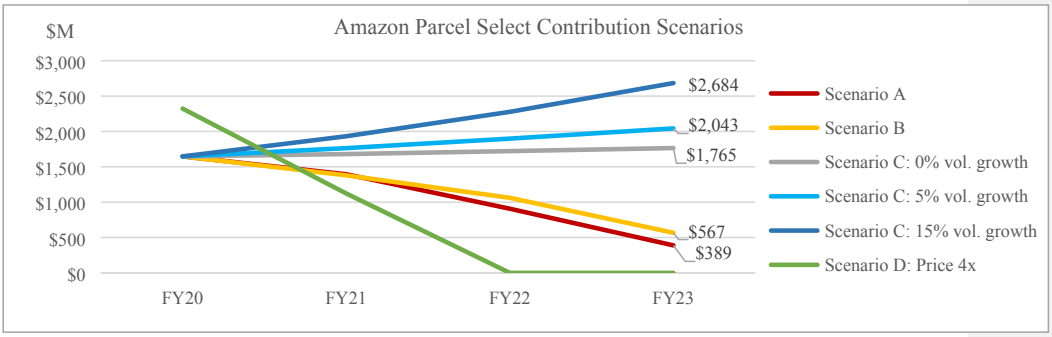

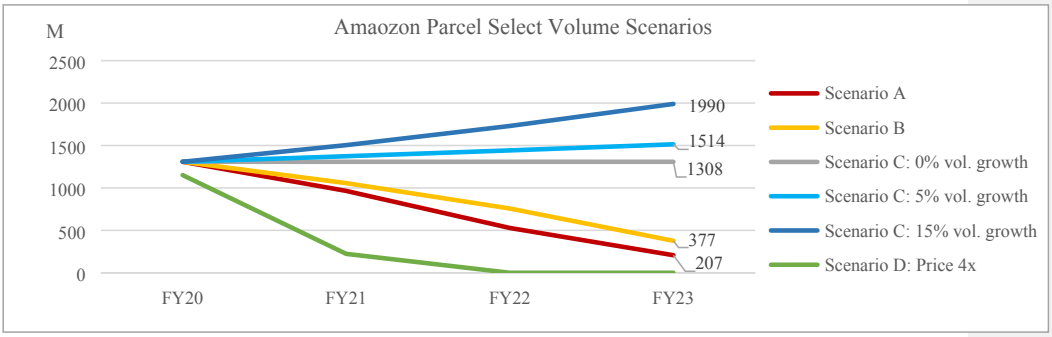

USPS management has assessed the multi-year contribution impact based on the following go-forward Amazon scenarios:

a) Contribution harvest strategy through rate increases while maintaining NSA.
b) Steady-state contract status with steady contribution decline.
c) Contractually "locked-in" state to grow contribution.
    - C1: Maintain minimum 0% volume growth ("no decline") to keep NSA pricing
    - C2: Maintain low 5% volume growth to steal share from competitors
    - C3: Maintain strong 15% volume growth in line with Amazon's e-commerce growth
d) Increase published prices to 4X *and* terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)

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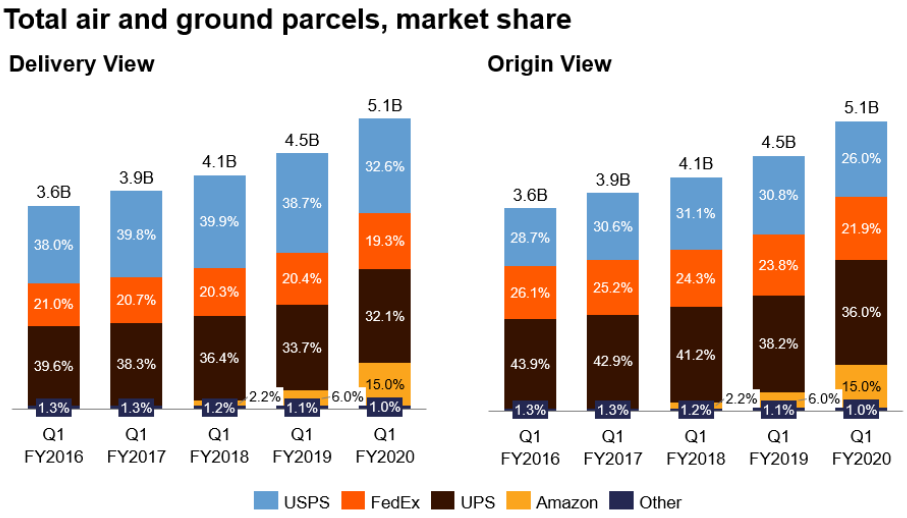
11 Appendix B: Total air and ground parcels, market share[6]



Note: USPS includes Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, Standard Mail Parcels, BPM Parcels, Library Mail and Media Mail.
Source: The Colography Group, Inc. Domestic Quarterly Market Growth And Competitor Share Report

[6] Colography, for parcels less than 70 pounds. *Note: The delivery chart above includes all network and last mile parcels and credits each company based on which company delivers the parcel to final destination. Some of these products may have traversed the networks of these other carriers prior to entry into the Postal Service's network for delivery. For USPS these views include Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, and Standard Mail Parcels. USPS excludes BPM Parcels, Library Mail. For the delivery view, USPS volume includes SurePost and SmartPost volume. The origin view reflects volume that originates with the shipper.*

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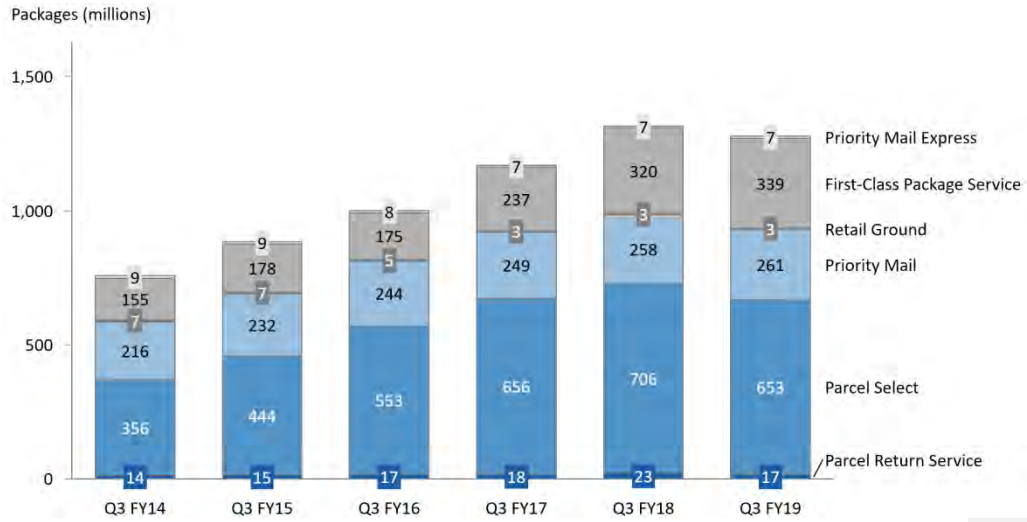
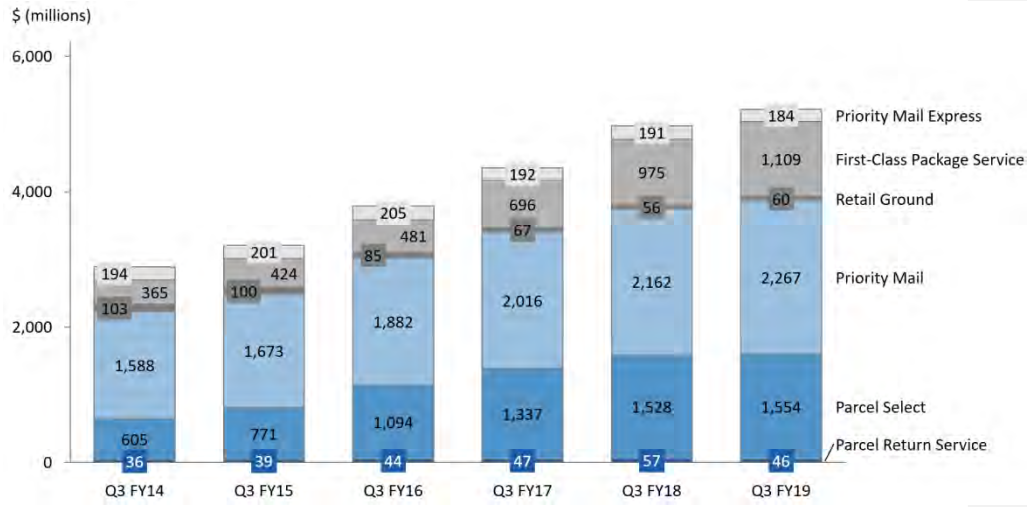
12 Appendix C: Parcel Select Facts and Figures

Volume



Revenue



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Additional Comparison of all Top 5 NSAs

Commented [KSJ-WD3]: Shibani will have April update later today and will send to you

A Comparison of Large Parcel Select NSAs

	amazon	FedEx	DHL	newgistics	UPS
Effective date		6/1/2012	1/10/2019	4/3/2019	8/28/2019 (GEO Pricing started 1/26/20)
Duration	10 yrs. (orig. 5)	9 yrs. (orig. 7)	3 yrs.	3 yrs.	3 yrs. (2x 1-yr extensions)
Termination notice	12 months	12 months	30 days	30 days	365 days
Termination date	10/29/2023	5/31/2021 Termination submitted (9/30/2019)	1/31/2022	4/2/2022	12/31/2022
Non-discounted ZIPs	8,588	23,714	22,419	21,196	33,281
% Non-discounted vol. (1 lb+)	37%	37%	21%	34%	3%
Price cap	Volume based (2.0% to 5.5%)	5% Std, 3.5% Alt (capped at cell-level with banking)	2% (2019) 5% (2020+)	5%	5% or 1% below published (min. of 1%) 4.5% (Lightweight)
Annual price change date	1 October	1 June	Pub. rate change	1 February	Pub. rate change
FY20 Feb YTD (PS+PSLW)					
Volume	581M	181M	105M	33M	293M
Vol. % change to SPLY	4.3%	-18.4%	-5.5%	7.1%	0.1%
Revenue	1,409M	457M	217M	76M	667M
Rev. % change to SPLY	15.5%	-11.6%	5.6%	9.1%	2.0%
2019 price increase	2%	5% Std, 3.5% Alt	2%	N/A	0% (waived)
2020 price increase	2%	2% Std, 2% Alt	2%	2%	2.7%
%DDU of DDU/DSCF	99.7%	89%	90%	85%	87%
% PSLW volume	48%	43%	82%	55%	48%
Curent STD 2 lb DDU $/Pc	$2.44	$2.44	$2.39	$2.18	B-$2.40; C-$2.48; A&D-3.29
Curent ALT 2 lb DDU $/Pc	N/A	$2.11	T1 - $2.13 T2 - $2.02	T1 - $1.94 T2 - $1.86	$2.18

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13 Appendix D: Labor Implications

In the event of rapid losses of package volumes triggered by major price increases, the Postal Service would need to remove costs as a result of the lost revenue. These variable costs are directly tied to American jobs. These stable jobs would be compromised at a time of significant economic decline.

- The loss of Parcel Select volume would equate to approximately 55,961,000 bargaining unit work hours.

	Work Hours	Non-Career Equivalent	Non-Career On Rolls	Non-Career Remaining After
Clerks and Mail Handlers	21,543,143	10,858	33,968	23,110
City Carriers	19,945,250	10,058	36,887	26,829
Rural Carriers	13,878,271	6,950	51,695	44,745
Vehicle Service Drivers (APWU)	593,931	299	236	(63)
TOTAL	55,960,954	28,165	122,786	94,621

- The loss of *all* competitive package volume would equate to approximately 169,425,000 work hours, broken down as follows:

	Work Hours	Non-Career Equivalent	Non-Career On Rolls	Non-Career Remaining After
Clerks and Mail Handlers	104,055,997	52,448	33,968	(18,480)
City Carriers	34,555,645	17,426	36,887	19,461
Rural Carriers	25,335,085	12,687	51,695	39,008
Vehicle Service Drivers (APWU)	5,478,257	2,761	236	(2,525)
TOTAL	169,424,984	85,321	122,786	37,465

- Currently, the Postal Service has the ability to lay off its non-career workforce for lack of work, as well as a portion of its career bargaining unit work force depending on the union.

- Notably, the Postal Service's universal service obligation means that a reduction in workload associated with a loss of package volume may not translate to dollar-for-dollar cost savings. The Postal Service will still incur the fixed costs of servicing the nation's delivery points, albeit with reduced revenue per delivery point.

- In some cases (APWU Clerks and Mail Handlers, for example), there are not enough employees (career and non-career) eligible for layoff to capture all of the savings from the reduction in work hours associated with the loss of competitive package volume. The Postal Service would have to

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wait for excess employees to attrit out (or consider seeking and negotiating a VERA) in order to capture further savings.

- While non-career employees may be let go relatively quickly for lack of work, the union(s) will no doubt challenge any attempt to eliminate a wide swath of the workforce. Furthermore, for those employee crafts (Clerks, Mail Handlers) where it would be necessary to lay off career employees to capture the savings, there are a number of contractual steps the Postal Service must take before implementing a layoff.

- From an operational standpoint, the practicality of eliminating the most flexible component of the Postal Service's workforce would also need to be considered and weighed against potential cost savings. Moreover, the employees who remain on the rolls (i.e., who are protected from layoff) will be the most expensive, most senior employees, so cost per remaining work hour will increase.

For the reasons above, it would not be possible to reduce these costs at a pace that is commensurate with the revenue lost. Therefore, USPS' cash position would be *further* negatively impacted by a radical loss of volumes.

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14 Appendix E: Indirect Parcel Select Customers

Customers with >$1M in indirect Parcel Select in FY19, by consolidator

Across DHL, FedEx, UPS, and Pitney Bowes/Newgistics, 265 distinct customers had >$1M in indirect Parcel Select spend in FY19, driving $2.2B in revenue for USPS.

DHL	
Customers	**FY19 Revenue**
Express Scripts Inc.	$116.3M
Saddle Creek Logistics Services	$57.0M
General Motors Corporation	$21.5M
Vericast	$18.2M
Unilever United States Inc.	$14.6M
Number of Additional Customers >$1M: 33	$132.2M
Total: 38 Customers	**$360.0M**

FedEx	
Customers	**FY19 Revenue**
US Department of Veterans Affairs	$136.5M
Publishers Clearing House	$64.7M
Kohl's Corporation	$37.2M
US Elogistics Service Corp.	$29.9M
Kynetic	$29.9M
Number of Additional Customers >$1M: 122	$535.3M
Total: 127 Customers	**$833.5M**

UPS	
Customers	**FY19 Revenue**
Qurate Retail Group	$143.7M
Macy's Inc.	$80.5M
GAP Inc.	$52.7M
DHL	$47.5M
Kohl's Corporation	$38.9M
Number of Additional Customers >$1M: 100	$466.4M
Total: 105 Customers	**$829.7M**

Pitney Bowes/Newgistics	
Customers	**FY19 Revenue**
L Brands	$48.7M
Pitney Bowes	$31.7M
Ebay Inc.	$29.6M
S.F. Express Corp.	$13.0M
Starcrest Products of California	$7.9M
Number of Additional Customers >$1M: 14	$30.7M
Total: 19 Customers	**$161.6M**

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Number of <$1M Parcel Select customers by industry segment

	DHL		FedEx		UPS		Pitney Bowes/Newgistics	
Industry	**Customers**	**Revenue**	**Customers**	**Revenue**	**Customers**	**Revenue**	**Customers**	**Revenue**
Retail Trade	1,728	$65.9M	2,166	$53.0M	270	$14.9M	415	$7.3M
Wholesale Trade	931	$22.5M	1,332	$19.4M	46	$2.7M	248	$.4M
MSP	192	$16.8M	182	$12.7M	23	$7.7M	44	$1.7M
Professional, Scientific, and Technical Services	302	$11.3M	448	$9.5M	24	$4.0M	303	$1.2M
Manufacturing	697	$10.8M	880	$8.9M	18	$3.1M	179	$.4M
Information	133	$7.5M	171	$5.8M	13	$.7M	60	$.1M
Transportation and Warehousing	67	$4.4M	164	$3.1M	11	$1.7M	42	$.1M
Health Care and Social Assistance	91	$3.2M	125	$2.6M	-	$1.6M	274	$.3M
Finance and Insurance	65	$2.8M	66	$2.0M	1	$.0M	113	$.9M
Arts, Entertainment, and Recreation	62	$1.9M	98	$1.7M	-	$.1M	55	$1.0M
Public Administration	11	$1.4M	26	$1.5M	2	$.0M	35	$.1M
Educational Services	43	$1.2M	64	$.4M	4	$.0M	134	$.0M
Other[7]	3,473	$48.3M	5,147	$40.0M	44	$16.8M	1,454	$7.7M
TOTAL	**7,795**	**$198.3M**	**10,869**	**$160.7M**	**456**	**$53.3M**	**3,356**	**$21.0M**

[7] "Other" category consists of customers in various industries, including: Real Estate, Rental, and Leasing, Agriculture, Forestry, Fishing, and Hunting, Utilities, Management of Companies and Enterprises, Mining, Quarrying, and Oil and Gas Extraction, Accommodation and Food Services, Administrative, Support, and Waste Management/Remediation Services, and Other/Unknown Services where data is incomplete

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Fulfilling our Mission: Path forward for Parcel Select

"Neither snow, nor rain, nor heat, nor gloom of night stays
these couriers from the swift completion of their appointed rounds"

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In early 2019, USPS management defined a strategy for Parcel Select to (1) reinvigorate legacy partnerships while securing contribution and (2) win new customers. As Parcel Select volumes declined for the first time, this strategy became critical to maintaining the resilience of the package business.

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Authority to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers that USPS will be a partner to their businesses as they grow packages.
- Provide outreach to CEOs of Walmart, Target and Amazon to provide certainty.

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1 Introduction

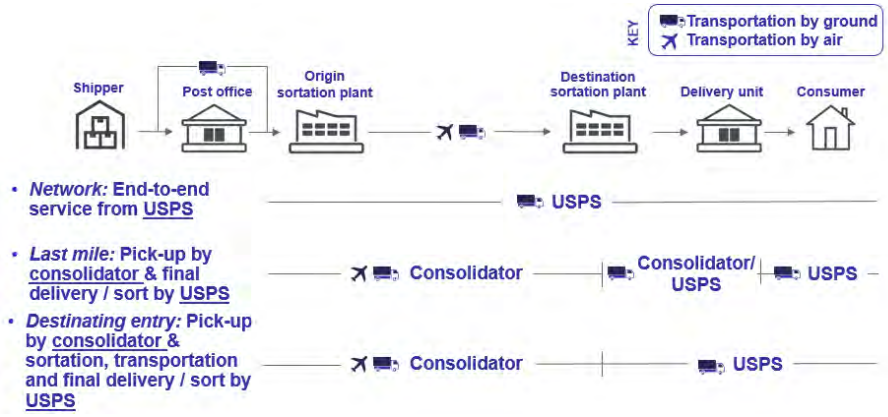
Purpose of this memo
The objective of this document is to brief the Board of Governors on the ongoing Parcel Select (last-mile) strategy and its value to the Postal Service and to the American public.

Management requests authority to continue execution of the Parcel Select strategy.

The role of our package business
In FY2019, packages generated $22.7B of revenue and $7.4B of contribution for the Postal Service. The contribution from the package business helps fund the Universal Service Obligation and enables USPS to deliver on its mission to serve *all* Americans, not only those in cities and affluent neighborhoods. As mail volumes decline, packages have been and will continue to be critical to the financial health of USPS. Without packages, USPS financial position would degrade.

Brief overview of Parcel Select as a last-mile network product
USPS serves customers with two product types: full-network (First-Class Package Service, Priority Mail) and last-mile (Parcel Select). In FY2019, Parcel Select generated $6.8B in revenue and $3.3B in contribution.

In the last-mile space, USPS works either with consolidators (like UPS or DHL) or works directly with retailers (like Walmart or CVS) to carry out the *last mile* delivery. For the most part, last-mile customers deliver their packages to a Delivery Unit (Post Office), and manages the last mile to the address.



The Postal Service is facing headwinds in the last mile space
Legacy carriers like UPS and FedEx built their businesses on a high margin B2B market. With the growth of e-commerce, they heavily invested to transform their networks to capture the lower margin and high-growth B2C market. Operating profitable B2C networks requires unprecedented densities for these carriers, and they initially relied on USPS Parcel Select to support their expansion. However, due to consistent USPS price increases, these customers built their own networks and pursued delivering volume themselves. As a result, in 2019 Parcel Select volumes declined for the first time.

On May 30, 2019, FedEx announced publicly it will end its partnership with USPS. FedEx told USPS they were leaving for one reason: ***"the price was too high."***

COVID-19 has accelerated e-commerce penetration for most retail businesses
As a result of the COVID-19 pandemic, retailers are shifting their business models to catch the wave of a turbocharged e-commerce landscape. Online sales have grown ~50%, and Parcel Select volumes have

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increased 20-30%[1] vs. prior year. While the current growth in package volumes is a temporary spike, a significant portion of the new volumes may persist even as Americans' lives return to a "new normal."

We are at an inflection point in our Parcel Select strategy
Many retailers – including Target, Walmart, and pharmaceutical companies – need to provide 'fast and free' shipping to be competitive online. Retailers' business models have thin margins, and require both affordable and stable price points for their shipping. They are ready to invest in the Postal Service relationship by developing cost-effective networks that bring their product to our facilities.

However, these network investments require substantial capital outlays, with multi-year payback periods. To justify the investment, our customers need operational and price certainty. The recent political narrative around USPS calls into question both our price stability and our near-term operational viability. Customers have told management that a USPS partnership now comes with new risks: price volatility, operational unpredictability, and legislation to limit USPS to mail delivery only.

We need to move quickly. While other carriers have wavered operationally, our customers and the American public have been reminded that the United States Postal Service is a force uniting America. This is the moment to make clear the Board's competitive business strategy and proceed with negotiations to secure our future.

2 Overview of our Parcel Select customer base

Shippers access Parcel Select in two ways.

1. ***Indirectly*** using consolidators like DHL, FedEx, UPS, or Pitney Bowes who do the first and middle mile for the customer and deliver the package to the Postal Service at the Delivery Unit (Post Office). These relationships support a broad base of shippers from small storefronts to critical government services like the Department of Veteran's Affairs.
2. ***Directly*** by bringing their product to USPS facilities. Examples of these customers include: Walmart, Amazon, and Target.

Indirect partnerships bring end-shippers to USPS via mixed-network solutions, where USPS executes the last mile. UPS and FedEx have a non-exclusive relationship and use USPS when it is economical. Pitney Bowes and DHL almost exclusively use USPS to execute their last mile.

- Very few customers have the density to drop at a plant or a post office directly. Instead, many large brick and mortar retailers use partners to access our network, including: **Macy's, Gap, Kohl's, Victoria's Secret, Bath & Body Works and Walgreens.**
- Companies like **QVC, HSN, General Motors, and Unilever** also access our network indirectly.
- Using this model, **USPS delivers for more than 20,000 businesses** across the United States.

[1] During the period between Mar 14 and May 1, BCI – CDM data.

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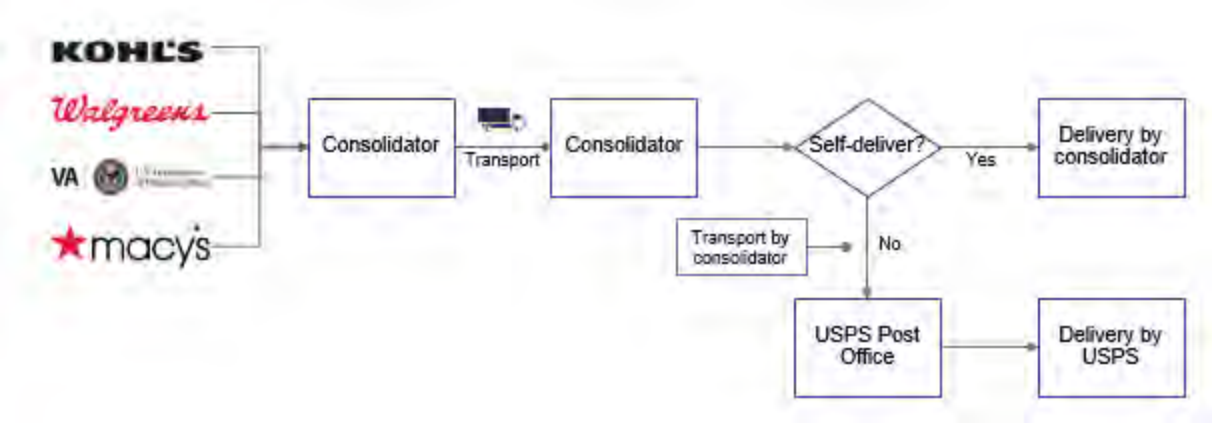

Direct partnerships bring packages directly to the USPS network like consolidators. These partnerships require significant capital investments from customers. Potential new customers need operational and price stability as soon as possible to prepare mid-term capital plans and near-term plans for peak 2020.

- **Walmart** is piloting Parcel Select in Florida and was considering building its network around USPS in order to compete with e-commerce players. They have indicated USPS has favorable economics, superior service, excellent customer experience, and nimble support relative to FedEx. *They are now concerned with USPS' price stability and scalability of this pilot program. They have their staff assessing the risk* before making further investments.
- **Target** was planning to pilot a direct Parcel Select relationship with USPS. Target has historically partnered indirectly with USPS through UPS.
- **Amazon** is the largest legacy partner and stated it wants to continue building the relationship. Due to the administration's recent comments about "Internet companies" and their relationship with the US Postal Service, *they remain concerned about the risk associated with USPS.* Amazon for the first time in our relationship reduced volume in 2019 by ~10% driven in part by their concerns about their ability to meet their customer promise through USPS. They have demonstrated that they can and will pull away business from us to mitigate risk.
- USPS is in ongoing conversations with **Home Depot, Staples, and Chewy.com** (PetSmart).

Across both direct and indirect partnerships, USPS Parcel Select plays a particularly crucial role in pharmaceuticals. Since March 14, USPS has made more than 20M Parcel Select pharmaceutical deliveries. Customers include: US Department of Veteran Affairs, Humana, CVS, Walgreens, and Costco.

3 The economics of Parcel Select

In 2019 alone, Parcel Select contributed $6.8B of revenue and $3.3B in contribution. Every Parcel Select NSA is profitable. Packages entered at a Post Office cover their attributable cost by 1.5 to 2 times.

There is significant political discourse on the business case for Parcel Select pricing. Many arguments that pricing is below cost appear tied to a 2017 Citibank report that was wrong.[2] Citibank indicated that USPS would need to increase price by 50% in order to break even – but it was based on incorrect assumptions. This article was also disproven by both Business Insider[2] and USPS management. USPS management

[2] Citi published a report entitled "The Free Shipping Tax" on April 18, 2017. In this article it indicated that Parcel Select prices would need to increase 50% in order to break-even. The analyst used an incorrect number based on the floor of the institutional cost coverage, as opposed to the actual institutional cost coverage figure.

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informed the White House Domestic Policy Advisor Andrew Bremberg in 2017 that the CitiBank report was inaccurate and detailed the inaccuracies.

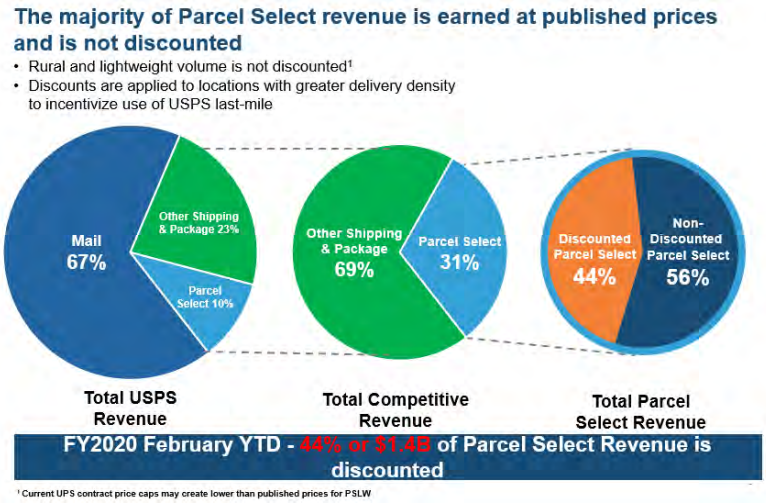
CitiBank admitted it used erroneous assumptions in its analysis –
with the lead analyst publicly stating "I'd love to say it wasn't a mistake."

Parcel Select is high-contribution because the marginal cost to deliver to a residence is quite low when the Postal Service would already drive by every address due to its Universal Service Obligation. Parcel Select is actually a key way for USPS to improve contribution from each stop. This is particularly important as the number of delivery points have *grown*, while overall network volumes have *dropped*.

4 Pricing Overview for Parcel Select

To retain and grow business in the last mile, USPS must price competitively. This means pricing below the customer's alternative (self-delivery or another carrier) while maximizing USPS contribution.

- **As with all products, published prices are established and approved by the Board of Governors.** The Board approved moderate price increases for both Parcel Select Lightweight (12.3%, 4.2%) and Parcel Select DDU Heavyweight (9.9%, 2.0%) for FY2019 and FY2020 respectively.
- Today, **~56% of Parcel Select volume is charged at published rates (***no NSA discounts).* This means that, for a majority of customers, price changes take effect almost immediately.



- When necessary to win new business, **USPS uses Negotiated Service Agreements** to be competitive with what the market will bear. These discounts are tied to published rate increases.

Today, competitors' costs to deliver are decreasing for several reasons:

- *Improved density* – More people are getting more packages. This makes routes more profitable.
- *Lower labor costs* – UPS[3], FedEx, and Amazon use flex and contract drivers to reduce cost.
- *Significant multi-year capital investments* – Competitors investing to improve efficiency in package sortation, automate facilities, and develop last-mile residential networks.

[3] https://www.reuters.com/article/us-fedex-lastmile-exclusive/exclusive-fedex-to-hire-700-flexible-rural-and-residential-drivers-idUSKCN1T728S

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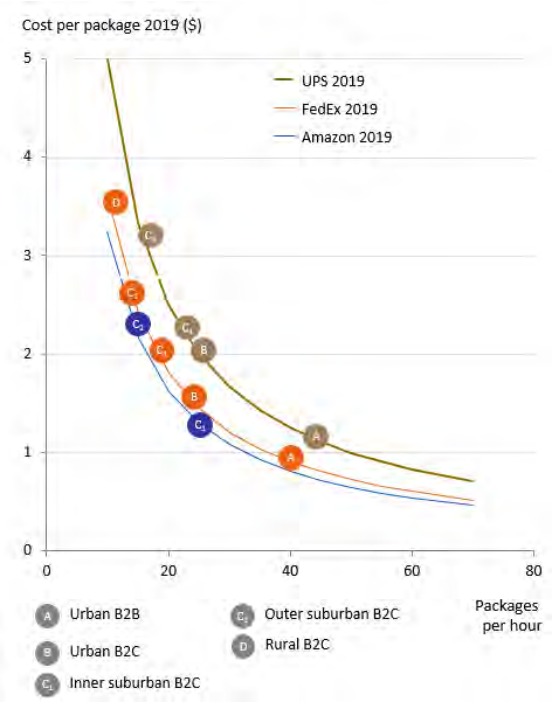
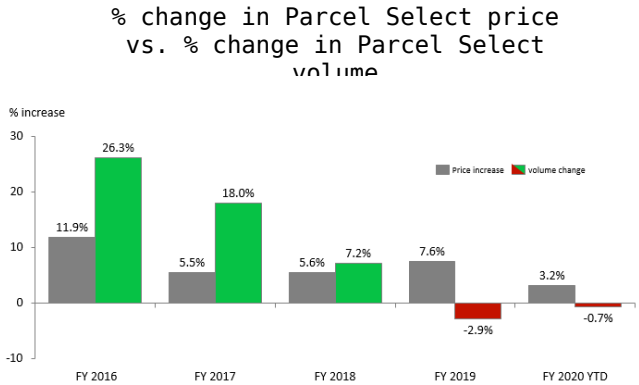
- *New innovations* – Competitors building low-cost delivery alternatives such as retail access points and lockers

The exhibit to the left demonstrates how competitor's costs-to-deliver the last-mile vary based on both density (number of packages on a route) and by underlying cost structures (labor rates). Over the past five years, these curves have consistently shifted downwards. In parallel, USPS consistently increased price, leading to a point of "diseconomy" for some Parcel Select customers. From FY2016 to FY2020, USPS raised Parcel Select Prices ~38%.





Note: includes PS and PSLW.

In 2019, FedEx publicly indicated that it would fully insource Parcel Select volumes, discontinue its SmartPost product, and expand to offer Sunday delivery. FedEx told USPS management:

"This decision was based on pure economics. The service was excellent."

USPS is on track to lose ~$1.1B in revenue and ~$600M in contribution by 2022. USPS terminated the NSA in September 2019, and all remaining volumes with FedEx will begin to be charged at published rates – they will lose their discounts.

Even in a strong relationship like UPS, there are significant headwinds to consider. In particular, the union agreement between Teamsters and UPS state:

- UPS is required to in-source any time there are two packages going to same address.
- UPS SurePost product (its Parcel Select product) is tied in the UPS Teamster's contract to the existence of the FedEx SmartPost product. FedEx has announced the cessation of the FedEx

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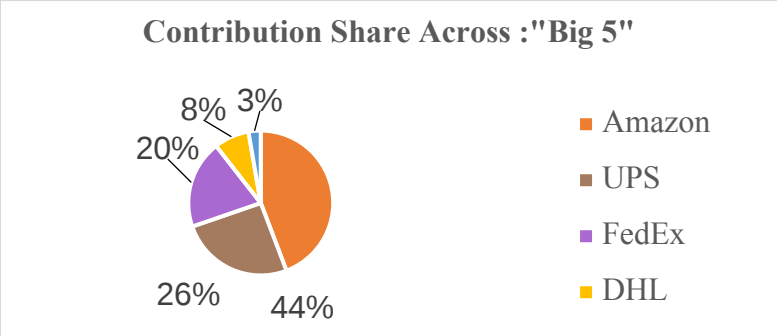
SmartPost product. **We believe this will be a major point in upcoming 2022 Teamster negotiation and puts ~$1.4B in revenue and ~$750M in contribution at risk.**

5 Implications of a Significant Price Increase

If USPS were to raise Parcel Select prices by anywhere from 0.5-4 times current published pricing, we would rapidly price ourselves "out of the market." Management has assessed that the entire $3.3B of annual contribution would be at risk. Under extreme price increase scenarios, customers would in-source or divert volumes to alternative carriers within a year.

	FY19 PS Volume at risk[4]	FY19 PS Revenue at risk	FY19 PS Contribution at risk	FY19 % of no-discount volume
Amazon	1,150M	$2,600M	$1,300M	57%
UPS	630M	$1,400M	$750M	63%
FedEx	460M	$1,100M	$580M	57%
DHL	250M	$480M	$230M	88%
Pitney Bowes	70M	$170M	$80M	68%
Total for Big 5	2,500M	$5,700M	$2,900M	62%



In the event of a significant price increase, we expect the following scenarios would likely occur:

- *Amazon: USPS would lose $1.3B of contribution within 1 year.* Volume would shift into Amazon Delivery Service Provider's and UPS' networks (already has $8B of Amazon business).[5]
- *UPS: USPS would lose the relationship and the contribution guarantee established in contract.* UPS would sunset its relationship with the Postal Service and in-source significant volumes to Ground network by activating "peak operations."
- *FedEx would maintain its current course of decline* and might accelerate in-sourcing plans. Their rates will increase in September 2020, as their NSA expires.
- *Partners like DHL and Pitney Bowes would become immediately uncompetitive in the market.* They would likely be unable to find a replacement delivery partner, and would sell their assets.

[4] Source: Volume and revenue figures from Business Customer Intelligence. Contribution is estimated based on partner volume and inject profile.
[5] Source: Jan 2020 https://www.wsj.com/articles/ups-results-get-boost-from-amazon-11580388498

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Losing Parcel Select business effectively cedes the package market while disproportionately exposing small and medium businesses:

- All customers will become wary of relying on USPS as a shipping solution.
- Small & Medium businesses that pay published rates will be disproportionately impacted.
- UPS and FedEx will in-source all their packages. Their cost-to-deliver will rapidly fall, and they will actively pursue USPS' Priority Mail and First Class Package Service volumes, and will win.

USPS has the most pricing flexibility in low-density regions where competitors have the highest cost to deliver. However this flexibility is tenuous and constrained because:

- Unilateral price increases would impact all Lightweight volume regardless of geography
- Even lowest-density areas are facing downwards price pressures and are at-risk as competitors unlock new models like flex drivers or access points (previously described)

Additional impacts of major price increases include:

- **Disproportionate impact to the pharmaceutical sector at a time** when these services are more critical than ever. In particular, customers like the Department of Veterans Affairs, Walgreens, or ExpressScripts would **see price increases in <1 month.**
- **Loss of USPS as the price anchor in the market for *all business and all consumers*.** Rural Americans would likely absorb the greatest price increases.[6] If USPS exited packages, UPS and FedEx would have the ability to take exorbitant price increases in an oligopolistic fashion.
- **Rapid loss of volume and loss of contribution would further impact USPS' cash position.**

6 Labor and cost implications of rapid package volume loss.

In the event of rapid losses of Parcel Select volumes, the Postal Service would need to remove costs at a rate commensurate with the lost revenue. These variable costs are directly tied to American jobs.

These stable jobs would be compromised at a time of significant economic decline. A significant number of non-career employees (City Carrier Assistants (CCA), Rural Carrier Assistants (RCA), and Postal Support Employees (PSE)) would have their positions eliminated immediately as the lower wage non-career employees would have to be contractually reduced before impacting career employees.

In addition, management would see a net reduction in the CCAs in excess of cap agreed to with the unions. These lower-cost carriers were permitted contingent on Sunday volume. These lower-cost carriers support overall operations seven days a week, and reduction in CCAs would impact overall cost structure for mail and packages.

[Additional information in Appendix D on labor economics associated with package volume loss]

7 Parcel Select commercial strategy

Since early 2019, USPS management has been implementing an updated Parcel Select strategy:

[6] This narrative is reinforced by the significant lobbying efforts that UPS undertakes to challenge existing pricing, with a push to force USPS to allocate more costs to its parcel business and force up prices.

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- **Part 1. Expanding the product to serve as the "great equalizer" for brick and mortar retailers** as they build their e-commerce business (Walmart, Target).
- **Part 2. Executing a sequence of negotiations with all three >$1B Parcel Select customers – UPS, FedEx, and Amazon** to secure long-term commitments.
- **Part 3. Building flexible pricing agreements with DHL and Pitney Bowes to give them tools to win competitive business** and build 100% last-mile USPS partnerships.

For all components, USPS is maximizing contribution by pricing to what the market will bear:

- Competitive analysis to surgically price Parcel Select by entry point, time of day, and weight.
- Dimension-weight pricing element.
- Sophisticated ZIP-level pricing to match market elasticities.

7.1 Expanding Parcel Select to large retailers.

As traditional retailers expanded e-commerce businesses, USPS launched a "great equalizer" mission.

Walmart signed an agreement in December 2019 and became the first major retailer to begin developing a network around USPS Delivery Units. This agreement laid the foundation for USPS to win net-new business – Walmart currently ships 85% of volume with FedEx today. **However, this relationship is at immediate risk if USPS cannot provide certainty to customer.**

- **Walmart account is worth ~$10M today but has an upwards potential of >$100M – all of which currently goes to competitors.**
- Walmart has capital plans to build a sort center network to enter packages at the Post Office. *They can only do this with both operational and pricing certainty as significant capital investment will be required by Walmart to execute this strategy to align their network to our network.*
- If Walmart program scales, it will meet the 2-day service expectation of consumers with no membership fee and increase access to e-commerce for low income Americans.
- By leveraging the USPS Parcel Select product, Walmart can now compete with Amazon's seven day a week delivery offering.

Target has been in ongoing negotiations and solution development work with USPS for over a year. USPS has not secured the business and lost the business to UPS' competitive bids in late 2019. Target now has plans to pilot a program similar to Walmart by September 2020.

Many retailers are interested in building relationship at USPS destinating sortation plants (one step "up" from the post office). Currently, USPS is cost-disadvantaged due to capacity constraints in these facilities.

- As part of management's package strategy, network investments would enable USPS to develop a competitive product for a broader customer base including: Staples, Office Depot, and Home Depot.
- The Postal Service is trying to win new business in this mid-network product. However, customers say USPS' price is not competitive and build solutions with FedEx and UPS instead.

7.2 Executing a sequence of negotiations with UPS, FedEx, and Amazon.

At the beginning of 2019, the Postal Service initiated a reset of the largest Parcel Select customers.

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- **UPS** negotiations (concluded in June 2019) created a new relationship with UPS and blueprinted a *new overall approach* to Parcel Select customers:
    - *Growth is a requirement* for discounts and decline results in a reversion to published rates
    - *Rate caps provided* with growth requirements.
    - *Sunday product is available at a premium.*
    - *Commitment to give USPS 100% of UPS Mail Innovations – a $610M business for USPS (Parcel Select Lightweight)*.
- **FedEx** negotiations faced headwinds given plan to in-source volumes. USPS exercised FedEx termination clause in September 2019. Post termination notice, USPS entered into negotiations with the goal of winning Sunday delivery and retaining suburban and rural SmartPost volume:
    - *FedEx requested discounts on Parcel Select Lightweight and discounts in Heavyweight.*
    - *FedEx was unwilling to commit volumes and USPS management concluded negotiations*.
- **Amazon** negotiations were planned to begin in early 2020, with intent of solidifying the growth relationship in alignment with UPS agreement. [NOTE – Deep Dive in Section 8].

7.3 Building flexible pricing agreements with DHL and Pitney Bowes.

DHL and **Pitney Bowes** are consolidators like UPS, however they do not have last-mile capabilities. They build custom solutions and use USPS for the last mile.

- Both partners indicated new customers could be won if there was an "alternative price" that could be employed at Postal Service management's discretion.
- Alternative price program lets partners request improved rates to win hard-to-win or at-risk business (for example, USPS and Pitney Bowes are actively collaborating to win BarkBox as a customer – a $5M opportunity).

8 Opportunity to build a growing partnership with Amazon.

Amazon is USPS' largest customer. In FY19, it generated $3.9B in revenue across all business. In Parcel Select, it generated $2.6B in revenue and $1.3B in contribution. It generated more contribution than any other customer by almost 2 times.

In early 2020, USPS prepared to initiate Amazon negotiations following the conclusion of FedEx negotiations. There are two foundational components to the ongoing relationship reset:

1. *Component 1. Guaranteeing contribution certainty for USPS'* existing business in exchange for price increase non-discounted (or published rate) volume.
2. *Component 2. Building new Amazon business* currently going to other carriers and expanding overall relationship.

Component 1. Guaranteeing contribution for USPS

USPS has an opportunity to guarantee multiple years of contribution in exchange for price increase caps on non-discounted volume.

Management recommends aggressively leveraging Amazon's most-recent request for price increase caps to execute the Parcel Select strategy and establish high-consequence volume commitments.

Amazon is looking to engage in negotiations as quickly as possible, to facilitate their own network planning. This is to USPS' advantage, as it represents a significant departure from how Amazon traditionally operates. The opportunity to create this contribution security is time-limited, and it is critical to move swiftly while USPS has an outsized role in enabling business continuity.

Proposed terms would align, in principle, with UPS agreement.

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Exhibit: Potential Terms to Improve Amazon NSA and Secure Contribution Certainty

Term	Opening Ask	Similar NSA Examples	Improvement on current Amazon NSA
Commitment length	3-5 years 1 year termination notice	FedEx and UPS	Maintains commitment length and termination relationship.
Decline Penalty	Move all Parcel Select volume to published pricing if growth falls below commitments.	UPS	In the event Amazon is unable to meet their contractual commitments, they would experience a >40% rate increase as prices shifted from discounted rates to published rates.
Price by ZIP	Align price to relative competitive market price. Provide deepest discounts where competitors' costs are lowest. Maximize contribution by charging the most in regions where competitors are most disadvantaged	UPS	Shifts from a less-specific pricing schema that makes it challenging for USPS to retain business in most dense regions. Ensures lower-density and operationally costly regions are charged appropriate higher rate.
Volume Growth Tiers	Volume growth calculated on rolling 4Q basis.	Growth tiers for UPS	Ensures revenue increase of up to $3B+ over 3 years
Rapid volume reduction	Volume volatility in a 5-digit ZIP removes discounts.	UPS FedEx (ZIP level)	Incentivizes operational consistency

Component 2. Building new Amazon business.
Since peak 2019, Amazon has needed additional capacity and entered new volume at USPS' destinating sortation facilities at published rates (no discounts). As they continue to invest in their own fulfillment capabilities, they are looking for a long-term sortation partner beyond temporary "capacity augmentation".

Currently, they see significant opportunity to transfer volumes currently won by other carriers if negotiations can commence. These negotiations are nascent, but represent an opportunity to begin to retake share of the business, **USPS has fallen from 60% of share to 30% of share today in 3 years.**

What happens if neither component is executed?
Amazon may grow to 70% of the e-commerce market by 2024. Failure to retain or grow this relationship represents a significant opportunity-cost in terms of both retaining and growing contribution.

If USPS cannot guarantee contribution from Amazon in exchange for price certainty, it will lose a majority of Amazon's volume. Amazon will be forced to in-source. **This represents a loss of ~$1.0B in annual contribution by FY2023.** This business would continue to decline as Amazon scaled alternative solutions until USPS only provided the rural deliveries (<6-7% of volume today).

If Component 2 is not executed, USPS **would lose the opportunity** to retake lost Amazon business (Note: **UPS currently has $8B of revenue** with Amazon).

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9 Request of the Board of Governors to move forward with Parcel Select strategy

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

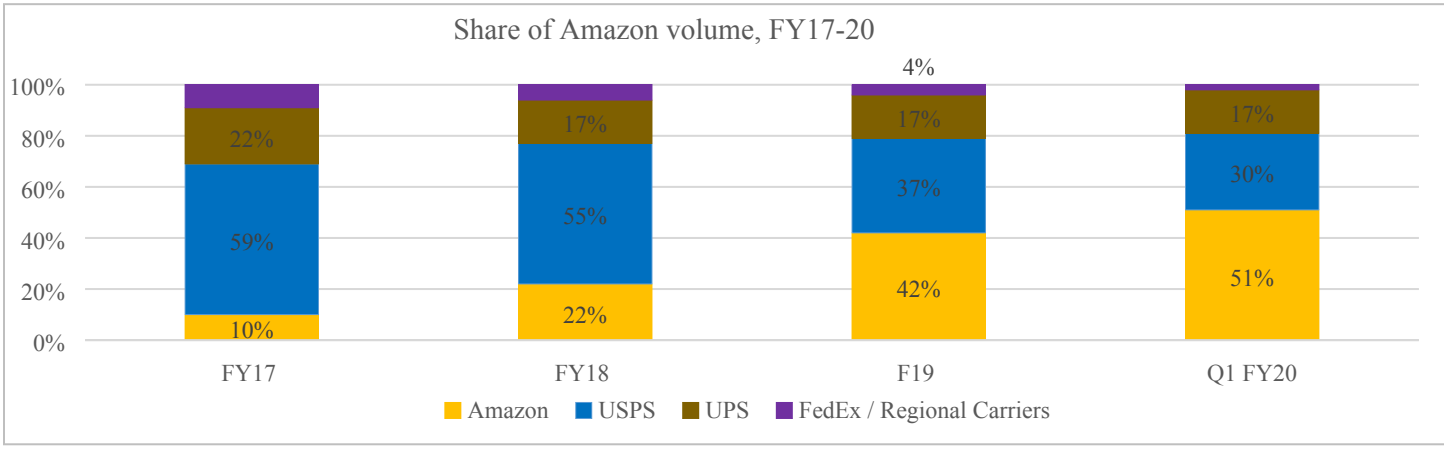
Any major price increases for USPS customers will result in a limited near-term contribution windfall lasting less than one year. Extreme price increases would make initiating "peak operations" profitable for all competitors, and they would quickly absorb volumes at reduced margins, mitigating any near-term windfall contribution. **USPS will ultimately see an annual loss of ~$3.3B in contribution, and will lose the opportunity to further grow business. Further, the overall package business would be compromised, and USPS would see its deficit grow and its cash position degenerate quicker than projected.**

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Authority to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers that USPS will be a partner to their businesses as they grow packages.
- Provide outreach to CEOs of Walmart, Target and Amazon to provide certainty.

10 Appendix A: Additional information on competitor in-sourcing capabilities

Amazon has been aggressively insourcing volume with Amazon Logistics, sending 2B+ packages in FY19, which primarily cuts into USPS' share:



Major USPS last-mile competitors (UPS, FedEx and Amazon Logistics) are **all currently making investments** to increase capacity and network capabilities. While FedEx is not building out capabilities for <1lb parcels (or currently taking a large share of Amazon), UPS and AMZL have investments that suggest expanded capacity across both lightweight and heavyweight parcels.

UPS has the capability to absorb a majority of USPS-Amazon volume in the near future with limited incremental investment.

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- **Major investments in new and expanded facilities will increase UPS daily capacity by ~3-5M pieces per day in 2020:**
    - 1 new regional super-hub in Harrisburg, PA with ability to process up to 100K packages per hour.
    - 2 new super-hubs in Tacoma, WA & Ontario, CA with ability to process ~50K packages per hour.
    - 3 new automated sortation & distribution centers with ability to process at least ~20K packages per hour.
    - Transition to ~100% sortation automation increases efficiency by 30%.
- **Ability to handle incremental volume in the last mile will require significant expansion of workforce** (+100K temporary workers employed during peak) and delivery fleet (+25%)

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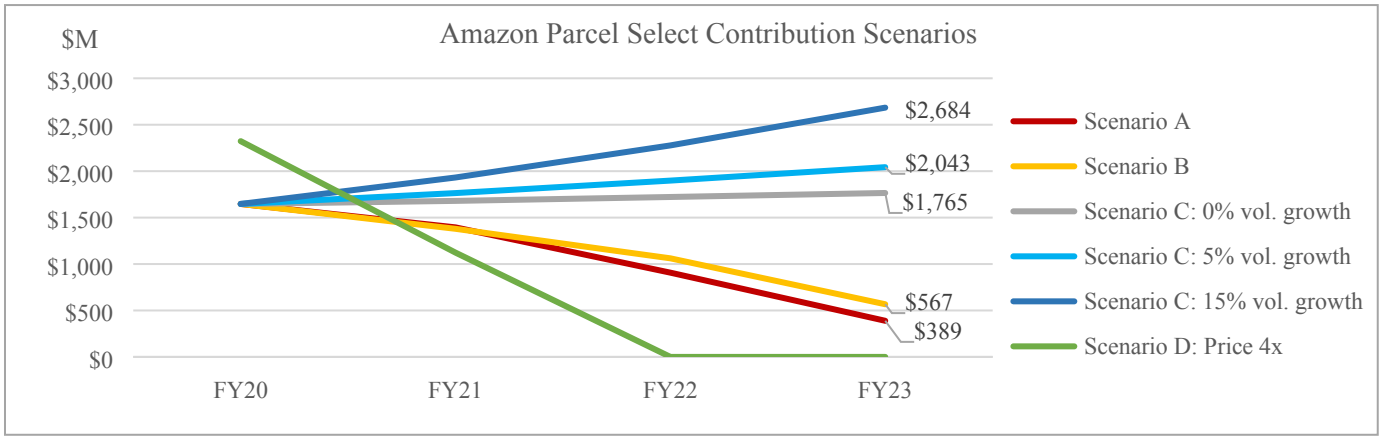

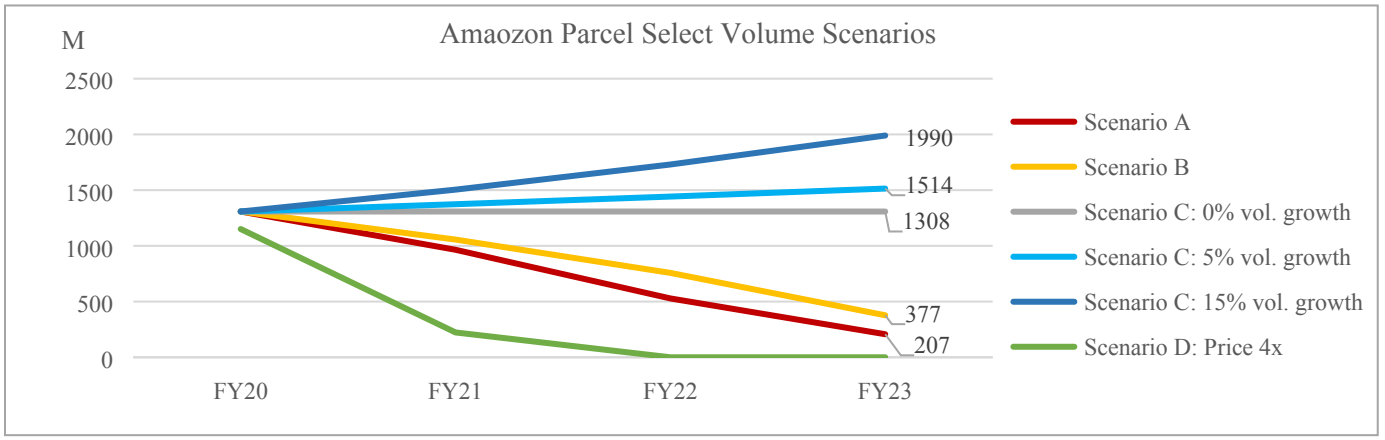

USPS management has assessed the multi-year contribution impact based on the following go-forward Amazon scenarios:

a) Contribution harvest strategy through rate increases of ~50% of PSLW while maintaining NSA.
b) Steady-state contract status with steady contribution decline and standard rate increases.
c) Contractually "locked-in" state to grow contribution.
    - C1: Maintain minimum 0% volume growth ("no decline") to keep NSA pricing
    - C2: Maintain low 5% volume growth to steal share from competitors
    - C3: Maintain strong 15% volume growth in line with Amazon's e-commerce growth
d) Increase published prices to 4X *and* terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)

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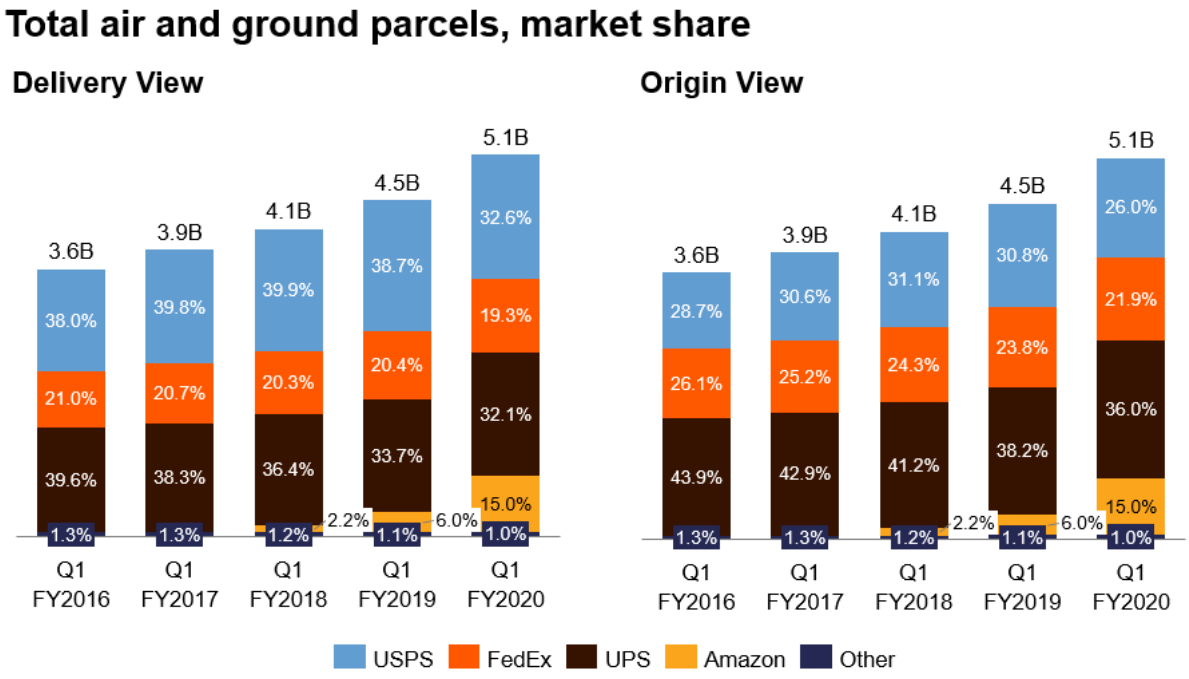
11 Appendix B: Total air and ground parcels, market share[7]



Note: USPS includes Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, Standard Mail Parcels, BPM Parcels, Library Mail and Media Mail.
Source: The Colography Group, Inc. Domestic Quarterly Market Growth And Competitor Share Report

[7] Colography, for parcels less than 70 pounds. *Note: The delivery chart above includes all network and last mile parcels and credits each company based on which company delivers the parcel to final destination. Some of these products may have traversed the networks of these other carriers prior to entry into the Postal Service's network for delivery. For USPS these views include Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, and Standard Mail Parcels. USPS excludes BPM Parcels, Library Mail. For the delivery view, USPS volume includes SurePost and SmartPost volume. The origin view reflects volume that originates with the shipper.*

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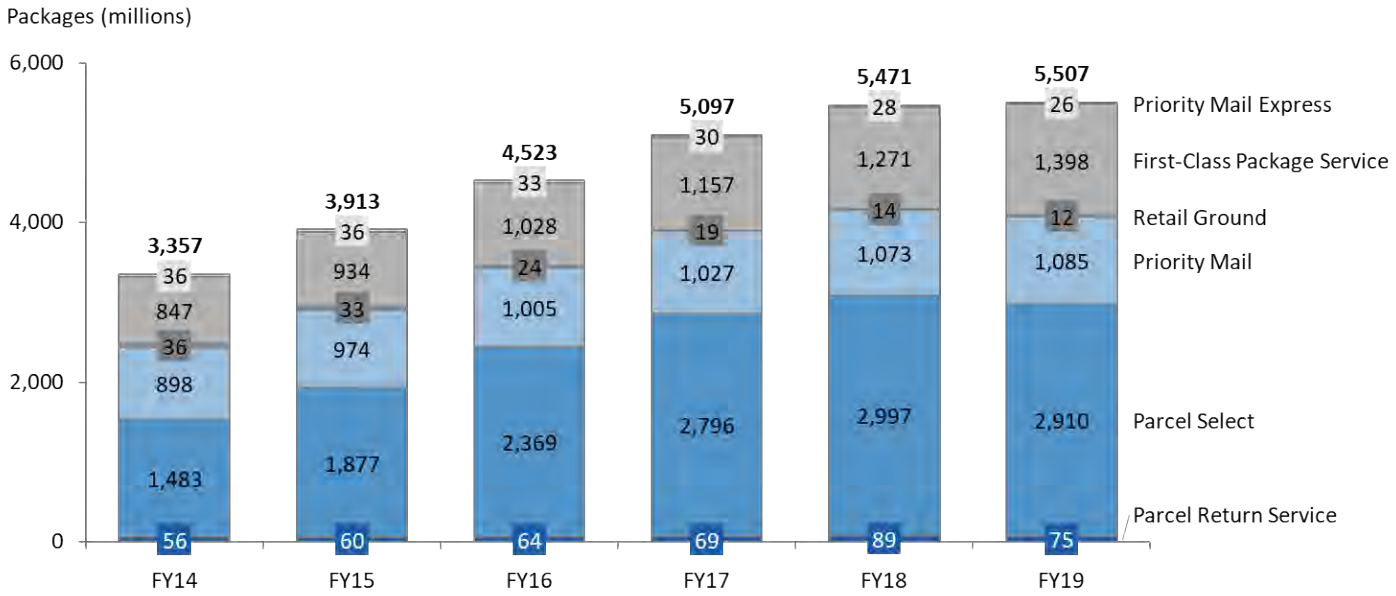
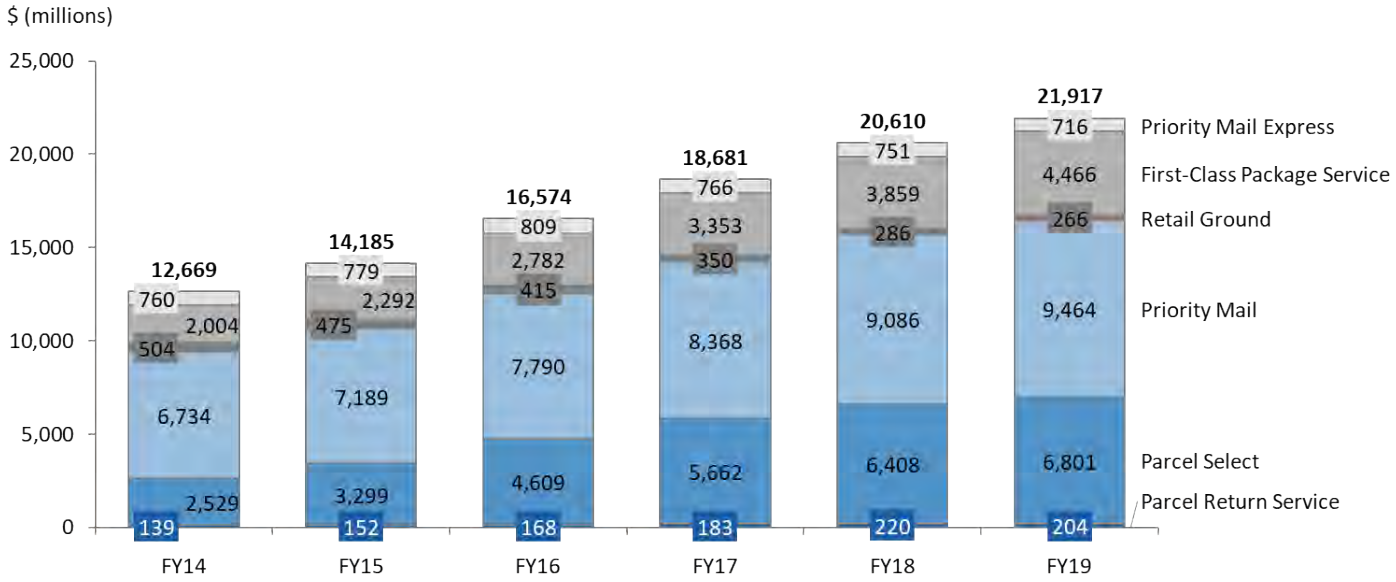
12 Appendix C: Parcel Select Facts and Figures

Volume



Revenue



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Additional Comparison of all Top 5 NSAs

A Comparison of Large Parcel Select NSAs

	amazon	FedEx	DHL	newgistics	ups
Effective date		6/1/2012	1/10/2019	4/3/2019	8/28/2019 (GEO Pricing started 1/26/20)
Duration	10 yrs. (orig. 5)	9 yrs. (orig. 7)	3 yrs.	3 yrs.	3 yrs. (2x 1-yr extensions)
Termination notice	12 months	12 months	30 days	30 days	365 days
Termination date	10/29/2023	5/31/2021 Termination submitted (9/30/2019)	1/31/2022	4/2/2022	12/31/2022
Non-discounted ZIPs	8,588	23,714	22,419	21,196	33,281
% Non-discounted vol. (1 lb+)	37%	37%	21%	34%	3%
Price cap	Volume based (2.0% to 5.5%)	5% Std, 3.5% Alt (capped at cell-level with banking)	2% (2019) 5% (2020+)	5%	5% or 1% below published (min. of 1%) 4.5% (Lightweight)
Annual price change date	1 October	1 June	Pub. rate change	1 February	Pub. rate change
FY20 Feb YTD (PS+PSLW)					
Volume	581M	181M	105M	33M	293M
Vol. % change to SPLY	4.3%	-18.4%	-5.5%	7.1%	0.1%
Revenue	1,409M	457M	217M	76M	667M
Rev. % change to SPLY	15.5%	-11.6%	5.6%	9.1%	2.0%
2019 price increase	2%	5% Std, 3.5% Alt	2%	N/A	0% (waived)
2020 price increase	2%	2% Std, 2% Alt	2%	2%	2.7%
%DDU of DDU/DSCF	99.7%	89%	90%	85%	87%
% PSLW volume	48%	43%	82%	55%	48%
Curent STD 2 lb DDU $/Pc	$2.44	$2.44	$2.39	$2.18	B-$2.40; C-$2.48; A&D-3.29
Curent ALT 2 lb DDU $/Pc	N/A	$2.11	T1 - $2.13 T2 - $2.02	T1 - $1.94 T2 - $1.86	$2.18

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13 Appendix D: Labor Implications

In the event of rapid losses of package volumes triggered by major price increases, the Postal Service would need to remove costs as a result of the lost revenue. These variable costs are directly tied to American jobs. These stable jobs would be compromised at a time of significant economic decline.

- The loss of Parcel Select volume would equate to approximately 55,961,000 bargaining unit work hours.

	Work Hours	Non-Career Equivalent	Non-Career On Rolls	Non-Career Remaining After
Clerks and Mail Handlers	21,543,143	10,858	33,968	23,110
City Carriers	19,945,250	10,058	36,887	26,829
Rural Carriers	13,878,271	6,950	51,695	44,745
Vehicle Service Drivers (APWU)	593,931	299	236	(63)
TOTAL	55,960,954	28,165	122,786	94,621

- The loss of *all* competitive package volume would equate to approximately 169,425,000 work hours, broken down as follows:

	Work Hours	Non-Career Equivalent	Non-Career On Rolls	Non-Career Remaining After
Clerks and Mail Handlers	104,055,997	52,448	33,968	(18,480)
City Carriers	34,555,645	17,426	36,887	19,461
Rural Carriers	25,335,085	12,687	51,695	39,008
Vehicle Service Drivers (APWU)	5,478,257	2,761	236	(2,525)
TOTAL	169,424,984	85,321	122,786	37,465

- Currently, the Postal Service has the ability to lay off its non-career workforce for lack of work, as well as a portion of its career bargaining unit work force depending on the union.

- Notably, the Postal Service's universal service obligation means that a reduction in workload associated with a loss of package volume may not translate to dollar-for-dollar cost savings. The Postal Service will still incur the fixed costs of servicing the nation's delivery points, albeit with reduced revenue per delivery point.

- In some cases (APWU Clerks and Mail Handlers, for example), there are not enough employees (career and non-career) eligible for layoff to capture all of the savings from the reduction in work hours associated with the loss of competitive package volume. The Postal Service would have to

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wait for excess employees to attrit out (or consider seeking and negotiating a VERA) in order to capture further savings.

- While non-career employees may be let go relatively quickly for lack of work, the union(s) will no doubt challenge any attempt to eliminate a wide swath of the workforce. Furthermore, for those employee crafts (Clerks, Mail Handlers) where it would be necessary to lay off career employees to capture the savings, there are a number of contractual steps the Postal Service must take before implementing a layoff.

- From an operational standpoint, the practicality of eliminating the most flexible component of the Postal Service's workforce would also need to be considered and weighed against potential cost savings. Moreover, the employees who remain on the rolls (i.e., who are protected from layoff) will be the most expensive, most senior employees, so cost per remaining work hour will increase.

For the reasons above, it would not be possible to reduce these costs at a pace that is commensurate with the revenue lost. Therefore, USPS' cash position would be *further* negatively impacted by a radical loss of volumes.

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14 Appendix E: Indirect Parcel Select Customers

Customers with >$1M in indirect Parcel Select in FY19, by consolidator

Across DHL, FedEx, UPS, and Pitney Bowes/Newgistics, 265 distinct customers had >$1M in indirect Parcel Select spend in FY19, driving $2.2B in revenue for USPS.

DHL	
Customers	**FY19 Revenue**
Express Scripts Inc.	$116.3M
Saddle Creek Logistics Services	$57.0M
General Motors Corporation	$21.5M
Vericast	$18.2M
Unilever United States Inc.	$14.6M
Number of Additional Customers >$1M: 33	$132.2M
Total: 38 Customers	**$360.0M**

FedEx	
Customers	**FY19 Revenue**
US Department of Veterans Affairs	$136.5M
Publishers Clearing House	$64.7M
Kohl's Corporation	$37.2M
US Elogistics Service Corp.	$29.9M
Kynetic	$29.9M
Number of Additional Customers >$1M: 122	$535.3M
Total: 127 Customers	**$833.5M**

UPS	
Customers	**FY19 Revenue**
Qurate Retail Group	$143.7M
Macy's Inc.	$80.5M
GAP Inc.	$52.7M
DHL	$47.5M
Kohl's Corporation	$38.9M
Number of Additional Customers >$1M: 100	$466.4M
Total: 105 Customers	**$829.7M**

Pitney Bowes/Newgistics	
Customers	**FY19 Revenue**
L Brands	$48.7M
Pitney Bowes	$31.7M
Ebay Inc.	$29.6M
S.F. Express Corp.	$13.0M
Starcrest Products of California	$7.9M
Number of Additional Customers >$1M: 14	$30.7M
Total: 19 Customers	**$161.6M**

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Number of <$1M Parcel Select customers by industry segment

	DHL		FedEx		UPS		Pitney Bowes/Newgistics	
Industry	**Customers**	**Revenue**	**Customers**	**Revenue**	**Customers**	**Revenue**	**Customers**	**Revenue**
Retail Trade	1,728	$65.9M	2,166	$53.0M	270	$14.9M	415	$7.3M
Wholesale Trade	931	$22.5M	1,332	$19.4M	46	$2.7M	248	$.4M
MSP	192	$16.8M	182	$12.7M	23	$7.7M	44	$1.7M
Professional, Scientific, and Technical Services	302	$11.3M	448	$9.5M	24	$4.0M	303	$1.2M
Manufacturing	697	$10.8M	880	$8.9M	18	$3.1M	179	$.4M
Information	133	$7.5M	171	$5.8M	13	$.7M	60	$.1M
Transportation and Warehousing	67	$4.4M	164	$3.1M	11	$1.7M	42	$.1M
Health Care and Social Assistance	91	$3.2M	125	$2.6M	-	$1.6M	274	$.3M
Finance and Insurance	65	$2.8M	66	$2.0M	1	$.0M	113	$.9M
Arts, Entertainment, and Recreation	62	$1.9M	98	$1.7M	-	$.1M	55	$1.0M
Public Administration	11	$1.4M	26	$1.5M	2	$.0M	35	$.1M
Educational Services	43	$1.2M	64	$.4M	4	$.0M	134	$.0M
Other[8]	3,473	$48.3M	5,147	$40.0M	44	$16.8M	1,454	$7.7M
TOTAL	**7,795**	**$198.3M**	**10,869**	**$160.7M**	**456**	**$53.3M**	**3,356**	**$21.0M**

[8] "Other" category consists of customers in various industries, including: Real Estate, Rental, and Leasing, Agriculture, Forestry, Fishing, and Hunting, Utilities, Management of Companies and Enterprises, Mining, Quarrying, and Oil and Gas Extraction, Accommodation and Food Services, Administrative, Support, and Waste Management/Remediation Services, and Other/Unknown Services where data is incomplete

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Fulfilling our Mission: Path forward for Parcel Select

~~*"Neither snow, nor rain, nor heat, nor gloom of night stays these couriers from the swift completion of their appointed rounds"*~~

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In early 2019, USPS management defined a strategy for Parcel Select to (1) reinvigorate legacy partnerships while securing contribution and (2) win new customers. As Parcel Select volumes declined for the first time in 2019 after years of growth~~for the first time~~, this strategy became critical to maintaining the resilience of the package business.

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to ~~sustain course towards financial sustainability~~maximize package and overall USPS profitability.
- ~~Authority to~~Concurrence with our plans to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers that USPS will be a partner to their businesses as they grow packages.

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- Provide outreach to CEOs of Walmart, Target and Amazon to provide certainty.

1 Introduction

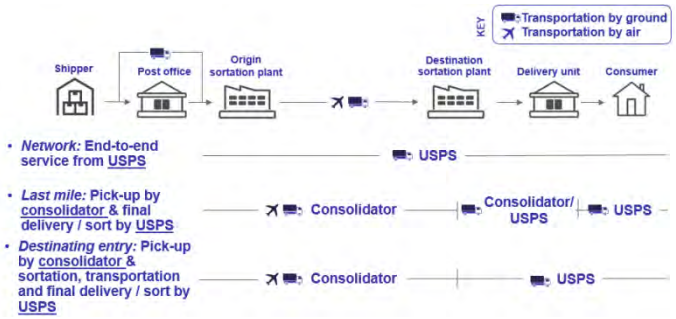
Purpose of this memo
The objective of this document is to brief the Board of Governors on the ongoing Parcel Select (last-mile) strategy and its value to the Postal Service and to the American public.

Management requests concurrence ~~authority~~ to continue execution of the Parcel Select strategy.

The role of our package business
In FY2019, packages generated $22.7B of revenue and $7.4B of contribution for the Postal Service. The contribution from the package business helps fund the Universal Service Obligation and enables USPS to deliver on its mission to serve *all* Americans, not only those in cities and affluent neighborhoods. As mail volumes decline, packages have been and will continue to be critical to the financial health of USPS. Without packages, USPS financial position would degrade.

Brief overview of Parcel Select as a last-mile network product
USPS serves customers with two product types: full-network (First-Class Package Service, Priority Mail) and last-mile (Parcel Select). In FY2019, Parcel Select generated $6.8B in revenue and $3.3B in contribution.

In the last-mile space, USPS works either with consolidators (like UPS or DHL) or works directly with retailers (like Walmart or CVS) to carry out the *last mile* delivery. For the most part, last-mile customers deliver their packages to a Delivery Unit (Post Office), and manages the last mile to the address.



The Postal Service is facing headwinds in the last mile space
Legacy carriers like UPS and FedEx built their businesses on a high margin B2B market. With the growth of e-commerce, they heavily invested to transform their networks to capture the lower margin and high-growth B2C market. Operating profitable B2C networks requires unprecedented densities for these carriers, and they initially relied on USPS Parcel Select to support their expansion. However, due to growth in package density that improve economics and to consistent USPS parcel select price increases, these customers built their own networks and pursued delivering volume themselves. Amazon also in-sourced and contracted out to other delivery companies for volume that USPS previously delivered. As a result, in 2019 Parcel Select volumes declined for the first time.

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On May 30, 2019, FedEx announced publicly it will ~~end its partnership with USPS.~~ insource substantially all of the volume that they have historically given to USPS to deliver the last mile. FedEx told USPS they were leaving for one main reason: ***"the price was too high."***

COVID-19 has accelerated e-commerce penetration for most retail businesses
As a result of the COVID-19 pandemic, retailers are shifting their business models to catch the wave of a turbocharged e-commerce landscape. Online sales have grown ~50%, and Parcel Select volumes have increased about 40% ~~20-30~~%[1] vs. prior year. While the current level of growth in package volumes is a temporary spike, a significant portion of the new volumes may persist following the recession even as Americans' lives return to a "new normal."

We are at an inflection point in our Parcel Select strategy
Many retailers – including Target, Walmart, and pharmaceutical companies – need to provide 'fast and free' shipping to be competitive online. Retailers' business models have thin margins, and require both affordable and stable price points for their shipping. They are ready to invest in the Postal Service relationship by developing cost-effective networks that bring their product to our facilities.

However, these network investments require substantial capital outlays, with multi-year payback periods. To justify the investment, our customers need operational and price certainty. The recent political narrative around USPS calls into question both our price stability and our near-term operational viability. Customers have told management that a USPS partnership now comes with new risks: price volatility, operational unpredictability, and legislation to limit USPS to ~~mail~~ deliver maily~~~~ only.

We need to move quickly. While other carriers have wavered operationally, our customers and the American public have been reminded that the United States Postal Service is a force uniting America. This is the moment to make clear ~~the Board's~~our competitive business strategy and proceed with negotiations to secure our future.

2 Overview of our Parcel Select customer base

Shippers access Parcel Select in two ways.

1. ***Indirectly*** using consolidators like DHL, FedEx, UPS, or Pitney Bowes who do the first and middle mile for the customer and deliver the package to the Postal Service at the Delivery Unit (Post Office). These relationships support a broad base of shippers from small storefronts to critical government services like the Department of Veteran's Affairs.
2. ***Directly*** by bringing their product to USPS facilities. Examples of these customers include: Walmart, Amazon, and Target.

Indirect partnerships bring end-shippers to USPS via mixed-network solutions, where USPS executes the last mile. UPS and FedEx have a non-exclusive relationship and use USPS when it is economical. Pitney Bowes and DHL almost exclusively use USPS to execute their last mile.

- Very few customers have the density to drop at a plant or a post office directly. Instead, many large brick and mortar retailers use partners to access our network, including: **Macy's, Gap, Kohl's, Victoria's Secret, Bath & Body Works and Walgreens.**
- Companies like **QVC, HSN, General Motors, and Unilever** also access our network indirectly.
- Using this model, **USPS delivers for more than 20,000 businesses** across the United States.

[1] During the period between Mar 14 and May 1, BCI – CDM data.

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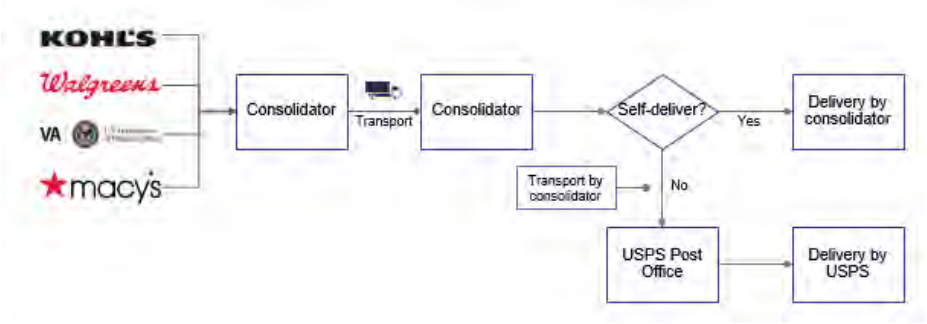

Direct partnerships bring packages directly to the USPS network like consolidators. These partnerships require significant capital investments from customers. Potential new customers need operational and price stability as soon as possible to prepare mid-term capital plans and near-term plans for peak 2020.

- **Walmart** is piloting Parcel Select in Florida and was considering building its network around USPS in order to compete with e-commerce players. They have indicated USPS has favorable economics, superior service, excellent customer experience, and nimble support relative to FedEx. *They are now concerned with USPS' price stability and scalability of this pilot program. They have their staff assessing the risk* before making further investments.
- **Target** was planning to pilot a direct Parcel Select relationship with USPS. Target has historically partnered indirectly with USPS through UPS.
- **Amazon** is the largest legacy partner and stated it wants to continue building the relationship. Due to the administration's recent comments about "Internet companies" and their relationship with the US Postal Service, *they remain concerned about the risk associated with USPS.* Amazon for the first time in our relationship reduced volume in 2019 by ~10% driven in part by their concerns about their ability to meet their customer promise through USPS. They have demonstrated that they can and will pull away business from us to mitigate risk.
- USPS is in ongoing conversations with **Home Depot, Staples, and Chewy.com** (PetSmart).

Across both direct and indirect partnerships, USPS Parcel Select plays a particularly crucial role in pharmaceuticals. Since March 14, USPS has made more than 20M Parcel Select pharmaceutical deliveries. Customers include: US Department of Veteran Affairs, Humana, CVS, Walgreens, and Costco.

3 The economics of Parcel Select

In 2019 alone, Parcel Select contributed $6.8B of revenue and $3.3B in contribution. Every Parcel Select NSA is profitable. Packages entered at a Post Office cover their attributable cost by 1.5 to 2 times.

There is significant political discourse on the business case for Parcel Select pricing. Many arguments that pricing is below cost appear tied to a 2017 Citibank report that was wrong.[2] Citibank indicated that USPS would need to increase price by 50% in order to break even – but it was based on incorrect assumptions. This article was also disproven by both Business Insider[2] and USPS management. USPS management

[2] Citi published a report entitled "The Free Shipping Tax" on April 18, 2017. In this article it indicated that Parcel Select prices would need to increase 50% in order to break-even. The analyst used an incorrect number based on the floor of the institutional cost coverage, as opposed to the actual institutional cost coverage figure.

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informed the White House Domestic Policy Advisor Andrew Bremberg in 2017 that the CitiBank report was inaccurate and detailed the inaccuracies.

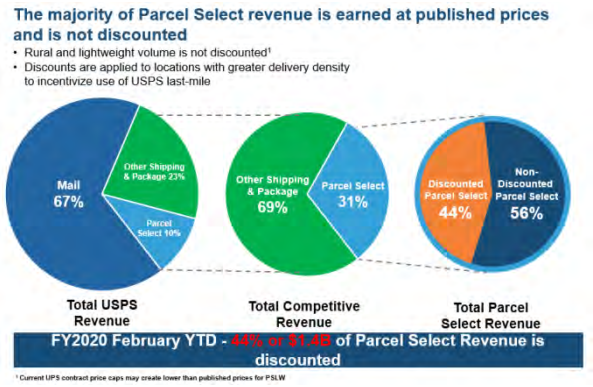
CitiBank admitted it used erroneous assumptions in its analysis –
with the lead analyst publicly stating "I'd love to say it wasn't a mistake."

Parcel Select is high-contribution because the marginal cost to deliver to a residence is quite low when the Postal Service would already drive by every address due to its Universal Service Obligation. Parcel Select is actually a key way for USPS to improve contribution from each stop. This is particularly important as the number of delivery points have *grown*, while overall network volumes have *dropped*.

4 Pricing Overview for Parcel Select

To retain and grow business in the last mile, USPS must price competitively. This means pricing below the customer's alternative (self-delivery or another carrier) while maximizing USPS contribution.

- **As with all products, published prices are established and approved by the Board of Governors.** The Board approved moderate price increases for both Parcel Select Lightweight (12.3%, 4.2%) and Parcel Select DDU Heavyweight (9.9%, 2.0%) for FY2019 and FY2020 respectively. The 2020 price increase was lower than 2019 as we saw volumes drop in 2019 for the first time, after taking over 30% increase in parcel select pricing over the last 5 years.
- Today, **~56% of Parcel Select volume is charged at published rates (***no NSA discounts)*. This means that, for a majority of customers, published price changes take effect almost immediately.



- When necessary to win new business, **USPS uses Negotiated Service Agreements** to be competitive with what the market will bear. ~~These discounts are tied to published rate increases~~?????.

Today, competitors' costs to deliver are decreasing for several reasons:

- *Improved density* – More people are getting more packages. This lowers the per package cost of delivery and makes routes more profitable.

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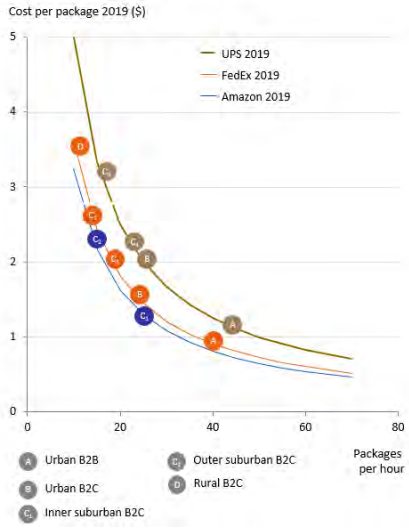
- *Lower labor costs* – UPS[3], FedEx, and Amazon use some flex and contract drivers to reduce cost.
- *Significant multi-year capital investments* – Competitors investing to improve efficiency in package sortation, automate facilities, and develop last-mile residential networks.
- *New innovations* – Competitors building low-cost delivery alternatives such as retail access points and lockers

The exhibit below to the left demonstrates how competitor's costs-to-deliver the last-mile vary based on both density (number of packages on a route) and by underlying cost structures (labor rates). Over the past five years, these curves have consistently shifted downwards. In parallel, USPS consistently increased price, leading to a point of "diseconomy" for some Parcel Select customers. From FY2016 to FY2020, USPS raised Parcel Select Prices ~38%. I'd add a cost line for our attributable costs in the cost curves below.



% change in Parcel Select price vs. % change in Parcel Select volume

Note: includes PS and PSLW.

In 2019, FedEx publicly indicated that it would fully insource Parcel Select volumes, discontinue its SmartPost product [is this defined], and expand to offer Sunday delivery. FedEx told USPS management:

"This decision was based on pure economics. The service was excellent."

USPS is on track to lose ~$1.1B in FEDEX revenue and ~$600M in contribution by 2022. USPS terminated the NSA in September 2019, and all remaining volumes with FedEx will begin to be charged

[3] https://www.reuters.com/article/us-fedex-lastmile-exclusive/exclusive-fedex-to-hire-700-flexible-rural-and-residential-drivers-idUSKCN1T728S

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at published rates – they will lose their discounts. We may consider additional price increases as FedEx has indicated they are leaving anyway.

Even in a strong relationship like UPS, there are significant headwinds to consider. In particular, the union agreement between Teamsters who deliver for the UPS and UPS state:

- UPS is required to in-source any time there are two packages going to same address.
- ~~UPS SurePost product (its Parcel Select product)~~The Parcel Select volume that UPS has us deliver is dependent on NSA pricing. Also, the Teamsters agreement allows UPS to continue using Parcel Select with us as long as FedEx continues using us for Parcel Select. As mentioned earlier FedEx is eliminating their Parcel Select ties to us.~~tied in the UPS Teamster's contract to the existence of the FedEx SmartPost product. FedEx has announced the cessation of the FedEx SmartPost product.~~ **We believe this will be a major point in upcoming 2022 Teamster negotiation and puts ~$1.4B in revenue and ~$750M in contribution at risk. [If THIS IS ALREADY IN THE Teamsters contract then why would UPS still be able to continue using parcel select UNTIL THE CURRENT CONTRACT EXPIRES—SEEMS LIKE IF IT'S IN THE CONTRACT, THAT COULD HAPPEN SOONER?**

5 Implications of a Significant Price Increase

If USPS were to raise Parcel Select prices by anywhere from 0.5-4 times current published pricing, we would rapidly price ourselves "out of the market." Management has assessed that the entire $3.3B of annual contribution would be at risk. Under extreme price increase scenarios, customers would in-source or divert volumes to alternative carriers within a year. While we would likely get more very short-term revenue and contribution after a steep price increase, we would have little to no volume and reveneue in the medium to long term. We would effectively kill this product, and harm our reputation as a valued package delivery organization.

	FY19 PS Volume at risk[4]	FY19 PS Revenue at risk	FY19 PS Contribution at risk	FY19 % of no-discount volume
Amazon	1,150M	$2,600M	$1,300M	57%
UPS	630M	$1,400M	$750M	63%
FedEx	460M	$1,100M	$580M	57%
DHL	250M	$480M	$230M	88%
Pitney Bowes	70M	$170M	$80M	68%
Total for Big 5	2,500M	$5,700M	$2,900M	62%

[4] Source: Volume and revenue figures from Business Customer Intelligence. Contribution is estimated based on partner volume and inject profile.

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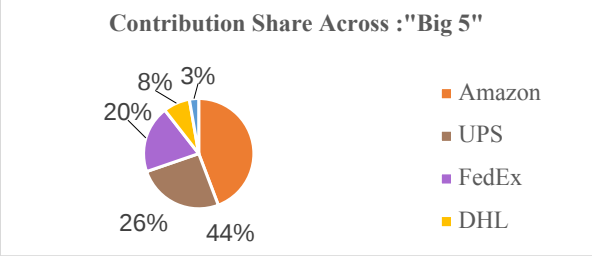

In the event of a significant price increase, we expect the following scenarios would likely occur:

- *Amazon: USPS would lose $1.3B of contribution ~~within 1 year~~very quickly, likely in 1-2 years depending on the size of the price increase.*. Volume would shift into Amazon Delivery Service Provider's and UPS' networks (UPS already has $8B of Amazon business).[5]
- *UPS: USPS would lose the relationship and the contribution guarantee established in their NSA with us. ~~contract~~.* UPS would sunset its relationship with the Postal Service and in-source significant volumes to its Ground network by activating "peak operations."
- *FedEx would maintain its current course of decline* and might accelerate in-sourcing plans. Their rates will increase in September 2020, as their NSA expires.
- *Partners like DHL and Pitney Bowes would become immediately uncompetitive in the market.* They would likely be unable to find a replacement delivery partner, and would exit the business or partner with another last mile delivery Company.~~sell their assets.~~

Losing the Parcel Select business effectively cedes the package market while disproportionately exposing small and medium businesses:

- All customers will become wary of relying on USPS as a shipping solution.
- Small & Medium businesses that pay published rates will be disproportionately impacted.
- UPS and FedEx will in-source all their packages. Their cost-to-deliver will rapidly fall, and they will actively pursue USPS' Priority Mail and First Class Package Service network businesses.~~volumes, and will win.~~

USPS has the most pricing flexibility in low-density regions where competitors have the highest cost to deliver. However this flexibility is tenuous and constrained because:

- Unilateral price increases would impact all Lightweight volume regardless of geography [again, I don't agree with this concept. We only have a handful of PS customers, and we could do NSA's if it would benefit us.]
- Even lowest-density areas are facing downwards price pressures and are at-risk as competitors unlock new models like flex drivers or access points (previously described)

Additional impacts of major price increases include:

- **Disproportionate impact to the pharmaceutical sector at a time** when these services are more critical than ever. In particular, customers like the Department of Veterans Affairs, Walgreens, or ExpressScripts would **see price increases in <1 month.**

[5] Source: Jan 2020 https://www.wsj.com/articles/ups-results-get-boost-from-amazon-11580388498

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- **Loss of USPS as ~~the price anchor in the market for~~for a competitive option for *all business and all consumers*.** Rural Americans would likely absorb the greatest price increases.[6] If USPS exited packages, UPS and FedEx would have the ability to take exorbitant price increases in an oligopolistic fashion.
- **Rapid loss of volume and loss of contribution would further impact USPS' cash position.**

6 Labor and cost implications of rapid package volume loss.

In the event of rapid losses of Parcel Select volumes, the Postal Service would need to remove costs at a rate commensurate with the lost revenue. These variable costs are directly tied to postal employees. [there would still be American jobs, in other Companies]~~American jobs.~~

These stable jobs would be compromised at a time of significant economic decline. A significant number of non-career employees (City Carrier Assistants (CCA), Rural Carrier Assistants (RCA), and Postal Support Employees (PSE)) would have their positions eliminated immediately as the lower wage non-career employees would have to be contractually reduced before impacting career employees.

In addition, management would see a net reduction in the CCAs in excess of cap agreed to with the unions. These lower-cost carriers were permitted contingent on Sunday volume. These lower-cost carriers support overall operations seven days a week, and reduction in CCAs would impact overall cost structure for mail and packages.

~~[Additional information in Appendix D on labor economics associated with package volume loss]~~

7 Parcel Select commercial strategy

Since early 2019, USPS management has been implementing an updated Parcel Select strategy:

- **Part 1. Expanding the product to serve as the "great equalizer" for brick and mortar retailers** as they build their e-commerce business (Walmart, Target).
- **Part 2. Executing a sequence of negotiations with all three >$1B Parcel Select customers – UPS, FedEx, and Amazon** to secure long-term commitments.
- **Part 3. Building flexible pricing agreements with DHL and Pitney Bowes to give them tools to win competitive business** and build 100% last-mile USPS partnerships.

For all components, USPS is maximizing contribution by pricing to what the market will bear:

- Competitive analysis to surgically price Parcel Select by entry point, time of day, and weight.
- Dimension-weight pricing element.
- Sophisticated ZIP-level pricing to match market elasticities.

7.1 Expanding Parcel Select to large retailers.

As traditional retailers expanded e-commerce businesses, USPS launched a "great equalizer" mission.

[6] This narrative is reinforced by the significant lobbying efforts that UPS undertakes to challenge existing pricing, with a push to force USPS to allocate more costs to its parcel business and force up prices.

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Walmart signed an agreement in December 2019 and became the first major retailer to begin developing a network around USPS Delivery Units. This agreement laid the foundation for USPS to win net-new business – Walmart currently ships 85% of volume with FedEx today. **However, this relationship is at immediate risk if USPS cannot provide certainty to customer.**

- **Walmart account is worth ~$10M today but has an upwards potential of >$100M – all of which currently goes to competitors.**
- Walmart has capital plans to build a sort center network to enter packages at the Post Office. *They can only do this with both operational and pricing certainty as significant capital investment will be required by Walmart to execute this strategy to align their network to our network.*
- If Walmart program scales, it will meet the 2-day service expectation of consumers with no membership fee and increase access to e-commerce for low income Americans.
- By leveraging the USPS Parcel Select product, Walmart can now compete with Amazon's seven day a week delivery offering.

Target has been in ongoing negotiations and solution development work with USPS for over a year. USPS has not secured the business and lost the business to UPS' competitive bids in late 2019. Target now has plans to pilot a program similar to Walmart by September 2020.

Many retailers are interested in building relationship at USPS destinating sortation plants (one step "up" from the post office). Currently, USPS is cost-disadvantaged due to capacity constraints in these facilities.

- As part of management's package strategy, network investments would enable USPS to develop a competitive product for a broader customer base including: Staples, Office Depot, and Home Depot.
- The Postal Service is trying to win new business in this mid-network product. However, customers say USPS' price is not competitive and build solutions with FedEx and UPS instead.

7.2 Executing a sequence of negotiations with UPS, FedEx, and Amazon.

At the beginning of 2019, the Postal Service initiated a reset of the largest Parcel Select customers.

- **UPS** negotiations (concluded in June 2019) created a new relationship with UPS and blueprinted a *new overall approach* to Parcel Select customers:
  - *Growth is a requirement* for discounts and decline results in a reversion to published rates
  - *Rate caps provided* with growth requirements.
  - *Sunday product is available at a premium.*
  - *Commitment to give USPS 100% of UPS Mail Innovations – a $610M business for USPS (Parcel Select Lightweight)*.
- **FedEx** negotiations faced headwinds given plan to in-source volumes. USPS exercised FedEx termination clause in September 2019. Post termination notice, USPS entered into negotiations with the goal of winning Sunday delivery and retaining suburban and rural SmartPost volume:
  - *FedEx requested discounts on Parcel Select Lightweight and discounts in Heavyweight.*
  - *FedEx was unwilling to commit volumes and USPS management concluded negotiations*.
- **Amazon** negotiations were planned to begin in early 2020, with intent of solidifying the growth relationship in alignment with UPS agreement. [NOTE – Deep Dive in Section 8].

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7.3 Building flexible pricing agreements with DHL and Pitney Bowes.

DHL and **Pitney Bowes** are consolidators like UPS, however they do not have last-mile capabilities. They build custom solutions and use USPS for the last mile.

- Both partners indicated new customers could be won if there was an "alternative price" that could be employed at Postal Service management's discretion.
- Alternative price program lets partners request improved rates to win hard-to-win or at-risk business (for example, USPS and Pitney Bowes are actively collaborating to win BarkBox as a customer – a $5M opportunity).

8 Opportunity to build a growing partnership with Amazon.

Amazon is USPS' largest customer. In FY19, it generated $3.9B in revenue across all business. In Parcel Select, it generated $2.6B in revenue and $1.3B in contribution. It generated more contribution than any other customer by almost 2 times.

In early 2020, USPS prepared to initiate Amazon negotiations following the conclusion of FedEx negotiations. There are two foundational components to the ongoing relationship reset:

1. *Component 1. Guaranteeing contribution certainty for USPS'* existing business in exchange for ~~price increase non-discounted (or published rate) volume~~ price cap agreement on published rates.
2. *Component 2. Building new Amazon business* currently going to other carriers and expanding overall relationship.

Component 1. Guaranteeing contribution for USPS

USPS has an opportunity to get volume commitments for multiple years~~guarantee multiple~~ effectively locking in years of contribution in exchange for ~~price increase caps on non-discounted volume~~ establishing price caps for published prices. We get certainty on sustained contribution and Amazon gets certainty that their non-NSA prices will go up no more than a certain percentage each year.

~~Management recommends aggressively leveraging Amazon's most-recent request for price increase caps to execute the Parcel Select strategy and establish high-consequence volume commitments.~~

Amazon is looking to engage in negotiations as quickly as possible, to facilitate their own network planning. This is to USPS's advantage, as it represents a significant departure from how Amazon traditionally operates. The opportunity to create this contribution security is time-limited, and it is critical to move swiftly while USPS has an outsized role in enabling business continuity.

Proposed terms would align, in principle, with UPS agreement.

Exhibit: Potential Terms to Improve Amazon NSA and Secure Contribution Certainty

Term	Opening Ask	Similar NSA Examples	Improvement on current Amazon NSA
Commitment length	3-5 years 1 year termination notice	FedEx and UPS	Maintains commitment length and termination relationship.
~~Decline~~ Penalty for volume declines	Move all Parcel Select volume to published pricing if growth falls below commitments.	UPS	In the event Amazon is unable to meet their contractual commitments, they would experience a >40% rate increase as prices shifted from discounted rates to published rates.

Commented [CJ-WD1]: Table below: The first two ideas are understandable, I don't and therefore BOG likely wont really get the rest of the table. We should either be more high level (We are trading price cap for volume commitments and leave it at that) or more detailed and provide more explanation as to how this works. I vote the former.

Commented [CJ-WD2]: The table in the other attachment to your 2:30 Email is far better worded, edited, etc. Disd someone cut the wrong table into this document, or is it possible this is an old document that Jakki circulated this afternoon? I am confused.

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Price by ZIP	Align price to relative competitive market price. Provide deepest discounts where competitors' costs are lowest. Maximize contribution by charging the most in regions where competitors ~~are most disadvantaged~~have a high cost to serve.	UPS	Shifts from a less-specific pricing schem~~e~~a that makes it challenging for USPS to retain business in most dense regions. ~~Ensures lower-density and operationally costly regions are charged appropriate higher rate.~~
Volume Growth Tiers	Volume growth calculated on rolling 4Q basis.	Growth tiers for UPS	Ensures revenue increase of up to $3B+ over 3 years
Rapid volume reduction	Volume volatility in a 5-digit ZIP removes discounts.	UPS FedEx (ZIP level)	Incentivizes operational consistency

Component 2. Building new Amazon business.
Since December~~peak~~ 2019, Amazon has needed additional capacity and entered new volume at USPS' destinating sortation facilities at published rates (no discounts). As they continue to invest in their own fulfillment capabilities, they are looking for a long-term sortation partner beyond temporary "capacity augmentation".

Currently, they see significant opportunity to transfer volumes currently won by other carriers if negotiations can commence. These negotiations are nascent, but represent an opportunity to begin to ~~retake share of the business~~grow our business, **USPS has fallen from 60% of share to 30% of share today in 3 years.**

What happens if neither component is executed?
Amazon may grow to 70% of the e-commerce market by 2024. Failure to retain or grow this relationship represents a significant opportunity-cost in terms of both retaining and growing contribution.

If USPS cannot guarantee volumes ~~contribution~~ from Amazon in exchange for price certainty, it may~~will~~ lose a majority of Amazon's volume. Amazon will be forced to in-source or move volume to more predictable partners.. **This represents a loss of ~$1.0B in annual contribution by FY2023.** This business would continue to decline as Amazon scaled alternative solutions until USPS only provided the rural deliveries (<6-7% of volume today).

If Component 2 is not executed, USPS **would lose the opportunity** to retake lost Amazon business (Note: **UPS currently has $8B of revenue** with Amazon).

Commented [CJ-WD3]: One guarantees volumes, not contribution. This change could made throughout.

Commented [CJ-WD4]: This slow loss of contribution seems at odds with the earlier statements about how fast they can in-source.

9 Request of the Board of Governors to move forward with Parcel Select strategy

USPS management intends to continue moving forward swiftly with implementation of Parcel Select strategy. Consistently, customers look to secure their operational plans well in-advance of peak and require certainty by early summer. Pausing strategy implementation would be a decision to cede growth in the overall business in the mid-term, and accept near-term contribution loss.

Any major price increases for USPS customers will result in a limited near-term contribution windfall lasting ~~less than one year~~1-2 years at most. Extreme price increases would make initiating "peak operations" profitable for all competitors, and they would quickly absorb volumes at reduced margins, mitigating any near-term windfall contribution. **USPS will ultimately see an annual loss of ~$3.3B in contribution, and will lose the opportunity to further grow business. Further, the overall package**

Commented [CJ-WD5]: We have said this before. This memo is very redundant, and not organized well. We seem to make the same points 3-5 times in wordy explanations. I would not recommend giving this to the BOG

Commented [CJ-WD6]:

Commented [CJ-WD7]: Another issue—we start this discussion of excessive price taking defined as 50% to 400%. Then numerous times in the paper we say what will happen if we take these high price increases. Surely a 50% increase will cause diffent consequenses than a 400%, but we don't differentiate.

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business would be compromised, and USPS would see its deficit grow and its cash position degenerate quicker than projected.

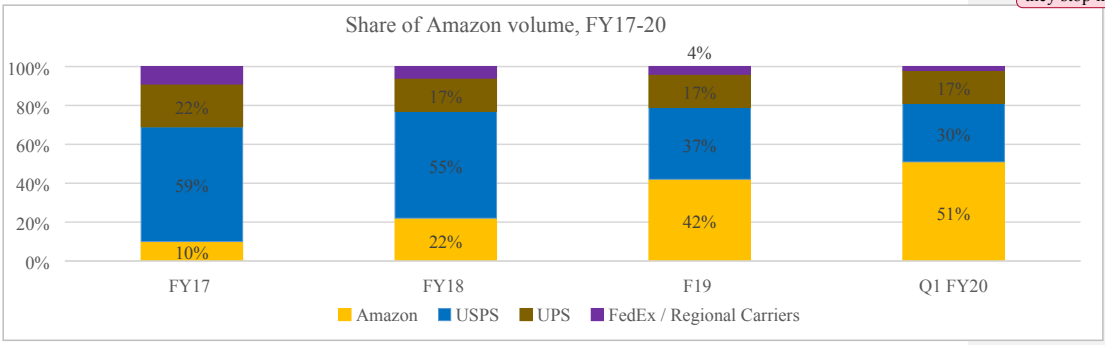
In the interest of a financially healthy Postal Service, USPS management requests the following from the Board of Governors:

- Continued support of the package strategy to sustain course towards financial sustainability.
- Agreement ~~Authority~~ to sustain current course of the parcel select strategy and proceed with customer negotiations.
- Willingness to call and assure customers that USPS will be a partner to their businesses as they grow packages.
- Provide outreach to CEOs of Walmart, Target and Amazon to provide certainty.

10 Appendix A: Additional information on competitor in-sourcing capabilities

Amazon has been aggressively insourcing volume with Amazon Logistics, sending 2B+ packages in FY19, which primarily cuts into USPS' share:

Commented [CJ-WD8]: Begs the question, why will they stop insourcing? 22% to 51% in two years!



Major USPS last-mile competitors (UPS, FedEx and Amazon Logistics) are **all currently making investments** to increase capacity and network capabilities. While FedEx is not building out capabilities for <1lb parcels (or currently taking a large share of Amazon), UPS and AMZL have investments that suggest expanded capacity across both lightweight and heavyweight parcels.

UPS has the capability to absorb a majority of USPS-Amazon volume in the near future with limited incremental investment.

Commented [CJ-WD9]: Would be more impactful if we had tables of numbers in here and elsewhere. Very difficult to understand all the text with numbers in each paragraph. For example, here show our total volumes from AMZ, and subtract out avaialble capacity showing that the available capacity exceeds our current volumes.

- **Major investments in new and expanded facilities will increase UPS daily capacity by ~3-5M pieces per day in 2020:**
  - 1 new regional super-hub in Harrisburg, PA with ability to process up to 100K packages per hour.
  - 2 new super-hubs in Tacoma, WA & Ontario, CA with ability to process ~50K packages per hour.
  - 3 new automated sortation & distribution centers with ability to process at least ~20K packages per hour.
  - Transition to ~100% sortation automation increases efficiency by 30%.

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- **Ability to handle incremental volume in the last mile will require significant expansion of workforce and UPS has the cdemonstrated capacity to do so** (They hired +100K temporary workers employed during peak) and delivery fleet (+25%)

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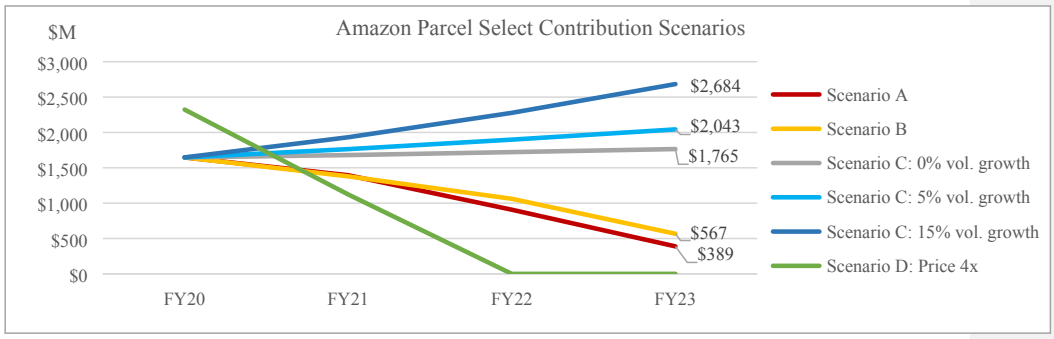
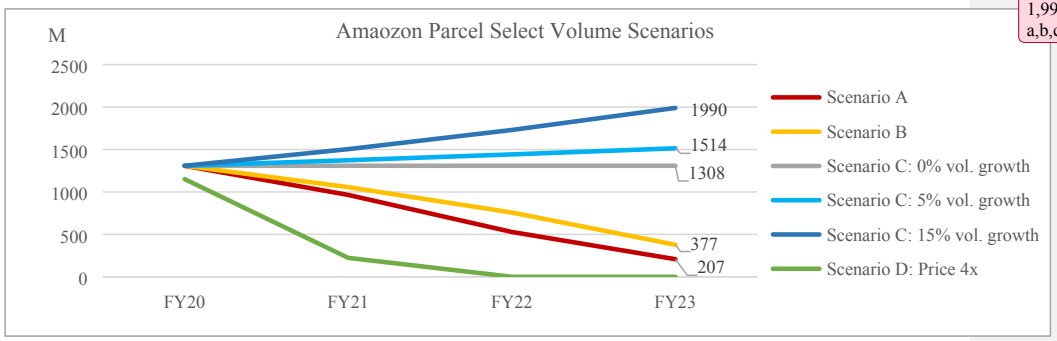
Commented [CJ-WD10]:



Commented [CJ-WD11]: Use commas. 1990 is 1,990, etc. Also the text below the table uses lower case a,b,c. And graphs use „Scenario A, etc Conform..



USPS management has assessed the multi-year contribution impact based on the following go-forward Amazon scenarios:

a) Contribution harvest strategy through rate increases of ~50% of PSLW while maintaining NSA.
b) Steady-state contract status with steady contribution decline and standard rate increases.
c) Contractually "locked-in" state to grow contribution.
    - C1: Maintain minimum 0% volume growth ("no decline") to keep NSA pricing
    - C2: Maintain low 5% volume growth to steal share from competitors
    - C3: Maintain strong 15% volume growth in line with Amazon's e-commerce growth
d) Increase published prices to 4X *and* terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)

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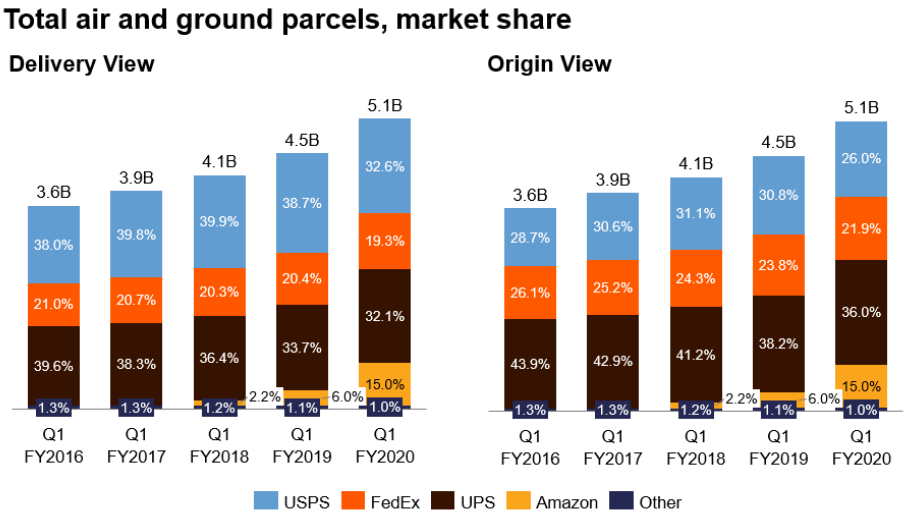
11 Appendix B: Total air and ground parcels, market share[7]



Note: USPS includes Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, Standard Mail Parcels, BPM Parcels, Library Mail and Media Mail.
Source: The Colography Group, Inc. Domestic Quarterly Market Growth And Competitor Share Report

[7] Colography, for parcels less than 70 pounds. *Note: The delivery chart above includes all network and last mile parcels and credits each company based on which company delivers the parcel to final destination. Some of these products may have traversed the networks of these other carriers prior to entry into the Postal Service's network for delivery. For USPS these views include Priority Mail Express, Priority Mail, First-Class Package Service, First-Class Mail Parcels, Standard Post, Parcel Select, Parcel Select Lightweight, PRS, and Standard Mail Parcels. USPS excludes BPM Parcels, Library Mail. For the delivery view, USPS volume includes SurePost and SmartPost volume. The origin view reflects volume that originates with the shipper.*

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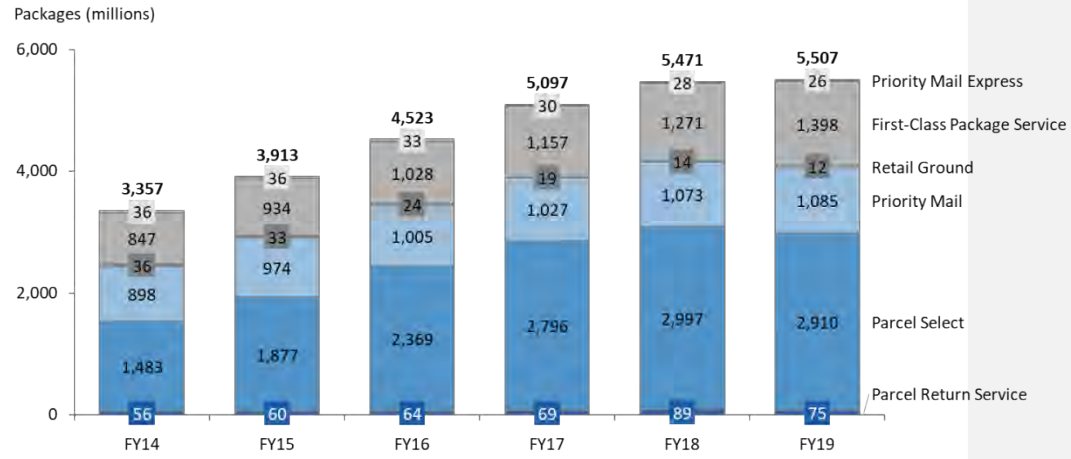
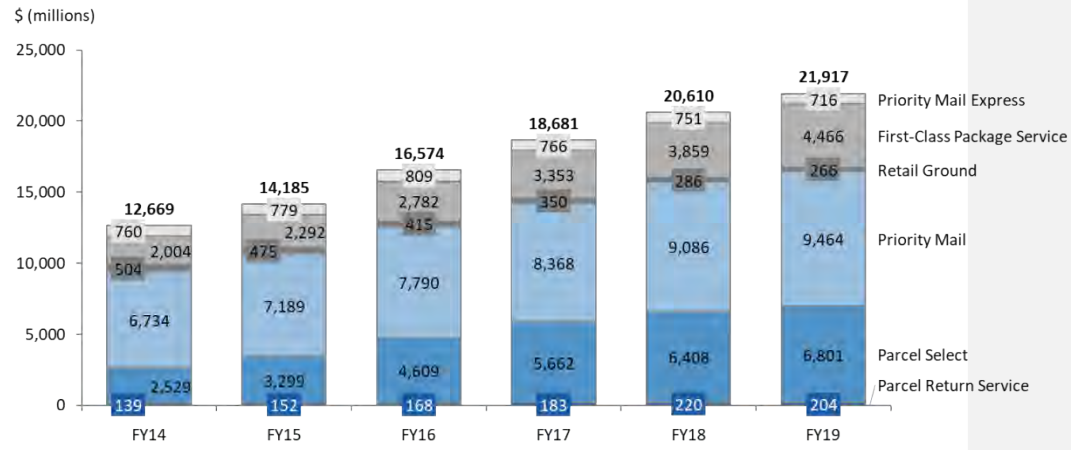
12 Appendix C: Parcel Select Facts and Figures

Volume



Revenue



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Additional Comparison of all Top 5 NSAs

Commented [CJ-WD12]: AMZ 2019 revenue is 1,409M yest it'[s $2.6B for AMZ Parcel Select in the body of this memo.

A Comparison of Large Parcel Select NSAs

	amazon	FedEx	DHL	newgistics	ups
Effective date		6/1/2012	1/10/2019	4/3/2019	8/28/2019 (GEO Pricing started 1/26/20)
Duration	10 yrs. (orig. 5)	9 yrs. (orig. 7)	3 yrs.	3 yrs.	3 yrs. (2x 1-yr extensions)
Termination notice	12 months	12 months	30 days	30 days	365 days
Termination date	10/29/2023	5/31/2021 Termination submitted (9/30/2019)	1/31/2022	4/2/2022	12/31/2022
Non-discounted ZIPs	8,588	23,714	22,419	21,196	33,281
% Non-discounted vol. (1 lb+)	37%	37%	21%	34%	3%
Price cap	Volume based (2.0% to 5.5%)	5% Std, 3.5% Alt (capped at cell-level with banking)	2% (2019) 5% (2020+)	5%	5% or 1% below published (min. of 1%) 4.5% (Lightweight)
Annual price change date	1 October	1 June	Pub. rate change	1 February	Pub. rate change
FY20 Feb YTD (PS+PSLW)					
Volume	581M	181M	105M	33M	293M
Vol. % change to SPLY	4.3%	-18.4%	-5.5%	7.1%	0.1%
Revenue	1,409M	457M	217M	76M	667M
Rev. % change to SPLY	15.5%	-11.6%	5.6%	9.1%	2.0%
2019 price increase	2%	5% Std, 3.5% Alt	2%	N/A	0% (waived)
2020 price increase	2%	2% Std, 2% Alt	2%	2%	2.7%
%DDU of DDU/DSCF	99.7%	89%	90%	85%	87%
% PSLW volume	48%	43%	82%	55%	48%
Curent STD 2 lb DDU $/Pc	$2.44	$2.44	$2.39	$2.18	B-$2.40; C-$2.48; A&D-3.29
Curent ALT 2 lb DDU $/Pc	N/A	$2.11	T1 - $2.13 T2 - $2.02	T1 - $1.94 T2 - $1.86	$2.18

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13 Appendix D: Labor Implications

Commented [CJ-WD13]: I would not have all this detail on hours/headcount. I would mention the summary of costs we need to take out in a prominaent place in the memo.

In the event of rapid losses of package volumes triggered by major price increases, the Postal Service would need to remove costs as a result of the lost revenue. These variable costs are directly tied to American jobs. These stable jobs would be compromised at a time of significant economic decline.

- The loss of Parcel Select volume would equate to approximately 55,961,000 bargaining unit work hours.

	Work Hours	Non-Career Equivalent	Non-Career On Rolls	Non-Career Remaining After
Clerks and Mail Handlers	21,543,143	10,858	33,968	23,110
City Carriers	19,945,250	10,058	36,887	26,829
Rural Carriers	13,878,271	6,950	51,695	44,745
Vehicle Service Drivers (APWU)	593,931	299	236	(63)
TOTAL	55,960,954	28,165	122,786	94,621

- The loss of *all* competitive package volume would equate to approximately 169,425,000 work hours, broken down as follows:

	Work Hours	Non-Career Equivalent	Non-Career On Rolls	Non-Career Remaining After
Clerks and Mail Handlers	104,055,997	52,448	33,968	(18,480)
City Carriers	34,555,645	17,426	36,887	19,461
Rural Carriers	25,335,085	12,687	51,695	39,008
Vehicle Service Drivers (APWU)	5,478,257	2,761	236	(2,525)
TOTAL	169,424,984	85,321	122,786	37,465

- Currently, the Postal Service has the ability to lay off its non-career workforce for lack of work, as well as a portion of its career bargaining unit work force depending on the union.

- Notably, the Postal Service's universal service obligation means that a reduction in workload associated with a loss of package volume may not translate to dollar-for-dollar cost savings. The Postal Service will still incur the fixed costs of servicing the nation's delivery points, albeit with reduced revenue per delivery point.

- In some cases (APWU Clerks and Mail Handlers, for example), there are not enough employees (career and non-career) eligible for layoff to capture all of the savings from the reduction in work hours associated with the loss of competitive package volume. The Postal Service would have to

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wait for excess employees to attrit out (or consider seeking and negotiating a VERA) in order to capture further savings.

- While non-career employees may be let go relatively quickly for lack of work, the union(s) will no doubt challenge any attempt to eliminate a wide swath of the workforce. Furthermore, for those employee crafts (Clerks, Mail Handlers) where it would be necessary to lay off career employees to capture the savings, there are a number of contractual steps the Postal Service must take before implementing a layoff.

- From an operational standpoint, the practicality of eliminating the most flexible component of the Postal Service's workforce would also need to be considered and weighed against potential cost savings. Moreover, the employees who remain on the rolls (i.e., who are protected from layoff) will be the most expensive, most senior employees, so cost per remaining work hour will increase.

For the reasons above, it would not be possible to reduce these costs at a pace that is commensurate with the revenue lost. Therefore, USPS' cash position would be *further* negatively impacted by a radical loss of volumes.

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14 Appendix E: Indirect Parcel Select Customers

Customers with >$1M in indirect Parcel Select in FY19, by consolidator

Across DHL, FedEx, UPS, and Pitney Bowes/Newgistics, 265 distinct customers had >$1M in indirect Parcel Select spend in FY19, driving $2.2B in revenue for USPS.

DHL	
Customers	**FY19 Revenue**
Express Scripts Inc.	$116.3M
Saddle Creek Logistics Services	$57.0M
General Motors Corporation	$21.5M
Vericast	$18.2M
Unilever United States Inc.	$14.6M
Number of Additional Customers >$1M: 33	$132.2M
Total: 38 Customers	**$360.0M**

FedEx	
Customers	**FY19 Revenue**
US Department of Veterans Affairs	$136.5M
Publishers Clearing House	$64.7M
Kohl's Corporation	$37.2M
US Elogistics Service Corp.	$29.9M
Kynetic	$29.9M
Number of Additional Customers >$1M: 122	$535.3M
Total: 127 Customers	**$833.5M**

UPS	
Customers	**FY19 Revenue**
Qurate Retail Group	$143.7M
Macy's Inc.	$80.5M
GAP Inc.	$52.7M
DHL	$47.5M
Kohl's Corporation	$38.9M
Number of Additional Customers >$1M: 100	$466.4M
Total: 105 Customers	**$829.7M**

Pitney Bowes/Newgistics	
Customers	**FY19 Revenue**
L Brands	$48.7M
Pitney Bowes	$31.7M
Ebay Inc.	$29.6M
S.F. Express Corp.	$13.0M
Starcrest Products of California	$7.9M
Number of Additional Customers >$1M: 14	$30.7M
Total: 19 Customers	**$161.6M**

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Number of <$1M Parcel Select customers by industry segment

	DHL		FedEx		UPS		Pitney Bowes/Newgistics	
Industry	**Customers**	**Revenue**	**Customers**	**Revenue**	**Customers**	**Revenue**	**Customers**	**Revenue**
Retail Trade	1,728	$65.9M	2,166	$53.0M	270	$14.9M	415	$7.3M
Wholesale Trade	931	$22.5M	1,332	$19.4M	46	$2.7M	248	$.4M
MSP	192	$16.8M	182	$12.7M	23	$7.7M	44	$1.7M
Professional, Scientific, and Technical Services	302	$11.3M	448	$9.5M	24	$4.0M	303	$1.2M
Manufacturing	697	$10.8M	880	$8.9M	18	$3.1M	179	$.4M
Information	133	$7.5M	171	$5.8M	13	$.7M	60	$.1M
Transportation and Warehousing	67	$4.4M	164	$3.1M	11	$1.7M	42	$.1M
Health Care and Social Assistance	91	$3.2M	125	$2.6M	-	$1.6M	274	$.3M
Finance and Insurance	65	$2.8M	66	$2.0M	1	$.0M	113	$.9M
Arts, Entertainment, and Recreation	62	$1.9M	98	$1.7M	-	$.1M	55	$1.0M
Public Administration	11	$1.4M	26	$1.5M	2	$.0M	35	$.1M
Educational Services	43	$1.2M	64	$.4M	4	$.0M	134	$.0M
Other[8]	3,473	$48.3M	5,147	$40.0M	44	$16.8M	1,454	$7.7M
TOTAL	**7,795**	**$198.3M**	**10,869**	**$160.7M**	**456**	**$53.3M**	**3,356**	**$21.0M**

[8] "Other" category consists of customers in various industries, including: Real Estate, Rental, and Leasing, Agriculture, Forestry, Fishing, and Hunting, Utilities, Management of Companies and Enterprises, Mining, Quarrying, and Oil and Gas Extraction, Accommodation and Food Services, Administrative, Support, and Waste Management/Remediation Services, and Other/Unknown Services where data is incomplete

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Unable to Process

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Brief on Amazon-USPS Relationship

Context

During the April 7th White House Coronavirus Task Force Briefing, President Trump made a number of a statements about the United States Postal Service and its unprofitability being tied to the relationship with Amazon and other internet companies. This document outlines a response to many of those key statements and provides background on the current customer relationship with Amazon.

Fact-checking Statements

1. **The demise of the Postal Service is "internet companies, [like AMAZON] … that give their [packages] to the Postal Service"**
   - **While Amazon is the USPS' largest package customer** ($3.9B of revenue in FY19), it represents <10% of USPS total annual revenue, and is a high-contribution relationship (>150% cost coverage in its largest product relationship).
   - Additionally, **other marketplace partners (eBay and Etsy) represent high-contribution partnerships** worth >$1B in revenue.
   - Further, UPS, as a competitor, **has priced its full-network product competitively to compete against USPS to win Amazon business** while also sustaining relatively consistent profit margins year-over-year.
2. **"They lose money every time they deliver a package, for Amazon or internet companies."**
   - **FY 19 contribution from Amazon was $1.6B**. Revenue was $3.9B
   - **USPS derives incremental margin dollars from every parcel,** for every product, for every customer. Package business (both last-mile and full-network) represents a net improvement in profitability for USPS versus a detractor.
   - **USPS net *unprofitability* is tied more closely to its unfunded governmental mandates that drive down net profitability**
     - Unfunded universal service obligation to deliver to all addresses 6-days / week and to fund operations only through mail and package sales.
     - Expectation to charge equitable prices for all of the United States and to not increase prices relative to the operational cost to serve a highly-urban or highly-rural region.
     - Requirements that no other private company or federal agency is required to meet. For example: pre-funding retirement.
3. **"If they raised prices by a little […] or a lot, you'd find that the Post Office could make money or break even."**
   - **USPS had the largest price increases in recent history from 2018-2019 including ~10% price increases for Parcel Select** (product that Amazon, UPS, and FedEx use most heavily). In addition to regular January price increase, USPS introduced an additional charge for **large parcels (DIM-weight) in June 2019. This had significant impact to Amazon effective rates.**
   - Historical relationships with customers have consistently shown that raising prices would only drive them to our competitors. **USPS would see a net contribution loss with a significant share of its package business if prices were to be raised significantly.** USPS competitors could take share in these instances.
   - In the past year, competitors have increasingly insourced the share of B2C volume they deliver themselves. **FedEx has walked away from USPS, indicating Parcel Select prices were no longer economical relative to self-delivery.**

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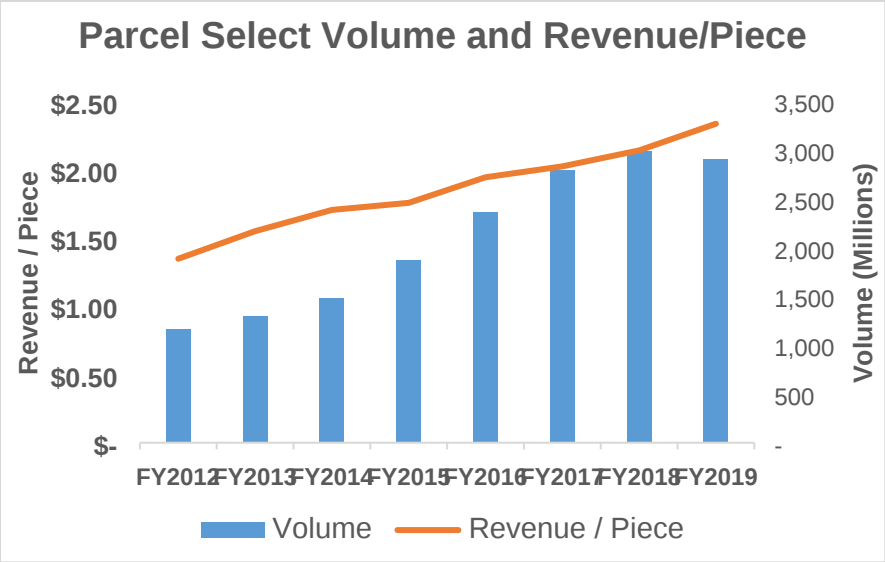

4. **"These are independent Boards, … appointed by other administrations … they're sort of long-term"**
   - The Board of Governors serve 7-year terms, at a maximum of 2 terms. **Additionally, all current members of the Board of Governors (less the Postmaster General and Deputy Postmaster General) were appointed by President Trump with the advice and consent of the US Senate.**
   - The Postal Regulatory Commission is a Federal Agency composed of five Commissioners appointed by the President of the United States with advice and consent of the senate. President Trump appointed 2 of the 5 current serving Commissioners.
5. **"They have to raise prices, but this Postal Commission won't do it"**
   - The Postal Regulatory Commission regulates Negotiated Service Agreements. In relationship to these agreements, its core objective is to ensure that all contracts with discounted rates are profitable.

Overview of Business with Amazon

Amazon views USPS as a key business partner, relying on USPS to deliver ~30% (1.54B packages) of its total volume in FY19. USPS is competitively positioned in the market to serve Amazon for several reasons: USPS' ability to flex its internal network to handle large amounts of volume and provide capacity relief, its full 7-day delivery operating model, and its unique advantage of having access to every home and mailbox in the United States. **Amazon has relied on USPS to pioneer innovative shipping solutions**, such as Sunday, Same-Day, and grocery deliveries, which enable Amazon to remain at the forefront of the eCommerce space. **Amazon has continually expressed desire to build off its successful history with USPS and establish a long-term partnership.**

Amazon is USPS' largest commercial customer at ~$3.9B rev/yr. Amazon declined in FY19 but volumes are up in FY20. USPS business with Amazon falls under two primary business units: **Amazon Fulfillment Network (AFN) and Merchant Fulfillment Network (MFN)**. With AFN, Amazon picks, packs, and ships orders from its fulfillment centers. Most AFN volume is partial network products (e.g. Parcel Select). MFN refers to sellers receiving orders through Amazon.com, but shipping their products directly from their homes, businesses, or warehouses. Most MFN volume is full network products (e.g. Priority Mail, FCPS).

The majority of revenue and volume from Amazon is through AFN, driven by Parcel Select products:

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amazon

FY19 Revenue: $3.86B

Current State of USPS Revenue and Contribution from Amazon partnership:

	FY19 Revenue	FY19 Contribution	FY20 YTD Revenue Growth	FY20 YTD Volume Growth
Total	**$3,856M**	**$1,600M**	**12.6%**	**3.1%**
Parcel Select HW	$1,697B	$900M	16.2%	3.9%
Parcel Select LW	$936M	$450M	19.4%	8.4%
Priority Mail	$406M	$145M	29.1%	4.7%
FCPS	$438M	$80M	-15.3%	-25.7%
BPM	$120M	$10M	-8.9%	-12.2%
Other[1]	$259M	$20M	26.4%	-6.8%

Amazon Relationship is at an Inflection Point

Comparing Amazon to other major Parcel Select NSAs, we see that Amazon is not only our largest customer, but also one with strength and growth, not achieved through heavy discounting.

Currently, USPS and Amazon are entering negotiations to expand partnership, introduce increased operational stability, and secure multi-year contribution. This partnership is critical in both near-term and long-term as mail volumes continue to decline, to bolstering the USPS' contribution and revenue position.

Recent developments have put at risk ongoing negotiations and compromises high contribution relationship with Amazon.

In the light of recent developments, Amazon has asked for clarifications on USPS' financial position. Specifically, they asked for information on how the CARE Act stimulus may require USPS to prioritize medical and pharmaceutical deliveries in exchange for funding. Additionally, after the Board of Governor's meeting last week, Amazon inquired about USPS' borrowing resolution and economic viability during the COVID-19 pandemic.

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A teleconference was held on April 9, 2020 with Amazon leadership. During this meeting, Amazon stated their concerns about US Postal Service's short and long term pricing and therefore our viability to them as continued shipping partner.

Amazon was particularly concerned about published price uncertainty for the following products:

1) ***Parcel Select LW (48% of Amazon's total Parcel Select volume). Note: This product is not discounted.***
2) Parcel Select HW (Zips not covered in NSA)
3) Priority Mail. ***Note: new Priority Mail NSA covers ~25% of ZIPS with NSA pricing, and leaves ~75% to published rates.***

Amazon made it very clear that the USPS is alone, globally, among their partners in having this pricing uncertainty. This creates huge risk and make it difficult to plan. Additionally, Amazon is concerned that any stimulus from the Treasury will come with stipulations, causing concern and further risk. To combat this, Amazon is looking for operational certainty on the following:

- What does the USPS look like in the new few weeks, the next few months and the next several years?
- What does a fully functional Postal Service look like, including operating days?

Exhibit: Summary of Amazon revenue by published (non-discounted) vs. NSA revenue

	FY19 Revenue	% of Total Revenue
Non-NSA	$2,291,853,505	59%
NSA	$1,565,910,938	41%
Total	$3,857,764,443	100%

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Back-up and additional information Parcel Select NSA is the largest volume and revenue agreement with Amazon. Summary of price changes below.

Date of Price Change Implementation	Price Change % for Published Parcel Select	Summary Reasoning for Price Change
Jan 2014	DDU: 5.1% DSCF: 5.6% DNDC: 5.1% PSLW: 10.1%	Existence of a strong customer base supports the cause for a price increase in order to maximize revenue, enhance profitability, and promote even volume distribution across the network
April 2015	PSHW: 8.0% PSLW: 9.8%	Increase prices in rural areas and cost coverage while balancing increased competition in lightweight class
Jan 2016	PSHW: 4.9% PSLW: 23.5%	Increase PSLW profitability and stay in alignment with FCPS pricing, as they are both underpriced products. Combined machinable/NMO to disregard in pricing. Price increase for contract PSHW greatest in rural areas.
Jan 2017	PSHW: 3.5% PSLW: 8.0%	UPS and FedEx are pulling volume back from PSHW to deliver themselves in concentrated markets. Still a belief that PSLW is underpriced.
Jan 2018	PSHW: 4.9% PSLW: 7.0%	4.9% chosen as fits under 5% increase cap in contracts. More scope to increase PSLW price and still preserves PSLW and FCPS relationship, while taking advantage of robust PSLW growth last year. Belief that despite Amazon and UPS competition, the market can bear this increase.
Jan 2019	PSHW: 9.3% PSLW: 12.3%	Belief that PSLW still underpriced in the market, and matches price increase for FCPS in low zones. PSHW price is increased but most volume is covered under NSAs with price caps, thus increase will not impact significant volume except in undiscounted ZIPs (low delivery density areas). Introducing extension of dimensional weighting to >1 ft^3 packages.
Jun 2019	Introduction of DIM	Introduction of DIM pricing, charging higher weight pricing for oversized and underweight packages requiring non-machinable costing equilavent to heavier weights
Jan 2020	PSHW: 2.5% PSLW: 4.2%	Enhanced last mile capabilites and aggressive pricing of competiors and, diminishes growth so price modest pprice increases. PSHW price increase in particular is low to protect volume, which is at risk of migration to in-sourcing and self-delivery by major users.

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Comparative summary of Largest Parcel Select NSAs

A Comparison of Large Parcel Select NSAs

	amazon	FedEx	DHL	newgistics (pitney bowes)	UPS
Effective date		6/1/2012	1/10/2019	4/3/2019	8/28/2019 (GEO Pricing started 1/26/20)
Duration	10 yrs. (orig. 5)	9 yrs. (orig. 7)	3 yrs.	3 yrs.	3 yrs. (2x 1-yr extensions)
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2020 price increase	2%	2% Std, 2% Alt	2%	2%	2.7%
%DDU of DDU/DSCF	99.7%	89%	90%	85%	87%
% PSLW volume	48%	43%	82%	55%	48%
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Curent ALT 2 lb DDU $/Pc	N/A	$2.11	T1 - $2.13 T2 - $2.02	T1 - $1.94 T2 - $1.86	$2.18

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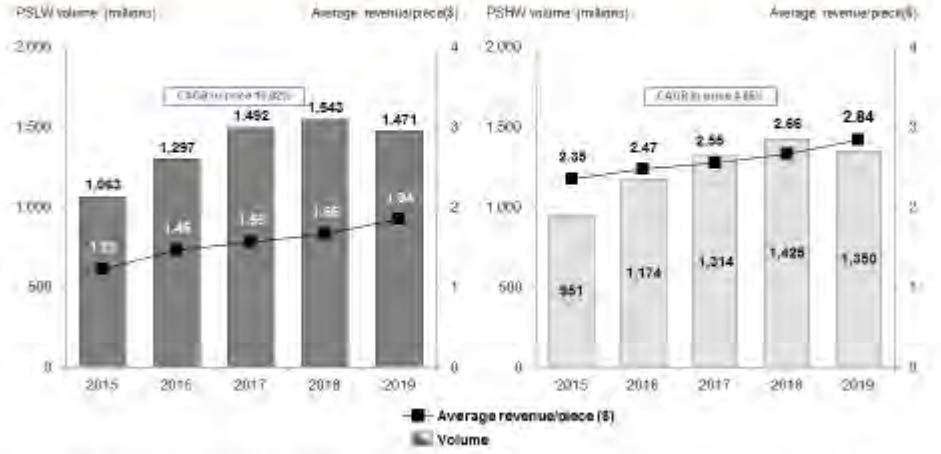
UNITED STATES POSTAL SERVICE

3. USPS positioning

Parcel Select Lightweight and Parcel Select Volume vs. Price, CY



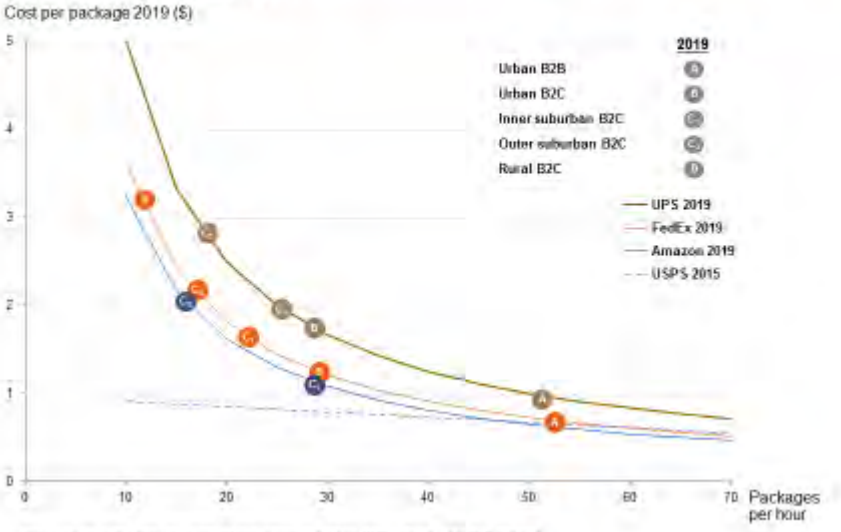
Note: Annual volumes in 2014-2018 are calculated on a calendar year basis, to better reflect the impact of annual prices changes, which go into effect in January. 2019 volume data is FY, as the calendar year is incomplete
Source: CDM PS volume data, FY2015-2019, PSHV volume

8

UNITED STATES POSTAL SERVICE

3. USPS positioning

Last mile cost curves



Source: Driver interviews, van observations, expert interviews, USPS internal data, BCG analysis
Note: [2019 volumes density positions on the curve need to be validated]
Note: USPS costs are based on large parcel delivery and have not been updated since 2015

7

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Context for PM-150 Amazon Successor Agreement
Discussion Brief

4/15/2020

Megan, please note highlights for easier reference.

- This is a successor contract to the existing Priority NSA. Gov Duncan was provided the current NSA for review last week. It was noted that the NSA expires May 1 and successor was being finalized.
- Total annual increased contribution from moving non continguous to published pricing = $25M.
- Contribution improves on contingous zips by $1.7M and pricing creates opportunity to win additional volume in Zones 1-4 for additional $5-9M contribution over the life of this NSA.

Contents

1. Summary of the PM Amazon successor agreement and key tables of financial benefits for USPS
2. Market opportunity: changes to consumer behavior and competitive dynamics introduced by COVID
3. Competitor sales tactics during the COVID crisis
4. Ongoing Amazon efforts and negotiations timeline

1. Summary of the Agreement PM Amazon successor agreement

Amazon's Priority Mail Fulfillment proposed Successor Agreement represents a contribution growth opportunity. This NSA will result in higher contribution than the expiring NSA, and higher contribution than a scenario in which no NSA was in place.

Under the successor agreement proposed, $26M of Amazon's ~$192M Priority Mail Fulfillment business would be discounted and the rest would be charged at published rates. This NSA represents <1% of total Amazon business.

This NSA represents an effective price increase from the arrangements in the current NSA that expires on May 1, 2020 while more specifically targeting discounts to retain business and win business that UPS currently wins.

- **USPS increased annual contribution by ~$25M by shifting 75% of volume (non contiguous) from discounted rates to published rates.**
- **USPS agreement creates multi-year contribution opportunity worth between ~$5-9M** by targeting discounts to high-contribution, high service performance product where UPS has significant share.

Competitive intelligence

During negotiations, Amazon disclosed that they had 85M pieces of "Priority Mail equivalent" volume in 2019. The Postal Service only receives approximately 20% (16M) of Amazon's "Priority Mail equivalent".

- **The remaining 69M pieces (up to >$500M revenue) go to competitors –** majority to UPS and Delivery Service Providers.
- USPS is losing business because Priority Mail does **not meet Prime-service standard and price has not historically been competitive for non-Prime rated product.**

Discounts were targeted to individual rate-cells to incentivize favorable volume where USPS also has strong service performance.

Contract Structure

This Priority Mail contract has 2 features to protect USPS interests, grow contribution, and sustain the Amazon relationship:

- **Geo-based pricing:** Pricing is based on charging price required to win the business based on the particular lane.
- **Earned discount model**: Amazon will *earn* all incremental discounts by providing USPS with volume that historically has gone to Amazon's internal network, UPS, or regional carriers. *This is an industry standard aligned to what competitor would do. In instances where volumes decline, discounts also decline.*

Prices were created to **reflect the competitive landscape**. **At higher prices USPS would cede volume to UPS and lose net contribution.**

Table 4A: Estimated NSA Performance By ZIP Code Classification, FY 2019:

FY 19 Actuals

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Product	Estimated Total Volume	Approx. Volume Share	Total Revenue	Total Contribution	Revenue Per Piece	Contrib. Per Piece	Cost Coverage	Approx. Discount From CPP
PM (Contiguous ZIPs)	3,968,274	30.0%	$25,055,999	$3,268,174	$6.31	$0.82	115%	7.0%
PM (High Cost ZIPs)	9,259,306	70.0%	$59,683,079	$4,326,384	$6.46	$0.47	108%	14.7%
Total for NSA:	**13,227,579**	**100.0%**	**$84,739,078**	**$7,594,558**	**$6.41**	**$0.57**	**110%**	**12.4%**

Table 4B: Projected Change in Revenue & Contribution per Piece (Likely Scenario)

Projected For Contract Year								
Product	**Total Volume**	**Approx. Volume Share**	**Total Revenue**	**Total Contribution**	**Revenue Per Piece**	**Contrib. Per Piece**	**Cost Coverage**	**Approx. Discount From CPP**
PM (Contiguous ZIPs)	4,060,799	31.8%	$26,118,600	$4,921,368	$6.43	$1.21	123%	25.1%
PM (High Cost ZIPs CPP- NOT discounted)	8,708,441	68.2%	$73,325,071	$27,867,307	$8.42	$3.20	161%	0.0%
Total for NSA and CPP	**12,769,240**	**100.0%**	**$99,443,672**	**$32,788,675**	**$7.79**	**$2.57**	**149%**	**8.0%**
Volume Lost (5% High Cost)	458,339							
FY19 Total Volume	**13,227,579**							

Source: Volume, Revenue, Contribution and Cost Coverage drawn from the 2019 BOG reports, and the forecasts of the Pricing Team.

2. Market opportunity: changes to consumer behavior and competitive dynamics introduced by COVID

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The COVID pandemic has already begun, and will continue to, permanently make changes to the e-commerce and broader retail landscape. Online sales are up over 25% according to Bloomberg [1] - with outsized growth in online grocery, pharmacy, mass retail and Amazon. Key trends that will likely have long lasting impact beyond COVID:

- Increase in prescriptions by mail – USPS CVS shipping up over 800K / week vs. ~40K / week pre-COVID. USPS consumers are being forced to become more comfortable with home-drug-delivery.
- Conversion of brick and mortar stores to fulfillment centers to accommodate online orders (e.g. Nordstrom predicting online orders to cause 15-20% increase in SFS volumes). This new shipping infrastructure will subsist beyond the crisis.
- Similar to large retailers, SMBs are forced to accelerate infrastructure development to bring services and product online. SMB survivors and winners of COVID will have built deeper e-commerce presences
- E-commerce enablers (e.g.,eBay, Shopify, Shippo, Etsy)are taking share of e-commerce market and increasing their role in influencing shipping as they help new e-commerce shippers enter the online market. Adoption of these platforms will persist post-COVID as consumers gain fluency with how to use them to buy and sell goods in new ways.
- Mass retailers Walmart and Target benefitting from slowdowns in Amazon shipping and reduction of Amazon's 2-day inventory (mostly focused on essentials). This has enabled them to expand their customer base (Walmart seeing a surge in orders, increasing density and growing viability of its DDU inject model with USPS).
- Accelerated adoption of online grocery (Transactions increasing ~60%, Instacart hiring 300K workers, significant VC inflows)

This is a moment when the weakening business models (e.g. brick and mortar department store chains) risk failure, the 'strong will get stronger,' and winners for the next decade will emerge. In this time of both crisis and opportunity, companies large and small are looking for a reliable partner they can count on. Just like in a 'peak' period, performance and partnership now can make or break a relationship. We have received over 40 inquiries about USPS financial viability – our customers are looking for engagement and certainty during a time characterized by turbulence and unpredictability.

Our competitors are using this moment to go after new business, and ride the rising tide of volume growth to improve their density and their margins. In a virtuous cycle, these improved margins will fund more aggressive customer acquisition tactics and lower prices. By contrast, if we lose customers during this period, we enter a negative cycle, as we will have less volume and contribution to cover our costs, and will be forced to raise prices. In this context, securing profitable new business is vital.

3. Competitor sales tactics during the COVID crisis

Fedex

The talking points are verbatim and captured from three FedEx sellers. Last 3 weeks at Monday Sales meeting the main topic is ***FedEx Campaign against USPS.*** Each FedEx Rep. services/manages approx. 200 customers (as well as prospecting for new ones on a daily basis). They claim this is a "***new***" reason to contact every present & potential customer

FedEx talking points:

- "Everyone knows the USPS has been having **financial difficulties for years**"
- "Now (as with other companies over the years) it is **coming to an end**"
- "It's clear that the **current Administration is not fond of the way the USPS does business**"
- "Now we believe this will be the **end of the USPS as we know it**"
- "The USPS will ***NOT*** go away, however, it most likely will go thru **a major restructure**"
- "It's more likely to **just continue to do mail**, and **get out of the Package business entirely**"
- "News of this has been **all over the media**, with **NO official response from the USPS"**
- "This should tell you something"
- "Think about it: Do you even know who your USPS account manager is? No! Because that is not their model"
- "The USPS Sells you, but only supplies account management support to very large customers"

[1] https://www.bloomberg.com/news/articles/2020-03-31/americans-adopting-e-commerce-faster-than-ever-amid-pandemic

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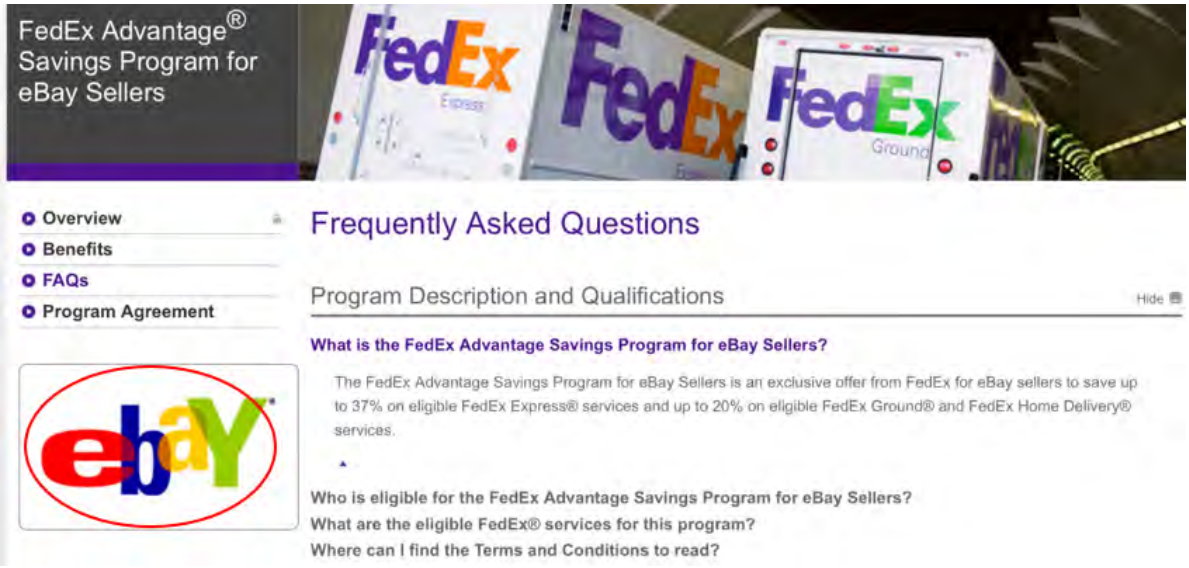
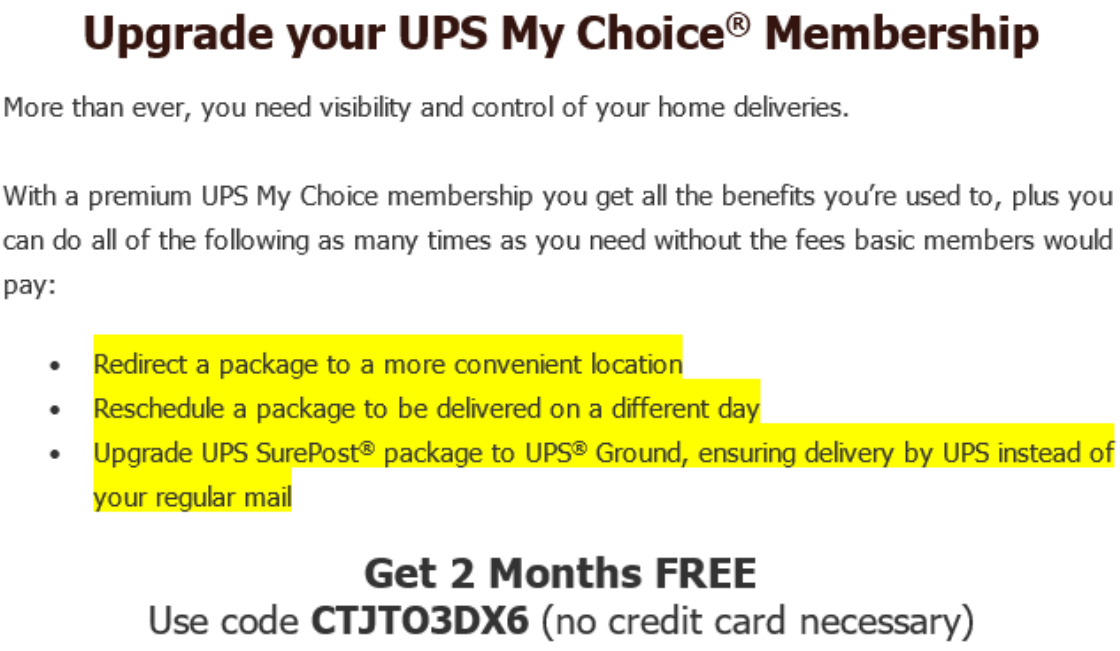
- "**You do not want to be stuck without a partner to deliver your parcels/packages"**
- "FedEx can onboard you now (quickly) without service interruption, **so you do not have to wait until the last minute"**
- "Imagine being stuck with filled orders, **but without a partner to deliver them"**
- **"You can avoid the rush and change your delivery partner now"**



UPS

UPS questions financials:

"We are getting very pointed questions internally (as well as from our shared customers) about the press of the Postal Service's adverse operational impacts as early as this summer".



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4. Ongoing Amazon efforts & negotiations timeline

In midst of COVID surge, like with other key customers (eBay, Walmart, etc.,), USPS engaging frequently with Amazon to:

- Support surging volumes and capture net new business for USPS
- Share mutual operational changes as demand and capacity shift quickly

In parallel, USPS and Amazon are in ongoing conversations to discuss mid-term considerations (next 12-18 months). In particular, Amazon negotiating team is working to analyze two specific questions:

1. How can Amazon's request for rate security in the mid-term be used to secure long-term volume and contribution certainty?
2. What *net new* business does USPS have the opportunity to win away from UPS by extending DSCF rates to Amazon?

Expected timeline for conversations and analyses:

- Amazon negotiating team is preparing to share *general* negotiating stance for these items by April 17th to receive input from leadership
- Objective would be to share updated plan with April S&IC to receive approval to proceed
- Specific economic terms and constraints will be developed by end of April
- Formal negotiations and "opening ask" extended in written-offer by May 8th

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From: Passantino, Stefan (59582)
Sent: Wednesday, April 01, 2020 4:04 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>; Weidner, Keith E - Washington, DC <Keith.E.Weidner@usps.gov>
Cc: Olson, Joseph L (13465) <JLOLSON@michaelbest.com>
Subject: RE: USPS--Background

Following up on this project, our team is putting together the requested analysis and I would like to try to set a time to provide either or both of you with a quick briefing on where we are and where we are headed. Is there a convenient time later this afternoon or tomorrow morning to discuss all of this?

Stefan Passantino
Partner
Practice Group Chair, Government Relations, Political Law & Public Policy
T 202.747.9582 | michaelbest.com

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Michael Best &
Friedrich LLP

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From: Passantino, Stefan (59582) <spassantino@michaelbest.com>
Sent: Monday, March 30, 2020 7:44 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
Subject: Re: USPS--Background

Thank you. I spoke with Keith. We are good. Hopefully we can get you and Keith a preview of everything on Wednesday and then turn it all over Thursday.

> On Mar 30, 2020, at 7:42 PM, Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov> wrote:
>
> Sorry, Stefan, but I have been in meetings since we talked until now. I think Keith called you on my behalf, but in any event I believe we are on the same page. Frankly, I suggested I would call you later largely so as not to put you on the spot concerning when you were going to complete your work.
>
> That said, if you would prefer to talk, I am still in the office at 202-268-5555.
>
> -Tom
>
> Thomas J. Marshall
> General Counsel and Executive Vice President
> United States Postal Service
>
> ---
>
> **From:** Passantino, Stefan (59582) [mailto:spassantino@michaelbest.com]
> **Sent:** Monday, March 30, 2020 5:07 PM
> **To:** Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>
> **Subject:** [EXTERNAL] RE: USPS--Background
>
> I just left a message following our call. I can be reached at 202-400-1530 at your convenience.
>
> **Stefan Passantino**
> **Partner**
> **Practice Group Chair, Government Relations, Political Law & Public Policy**
> **E** spassantino@michaelbest.com
> **T** 202.747.9582 | **M** 202.400.1530 | **F** 202.347.1819
>
> <image001.png>
> Michael Best & Friedrich LLP
> **A LexMundi Member**
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From: Barger/NorthernCrossPartners <jbarger@northerncrosspartners.com>
Sent: Monday, March 30, 2020 3:51 PM
To: Marshall, Thomas J - Washington, DC <thomas.j.marshall@usps.gov>; Rick Hohlt <rick@hohlt.com>; M. -Mike- Duncan Robert <mike@rmduncan.com>; Keith.E.Weidner@usps.gov; Passantino, Stefan (59582) <spassantino@michaelbest.com>; Olson, Joseph L (13465) <JLOLSON@michaelbest.com>
Subject: USPS--Background

All—

Here is background on USPS:

—Mission Statement (to be adopted 4/01/20);

—Two interesting articles from Wired and NY Times that provide color on critical role the USPS has (and will continue) to play in supporting the American People.

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UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

AMERICAN OVERSIGHT

USPS-20-1215-A-005068

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

USPS-20-1215-A-005069

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

AMERICAN OVERSIGHT

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

AMERICAN OVERSIGHT

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

AMERICAN OVERSIGHT

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

AMERICAN OVERSIGHT

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

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USPS-20-1215-A-005129

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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USPS-20-1215-A-005130

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

AMERICAN OVERSIGHT

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

AMERICAN OVERSIGHT

USPS-20-1215-A-005174

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

AMERICAN OVERSIGHT

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

AMERICAN OVERSIGHT

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-005177

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

AMERICAN OVERSIGHT
USPS-20-1215-A-005178

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

AMERICAN OVERSIGHT

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

USPS-20-1215-A-005242

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

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(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

AMERICAN OVERSIGHT

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

AMERICAN OVERSIGHT

USPS-20-1215-A-005296

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

AMERICAN OVERSIGHT

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

AMERICAN OVERSIGHT

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-005299

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

AMERICAN OVERSIGHT

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

AMERICAN OVERSIGHT

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

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USPS-20-1215-A-005373

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

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(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

AMERICAN OVERSIGHT

USPS-20-1215-A-005495

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

AMERICAN OVERSIGHT

USPS-20-1215-A-005539

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

AMERICAN OVERSIGHT

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

USPS-20-1215-A-005543

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

AMERICAN OVERSIGHT
USPS-20-1215-A-005544

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

AMERICAN OVERSIGHT

USPS-20-1215-A-005556

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

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USPS-20-1215-A-005617

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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USPS-20-1215-A-005618

NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

AMERICAN OVERSIGHT

Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

AMERICAN OVERSIGHT

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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USPS-20-1215-A-005666

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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AMERICAN OVERSIGHT

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

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(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground*. *Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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USPS-20-1215-A-005727

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with new quarterly RPW draft V1.1)
- Contingent liabilities
- Related party transactions
- Confirm no updates to PRC matters: Ten-year review and Institutional Cost case

Other outstanding items:

- Legislative Update - ~~Initial draft is in.~~Additional Comments Received and Updated
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April ~~23~~27, 2020 ~~(5.0)~~(5.2)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE
(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

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USPS-20-1215-A-005739

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	185	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,036**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(14)	(25)
Net cash used in financing activities	**(14)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents ~~and~~& restricted cash	298	(1,682)
Cash, cash equivalents ~~and~~& restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents ~~and~~& restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both

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interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, ~~which~~and the virus has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. ~~However, the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

Given these COVID-19 considerations, the Postal Service requires an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults. While the COVID-19 disruption is expected to be temporary, its depth and duration remain uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. ~~If~~Assuming the Postal Service ~~is able~~elects to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, it expects that it will have sufficient liquidity to continue operations through ~~April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.~~ at least May 2021.

~~Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.~~

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April 1, 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

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The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $83.1 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service ~~will unlikely~~may not have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. ~~After experiencing relatively~~

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~~flat volume between 2009 and 2016, beginning in 2017,~~ *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. ~~However, this~~This service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to the Postal Service's network during March 2020 due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. ~~Irrespective~~Aggressive management of the ~~challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as~~business operations, as well as an additional injection of liquidity, provided by either the U.S. government or other sources, and legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

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The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019***	**2020**	**2019***
Operating revenue:				
First-Class Mail	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service

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have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

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The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

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The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.

[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").

[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.

[4] Amount includes liabilities for operating leases with the GSA.

[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations, as well as payables to other agencies.

[6] Amounts include noncurrent workers' compensation obligations.

The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

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NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

~~The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.~~

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million ~~respectively, and impairment charges were de minimis.~~, respectively. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million ~~respectively, and impairment charges were de minimis.~~, respectively. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO (“NPMHU”) on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service’s legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO (“APWU”), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO (“NALC”). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

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Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.

[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

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In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

~~**Other**~~

~~The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".~~

~~In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.~~

~~In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.~~

~~The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.~~

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

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CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month

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periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM ~~for~~ with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.

[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating*

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expenses in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

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NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative

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of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as “may,” “will,” “could,” “expect,” “believe,” “plan,” “estimate,” “project” or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus (“COVID-19”) on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* (“PAEA”) classifies our products into two broad categories: Market-Dominant and Competitive “products,” however, we use the term “services” in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System (“CSRS”) and the Federal Employee Retirement System (“FERS”), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund (“PSRHBF”). We must coordinate with the U.S. Office of Personnel Management (“OPM”) to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

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Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic ~~is~~are uncertain, and such uncertainty ~~may~~will likely continue during the second half of fiscal year 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits liabilities and expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we ~~are able to~~ borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through ~~April~~May 2021. ~~However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.~~

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Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $386 million, or 7.1%, with a volume growth of 12 million pieces, or 0.8%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 604 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general ~~elections.~~elections, partially offsetting the decrease in *Marketing Mail*.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;

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- *First-Class Mail* revenue decrease of $79 million, or 0.6%, with a volume decline of 600 million pieces, or 2.1%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $532 million, or 4.5%, despite a volume decline of 73 million pieces, or 2.2%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail*, over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,375	$ 6,286	$ 12,847	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,821	5,435	12,427	11,895
International	609	595	1,313	1,308
Periodicals	265	298	552	609
Other[4]	1,032	1,045	1,903	1,968
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,206	14,235	28,524	29,124
Marketing Mail[2]	17,040	17,644	37,342	39,687
Shipping and Packages[3]	1,484	1,472	3,221	3,294
International	189	214	430	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	73	70	167	161
Total volume	**34,013**	**34,798**	**71,814**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 33% of our revenue for the three months ended March 31, 2020, which was a 2% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus

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on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

Furthermore, due to the COVID-19 pandemic our *First-Class Mail* and *Marketing Mail* volumes began an accelerated decline in late March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

Our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density. However, as a result of the temporary surge in e-commerce growth driven by the COVID-19 pandemic, some of these customers increased their volume to our network during March 2020 due to their delivery capacity constraints.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $89 million, or 1.4%, despite a volume decline of 29 million pieces, or 0.2%, compared to the same period last year. Revenue growth was the result of decennial mailings associated with the 2020 U.S. Census, otherwise revenue and volume would have each declined during the quarter. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased

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$79 million, or 0.6%, and volume declined 600 million pieces, or 2.1%, compared to the same period last year. The change in revenue for both periods was less than the corresponding volume declines due to the January 2020 price increase applicable to certain Market-Dominant services. The most significant factor contributing to the declining trend in *First-Class Mail* volume has been the continuing migration from mail to electronic communication and transaction alternatives.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals*.

~~Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder~~*Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, exacerbated by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of ~~2019~~2018 and the first ~~half~~quarter of ~~2020, exacerbated by the COVID-19 pandemic.~~2019.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 604 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020, our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,696	$ 2,519	$ 5,674	$ 5,489
Parcel Services[2]	1,774	1,618	3,959	3,724
First-Class Package Services[3]	1,151	1,087	2,387	2,252
Package Services	200	211	407	430
Total Shipping and Packages revenue	**$ 5,821**	**$ 5,435**	**$ 12,427**	**$ 11,895**
Shipping and Packages Volume:				
Priority Mail Services[1]	279	273	583	594
Parcel Services[2]	723	699	1,630	1,643
First-Class Package Services[3]	340	341	712	724
Package Services	142	159	296	333
Total Shipping and Packages volume	**1,484**	**1,472**	**3,221**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 7.1%, with a volume growth of 0.8%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.5%, despite a volume decline of 2.2%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce in late March 2020 resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 46% of the total for the three and six months ended March 31, 2020, and 2019. However, Priority

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Mail Services accounted for approximately 19% and 18% of the total Shipping and Packages volume for three and six months ended March 31, 2020, respectively, essentially unchanged compared to the same periods last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 7.0%, on volume growth of 2.2%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 3.4%, despite a volume decline of 1.9%, compared to the same period last year. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.6%, on volume growth of 3.4%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.3%, despite a volume decline of 0.8%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce in late March 2020 from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three-month period, and grew despite the volume decline for the six-month period, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 5.9%, despite a volume decline of 0.3%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 6.0%, despite a volume decline of 1.7%, compared to the same period last year. Revenue grew despite the volume declines, largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 5.2% on a volume decline of 10.7%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 5.3% on a volume decline of 11.1%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

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For the three months ended March 31, 2020, *International Mail* revenue increased 2.4%, despite a volume decline of 11.7%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.4%, despite a volume decline of 9.1%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked ~~our~~the provision of the new remuneration system to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 11.1% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 1.2%, and 3.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%, and a further significant decline is expected in 2020.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April ~~8~~7, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

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On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer.

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We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities

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from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates,

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as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

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With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

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Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain incremental risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its depth and duration ~~remains~~remain uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.~~

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. ~~If~~Assuming we ~~are able~~elect to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, ~~we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.~~and through additional defaults, we expect that we will have sufficient liquidity to continue to operate through at least May 2021.

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Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Much of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $148 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately ~~$2.0~~$1.9 billion, which is approximately ~~$300~~$400 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, ~~to fund our operations.~~including the $10.0 billion financing available provided by the *CARES Act,* and through additional defaults, to fund our operations through at least May 2021.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

~~Irrespective of our challenges resulting from the COVID-19 pandemic, absent~~Absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we ~~will unlikely~~may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity to continue operating, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

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PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020, and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

~~Irrespective of our challenges resulting from the COVID-19 pandemic, we~~We anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $8.0 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

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Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

~~Several bills introduced in response to the COVID-19 pandemic have financial implications for us.~~
Two bills that were signed into law by the President, and one bill that was introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 27, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would ~~also~~ appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

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Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

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We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Dear Editors:

The recent column ("Phase Out, Don't Bail Out, the Post Office") ignores the essential public service function of the United States Postal Service.

The Postal Service is an integral part of the federal government, providing all Americans – in urban and rural areas and every community in between – with universal access to our network and services. Americans rely on the Postal Service to receive mail-in ballots, jury summons, census information and prescription drugs.

The need for the Postal Service is evidenced by the extraordinary demand for postal services. Every day, more than 472 million pieces of mail are processed and delivered by this institution.

At a time when Americans are being urged to stay at home, the vital nature of the Postal Service has never been more apparent. This is why the National Security Council identified the delivery of postal services as being a "critical government service" necessary during times of crisis.

Instead of being phased out, the Postal Service needs to be reformed and strengthened for the future.

Sincerely,
Robert M. (Mike) Duncan
Chair, United States Postal Board of Governors

https://www.wsj.com/articles/phase-out-dont-bail-out-the-post-office-11588719001

Phase Out, Don't Bail Out, the Post Office

Nostalgia shouldn't keep alive an agency that is obsolete.

By *Gary MacDougal*
May 5, 2020 6:50 pm ET

A small blessing of the lockdown is that we've been spared the usual task of throwing half or more of the day's mail into the trash. As advertising dries up, the junk simply doesn't get sent.

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Meanwhile in Washington, there are calls to bail out the post office. “We cannot allow Donald Trump to use this horrific pandemic as an opportunity to bankrupt and privatize the Postal Service,” said Sen. Bernie Sanders in announcing an April 21 virtual town hall with postal-union leaders. Postmaster General Megan Brennan asked taxpayers for $75 billion. Mr. Trump declined to support such funds in the last stimulus, which included only a loan. But the president insists the USPS raise prices on packages it delivers for Amazon—never mind that package delivery is an intensely price-competitive business, and UPS, FedEx and Amazon itself stand ready to take the business if the USPS is no longer the low bidder.

The post office has made some changes in recent years. Its package business is more competitive with UPS and FedEx and it cooperates with them by assuming some “last mile” deliveries in unprofitable remote areas it is required by law to serve. But first-class mail, the USPS’s core business, has been dwindling for years thanks to email and online bill paying. The bottom line: 13 straight years of losses, almost $9 billion in fiscal 2019.

The responsible course is to set the Postal Service on a careful path to liquidation. This can be done in a way that wisely uses USPS assets, such as the 31,000 post offices, most of which are on valuable property in commercial areas, to wind the business down.

Crucially important would be dealing humanely with the workforce of 600,000—offering early retirement for senior employees and assistance for remaining employees in finding a new job. An experienced outplacement firm could connect employees with new opportunities. In some cases the USPS could pay moving expenses to those who have to relocate to take a new job.

Amazon, FedEx, DHL and UPS would all need to add employees to accommodate the delivery volume now handled by the post office. The government can help with their training. Many would seize the opportunity to advance their careers. Postal-union leaders, junk-mail purveyors and their political allies would complain loudly and keep demanding taxpayer dollars.

The combination of UPS, FedEx, DHL, Amazon and countless local delivery companies would pick up the slack left by the wind-down of the post office. Smaller delivery

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companies may find an opportunity to expand to handle last-mile delivery in remote areas. If that isn't enough, Amazon and others could charge more for deliveries to extremely remote locations.

Yes, there is nostalgia. I worked as a temporary Christmas mailman when I was in college, and the post office is one of the few government functions mentioned in (though not mandated by) the Constitution. But then many of us look back fondly at iconic businesses like Kodak and Sears, both now shadows of their former selves. Should the taxpayers have bailed them out, too?

Mr. MacDougal has been a partner of McKinsey & Co., a CEO of Mark Controls Corp. and a director of UPS.

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BOARD OF GOVERNORS

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 6, 2020

Contact: David Partenheimer
david.a.partenheimer@usps.gov
202-268-2599

Board of Governors Announces Selection of Louis DeJoy to Serve as Nation's 75th Postmaster General

WASHINGTON – The Board of Governors of the United States Postal Service today announced its unanimous selection of Louis DeJoy to serve as the 75th Postmaster General of the United States and Chief Executive Officer of the world's largest postal organization. DeJoy is an accomplished business executive with more than 35 years of experience. As Chairman and CEO of New Breed Logistics, DeJoy spent decades in collaboration with the U.S. Postal Service, Boeing, Verizon, Disney, United Technologies and other public and private companies to provide supply chain logistics, program management and transportation support. He is expected to begin serving in his new role effective June 15th.

"Louis DeJoy understands the critical public service role of the United States Postal Service, and the urgent need to strengthen it for future generations," said Robert M. (Mike) Duncan, chair of the Board of Governors. "The Board appreciated Louis' depth of knowledge on the important issues facing the Postal Service and his desire to work with all of our stakeholders on preserving and protecting this essential institution."

DeJoy becomes the fifth Postmaster General to join the institution from the private sector since the Postal Service became an independent establishment within the Executive Branch in 1971.

"Having worked closely with the Postal Service for many years, I have a great appreciation for this institution and the dedicated workers who faithfully execute its mission. I look forward to working with the supporters of the Postal Service in Congress and the Administration to ensure the Postal Service remains an integral part of the United States government. Postal workers are the heart and soul of this institution, and I will be honored to work alongside them and their unions. It will be an incredible honor to serve as Postmaster General, and I commit myself to upholding the Postal Service's cherished role in our nation," said Mr. DeJoy.

As Chairman and CEO of New Breed Logistics, Inc., he transformed a small, family owned transportation company with 10 employees into a nationwide provider of highly engineered, technology-driven, contract logistics solutions employing more than 9,000 people. New Breed Logistics was a contractor to the U.S. Postal Service for more than 25 years, supplying the Postal Service with logistics support for multiple processing facilities. The company received Quality Supplier Awards from the Postal Service in 1995, 1996, 1997 and 1998.

In 2014, New Breed merged with XPO Logistics, with DeJoy serving as CEO of XPO Logistics' supply chain business in the Americas before retiring in December 2015 as CEO and joining the XPO Logistics board of directors, where he served until 2018.

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BOARD OF GOVERNORS

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 6, 2020

Contact: David Partenheimer
david.a.partenheimer@usps.gov
202-268-2599

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Republican Outreach Strategy

Purpose: To improve the likelihood of the Board of Governors' legislative requests being included in a COVID-19 package by emphasizing the bipartisan support for the Postal Service and dampening the current partisan news coverage of the Postal Service.

Action: Engage with Republican Senators and Members of Congress that have a history of supporting postal service issues by briefing them on the Postal Service's actions during the COVID-19 crisis, the organization's current financial condition, and the Board's legislative recommendations.

Timeline: These briefings should occur after Chairman Duncan and Secretary Mnuchin have discussed the Board's request that the Postal Service be included in an upcoming coronavirus legislative package. Ideally, the briefings would begin after meaningful progress has been made in the Postal Service's discussions with the Treasury department. The Postal Service's request to be included in the coronavirus relief package will not be honored unless the Secretary and the President support it, and any perceived effort by the Postal Service to enlist Members of Congress to pressure the Administration publicly could harm the chances of success. Even if the Members privately engage, given the media coverage of the last COVID-19 negotiations, it is likely that any discussions with them will be made public and politicized. Further, even our solid friends on Postal Service issues may be reluctant to put a stake in the ground in support of the Postal Service without first obtaining a more clear understanding of the Administration's position on the issues.

Details: Briefings will include what has happened, and what will happen to the Postal Service's finances and operations that could lead to direct impact on service in the Member's state or district. The legislative request will also be discussed, ideally with a positive update on discussions with the Department of Treasury. The intent of briefings will be to inform Members of the Postal Service's vital role during the crisis, but also to ask that they support the legislative package agreement with Treasury. We have heard from our consultants that members to the right of the Administration have raised concerns about the previous COVID-19 response packages, and based on the public statements of several Republican members, we anticipate pushback on the next bill as well. Having the support of key Republican members, even after Treasury has agreed to support our request, should help reduce partisan reaction to postal relief, both by Members of Congress and by the media.

Members:

House of Representatives

Senate

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Critical Infrastructure

- The Postal Service provides an essential public service pursuant to statute and Trump Administration policy.
    - As part of the National Continuity Policy (established pursuant to Presidential Directive), “the delivery of postal services to the American Public" is defined by the National Security Council as an essential function that is necessary to ensure the Government provides “critical government services” during an emergency.
    - "Postal and shipping workers" are considered essential critical infrastructure workers, as defined by the Department of Homeland Security.

- As Americans are increasingly subject to shelter-in-place requirements and quarantines, the Postal Service’s mandate to bind the Nation together is more vital than ever.
    - We are used to deliver important government information and material (e.g., the White House Coronavirus Task Force mailing, Department of Health and Human Services face coverings, both to all American households), Census materials, ballots, government benefits checks, and packages containing vital necessities, including medicines and goods purchased online.
    - We are also communicating vital health information from the Administration at our retail units, by displaying all of the relevant CDC posters, and by using the digital message boards at our 4,000 largest Post Offices to convey critical information in a more interactive fashion.
    - We have also worked with the CDC to use the banner page on our digital informed delivery tool to convey important instructions from the CDC to our 23 million Informed Delivery subscribers.

- The Governors and Postal Service management are committed to continue providing this critical government service, and being a source of consistency and reliability for the American people throughout this national emergency. Management has established a dedicated COVID-19 leadership team to direct all issues related to our employees, operations, and customers. The Board is meeting regularly to be briefed by management on these efforts and to provide strategic direction.
    - We do not expect significant disruption of the services we provide, though there will be temporary service impacts as we are required to adjust operations to account for contingencies and local conditions.
    - If we need to curtail or adjust operations in a particular facility or area, management will activate our localized continuity of operations plans, just as it does for natural disasters, and we will recover quickly.

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- The Postal Service can also play a critical role in the all-of-government response to the pandemic, and we want to help in any way we can. We are participating in the National Response Coordination Center headed by FEMA. We have unique capabilities, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network.

    - By way of example, we have offered our two large training/conference centers to the effort. One, in Potomac, Maryland, has a hotel facility with over 400 rooms, and the other, in Norman, Oklahoma, has over 900 rooms. Both also have catering/dining facilities, as well as ample multi-purpose and conference rooms.

Financial Situation

- There is no doubt that pandemic will have a very negative impact on our financial situation. While the exact impact on volumes and revenue is of course uncertain, we will experience steep declines in mail volume and revenue this year, and likely next year.

- We face a liquidity crisis: our present forecast is that we will run out of money this fiscal year if we cannot borrow the $10B pursuant to the CARES Act, and that even with that money we will run out of money by March of 2021.

- This dramatic reduction in mail volume in a short period of time due to the pandemic only deepens the significant financial challenges that we are facing.

- We have already taken several steps to address our short term liquidity condition, but they are temporary and not sufficient to address the liquidity crisis.

    - We recently borrowed an additional amount of $3.4 billion from the FFB under our line of credit, which will be partly repaid in September, and partly repaid in April of next year.
    - We will also delay paying the Social Security tax, as authorized by the CARES Act.

Next Steps

- The Governors' focus is on ensuring the Postal Service's long-term financial sustainability, so that we can provide our critical public services both today, and in the years to come. We recently approved a mission statement to guide our efforts and those of management, and have been hard at work on developing consensus around a long-term financial plan.

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- There is now an immediate need to address the liquidity crisis caused by the pandemic.

- We appreciate the inclusion of $10 billion in additional borrowing authority in the CARES Act, though we understand that you opposed the inclusion of an appropriation agreed to by the Members of Congress, and also insisted that any borrowing be discretionary on the part of Treasury. We would like to understand why you took those positions, and whether you would support additional relief for the Postal Service in the next stimulus bill.

- We also need to know whether we should count on receiving the $10 billion.

    - Our forecasts show that the $10 billion will be critical to allowing us to continue operations.
    - We would like Postal Service management and your staff to begin discussions as to the terms and conditions that would apply if we request to borrow those funds.
    - We hope that we could come to an agreement that meets the needs of both parties, and is consistent with the law expeditiously, so that we can have confidence that we will those funds will be available and can be accessed quickly.

- While the $10 billion is a good start, further action is needed to improve our liquidity, and we want to work with the Administration and Congress on measures to achieve that goal and ensure the continuation of our operations.

- We also want to work with you and the Administration not only to address our short term liquidity needs, but also to position the Postal Service to be financially stable in long-term.

    - Once the current emergency ends, the Postal Service will continue to face the same challenges that existed before: declining mail volumes, a very competitive marketplace, a limited ability to reduce costs, and a compelling need to make long-deferred capital expenditures, including with respect to delivery vehicles.

    - And, we will face these challenges from an even weaker position than before, since the pandemic will erode our volume basis.

    - We need structural reforms to our business model to address these challenges now more than ever, and we believe that we can work together to identify certain changes that can be implemented now.

AMERICAN OVERSIGHT

- Moving forward, the Board will continue its work on a plan to develop consensus on additional, longer-term solutions that will directly address our current structural problems.

AMERICAN OVERSIGHT

Critical Infrastructure

- The Postal Service provides an essential public service pursuant to statute and Trump Administration policy.
    - As part of the National Continuity Policy (established pursuant to Presidential Directive), “the delivery of postal services to the American Public" is defined by the National Security Council as an essential function that is necessary to ensure the Government provides “critical government services” during an emergency.
    - "Postal and shipping workers" are considered essential critical infrastructure workers, as defined by the Department of Homeland Security.

- As Americans are increasingly subject to shelter-in-place requirements and quarantines, the Postal Service’s mandate to bind the Nation together is more vital than ever. We are used to deliver important government information and material (e.g., the White House Coronavirus Task Force mailing, Department of Health and Human Services face coverings, both to all American households), Census materials, ballots, government benefits checks, and packages containing vital necessities, including medicines and goods purchased online.

- We are also communicating vital health information from the Administration at our retail units, by displaying all of the relevant CDC posters, and by using the digital message boards at our 4,000 largest Post Offices to convey critical information in a more interactive fashion.

- We have also worked with the CDC to use the banner page on our digital informed deliver tool to convey important instructions from the CDC to our 23 million Informed Delivery subscribers.

- The Governors and Postal Service management are committed to continue providing this critical government service, and being a source of consistency and reliability for the American people throughout this national emergency. Management has established a dedicated COVID-19 leadership team to direct all issues related to our employees, operations, and customers. The Board is meeting regularly to be briefed by management on these efforts and to provide strategic direction.
    - We do not expect significant disruption of the services we provide, though there willmay be temporary service impacts as we are required to adjust operations to account for contingencies and local conditions.
    - If we need to curtail or adjust operations in a particular facility or area, management will activate our localized continuity of operations plans, just as it does for natural disasters, and we will recover quickly.

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- The Postal Service can also play a critical role in the all-of-government response to the pandemic, and we want to help in any way we can. We are participating in the National Response Coordination Center headed by FEMA. We have unique capabilities, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network.

- By way of example, we have offered our two large training/conference centers to the effort. One, in Potomac, Maryland, has a hotel facility with over 400 rooms, and the other, in Norman, Oklahoma, has over 900 rooms. Both also have catering/dining facilities, as well as ample multi-purpose and conference rooms.

Financial Situation

- There is no doubt that pandemic will have a very negative impact on our financial situation. While the exact impact is of course uncertain, we will experience steep declines in mail volume and revenue this year, and likely ~~possibly also~~ next year.

- Our present forecast is that we will run out of money this fiscal year if we cannot borrow the $10B pursuant to the CARES Act, and that even with that money we will run out of money by March of 2021.

- This dramatic reduction in mail volume in a short period of time due to the pandemic only deepens the significant financial challenges that we are facing. We face a liquidity crisis: we expect to run out of cash at some point either this year or next, depending on how quickly volumes decline and our access to borrowing.

- We have already taken several steps to address our short term liquidity condition, but they are temporary and not sufficient to address the liquidity crisis.

    - We recently borrowed an additional amount of $3.4 billion from the FFB under our line of credit, which will be partly repaid in September, and partly repaid in April of next year.
    - We will also delay paying the Social Security tax, as authorized by the CARES Act.

Next Steps

- The Governors' focus is on ensuring the Postal Service's long-term financial sustainability, so that we can provide our critical public services both today, and in the years to come. We recently approved a mission statement to guide our efforts and those of management, and have been hard at work on developing consensus around a long-term financial plan.

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AMERICAN OVERSIGHT

- There is now an immediate need to address the liquidity crisis caused by the pandemic.

- We appreciate the inclusion of $10 billion in additional borrowing authority in the CARES Act, though we understand that you opposed the inclusion of an appropriation agreed to by the Members of Congress, and also insisted that any borrowing be discretionary on the part of Treasury. We would like to understand why you took those positions, and whether you would support additional relief for the Postal Service in the next stimulus bill.

- We also need to know whether we should count on receiving the $10 billion.

    - Our forecasts show that the $10 billion will be critical to allowing us to continue operations.
    - We would like Postal Service management and your staff to begin discussions as to the terms and conditions that would apply if we request to borrow those funds.
    - We hope that we could come to an agreement that meets the needs of both parties, and is consistent with the law expeditiously, so that we can have confidence that we will those funds will be available and can be accessed quickly.

- While the $10 billion is a good start, further action is needed to improve our liquidity, and we want to work with the Administration and Congress on measures to achieve that goal and ensure the continuation of our operations.

- We also want to work with you and the Administration not only to address our short term liquidity needs, but also to position the Postal Service to be financially stable in long-term.

    - Once the current emergency ends, the Postal Service will continue to face the same challenges that existed before: declining mail volumes, a very competitive marketplace, a limited ability to reduce costs, and a compelling need to make long-deferred capital expenditures, including with respect to delivery vehicles.

    - And, we will face these challenges from an even weaker position than before, since the pandemic will erode our volume basis.

    - We need structural reforms to our business model to address these challenges now more than ever, and we believe that we can work together to identify certain changes that can be implemented now.

AMERICAN OVERSIGHT

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AMERICAN OVERSIGHT

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- The Governors and Postal Service management are committed to continue providing this critical government service, and being a source of consistency and reliability for the American people throughout this national emergency. Management has established a dedicated COVID-19 leadership team to direct all issues related to our employees, operations, and customers. The Board is meeting regularly to be briefed by management on these efforts and to provide strategic direction.
    - We do not expect significant disruption of the services we provide, though there may be temporary service impacts as we adjust operations to account for contingencies and local conditions. If, for some reason, we need to curtail or adjust operations in a particular facility or area, we will activate our localized continuity of operations plans, just as we do for natural disasters.

- The Postal Service can also play a critical role in the all-of-government response to the pandemic. We are participating in the National Response Coordination Center headed by FEMA. We have unique capabilities, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network.

Financial Situation

- There is no doubt that pandemic will have a significant negative impact on our financial situation. While the exact impact is uncertain, we are likely to experience very significant declines in mail volume and revenue this year, and possibly also next year.

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- This dramatic reduction in mail volume only deepens the significant financial challenges that we were already facing, and threatens our ability to continue providing our critical public service.

- We have taken several steps to address our short term liquidity position, but they are not sufficient to ensure that we have enough liquidity.
    - We recently borrowed an additional amount of $3.4 billion from the FFB under our line of credit, and will also benefit from being able to delay paying the Social Security tax under the CARES Act. These are both only temporary measures.

- Depending on the volume declines that occur, there is a significant risk that we will run out of money to fund operations either this year or next year.

- And, even if we can maintain some level of positive liquidity, we will not be in a position to ensure that we can make the investments necessary to continue providing our services in the manner expected by the American people (e.g. new delivery vehicles), or to be in a position to weather future adverse events.

Next Steps

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE®

Financial Impact COVID-19

AMERICAN OVERSIGHT

I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee

AMERICAN OVERSIGHT

Short-Term Outlook – Volume

Volume Index	Index value – Pre-COVID: 2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	Depth of Impact: 2020Q3	2020Q4	Duration of Impact: 2021Q1	2021Q2	2021Q3	2021Q4	Level of Return: 2022Q1	2022Q2	Previous baseline indices: Q1 2022	Q2 2022
First Class	100	100	100	100	70	60	72	84	80	82	83	83	90	88
Marketing Mail	100	100	100	100	30	30	50	63	68	68	68	68	90	91
Periodicals	100	100	100	100	50	40	50	63	69	69	67	67	90	87
Shipping & Packages	100	100	100	100	95	70	80	89	89	89	100	105	100	106
International	100	100	100	100	30	30	40	50	50	50	70	70	75	79
Other	100	100	100	100	88	88	88	88	76	76	76	76	82	91
Total	100	100	100	100	49	43	60	72	74	74	75	75	**90**	**90**

Volume:	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2
First Class	13,101	12,712	14,318	14,050	9,171	7,627	10,309	11,732	10,481	10,360	11,813	11,591
Marketing Mail	17,673	18,293	20,302	17,581	5,302	5,488	10,151	10,988	12,017	12,439	13,805	11,955
Periodicals	1,183	1,091	1,109	1,082	591	436	555	676	816	753	738	719
Shipping & Packages	1,420	1,451	1,737	1,430	1,349	1,016	1,390	1,273	1,264	1,291	1,737	1,501
International	202	180	240	187	61	54	96	94	101	90	168	131
Other	85	72	94	65	75	64	83	58	65	55	71	50
Total	*33,664*	*33,799*	*37,801*	*34,395*	*16,549*	*14,685*	*22,584*	*24,820*	*24,744*	*24,988*	*28,333*	*25,948*
4 Quarter Rolling Total:				*139,659*	*122,544*	*103,430*	*88,212*	*78,637*	*86,832*	*97,136*	*102,885*	*104,013*

AMERICAN OVERSIGHT

I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee

II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts

AMERICAN OVERSIGHT

Short-Term P&L and Cash Flow Statement Impacts

FY2020 Actual/Forecast	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
$-Millions	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY2020 Total
Revenue	$ 6,205	$ 6,042	$ 7,148	$ 6,089	$ 5,717	$ 5,963	$ 3,796	$ 3,440	$ 3,548	$ 3,533	$ 3,456	$ 3,582	$ 58,519
Controllable Expenses	$ 6,310	$ 6,090	$ 7,382	$ 6,478	$ 5,872	$ 6,073	$ 6,034	$ 5,818	$ 6,130	$ 6,061	$ 6,056	$ 6,028	$ 74,332
Controllable income (Loss)	$ (105)	$ (48)	$ (235)	$ (389)	$ (155)	$ (110)	$ (2,237)	$ (2,378)	$ (2,582)	$ (2,528)	$ (2,601)	$ (2,446)	$ (15,813)
Non-Controllable Expenses	$ 265	$ 63	$ 33	$ 1,188	$ 1,132	$ 298	$ 298	$ 298	$ 298	$ 298	$ 298	$ 298	$ 4,768
Net income (Loss)	$ (370)	$ (111)	$ (267)	$ (1,577)	$ (1,287)	$ (408)	$ (2,535)	$ (2,676)	$ (2,880)	$ (2,826)	$ (2,899)	$ (2,744)	$ (20,581)
Cash Balance (No changes)	$ 8,507	$ 7,670	$ 8,430	$ 8,892	$ 9,148	$ 9,588	$ 7,748	$ 5,282	$ 3,006	$ 946	$ (780)	$ (2,834)	
+Social Security Holiday							7,927	5,640	3,544	1,663	115	(1,759)	
+Borrow $3.4B							11,327	9,040	6,944	5,063	3,515	1,241	
+Borrow $10B Additional							21,327	19,040	16,944	15,063	13,515	11,241	
+Default of FERS Normal Cost							21,645	19,676	17,897	16,334	15,104	13,148	

FY2021 Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
$-Millions	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	FY2021 Total
Revenue	$ 4,831	$ 4,659	$ 5,609	$ 4,788	$ 4,347	$ 4,900	$ 4,711	$ 4,268	$ 4,403	$ 4,385	$ 4,288	$ 4,445	$ 55,634
Controllable Expenses	$ 5,980	$ 5,775	$ 6,994	$ 6,137	$ 5,573	$ 5,759	$ 5,720	$ 5,520	$ 5,810	$ 5,744	$ 5,741	$ 5,715	$ 70,468
Controllable income (Loss)	$ (1,148)	$ (1,116)	$ (1,385)	$ (1,349)	$ (1,226)	$ (859)	$ (1,009)	$ (1,252)	$ (1,407)	$ (1,360)	$ (1,452)	$ (1,270)	$ (14,834)
Non-Controllable Expenses	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 306	$ 3,677
Net income (Loss)	$ (1,455)	$ (1,422)	$ (1,691)	$ (1,656)	$ (1,532)	$ (1,165)	$ (1,316)	$ (1,558)	$ (1,714)	$ (1,666)	$ (1,759)	$ (1,576)	$ (18,511)
Cash Balance (No changes)	$ (5,683)	$ (6,482)	$ (7,345)	$ (8,370)	$ (9,078)	$ (9,284)	$ (10,736)	$ (11,557)	$ (12,398)	$ (13,335)	$ (13,922)	$ (14,432)	
+Social Security Holiday	(4,438)	(5,066)	(5,757)	(6,782)	(7,490)	(7,697)	(9,148)	(9,969)	(10,810)	(11,747)	(12,334)	(12,844)	
+Borrow $3.4B	(1,438)	(2,066)	(2,757)	(3,782)	(4,490)	(4,697)	(9,148)	(9,969)	(10,810)	(11,747)	(12,334)	(12,844)	
+Borrow $10B Additional	8,562	7,934	7,243	6,218	5,510	5,303	852	31	(810)	(1,747)	(2,334)	(2,844)	
+Default of FERS Normal Cost	10,783	10,468	10,090	9,378	8,983	9,090	4,952	4,444	3,916	3,292	3,018	2,821	

Note: Average bi-weekly payroll ~$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

AMERICAN OVERSIGHT

Short-Term Strategies to Remain Liquid

- BOG approved strategies

($ in millions)

	Month:	No Changes	Social Security Holiday - CY2020	Borrow/repay $3.4B	Borrow $10B	Default on FERS
CY 2020	April	7,748	7,927	11,327	21,327	21,645
	May	5,282	5,640	9,040	19,040	19,676
	Jun	3,006	3,544	6,944	16,944	17,897
	Jul	946	1,663	5,063	15,063	16,334
	Aug	(780)	115	3,515	13,515	15,104
	Sep	(2,834)	(1,759)	1,241	11,241	13,148
	Oct	(5,683)	(4,438)	(1,438)	8,562	10,783
	Nov	(6,482)	(5,066)	(2,066)	7,934	10,468
	Dec	(7,345)	(5,757)	(2,757)	7,243	10,090
CY 2021	Jan	(8,370)	(6,782)	(3,782)	6,218	9,378
	Feb	(9,078)	(7,490)	(4,490)	5,510	8,983
	Mar	(9,284)	(7,697)	(4,697)	5,303	9,090
	April	(10,736)	(9,148)	(9,148)	852	4,952
	May	(11,557)	(9,969)	(9,969)	31	4,444
	Jun	(12,398)	(10,810)	(10,810)	(810)	3,916
	Jul	(13,335)	(11,747)	(11,747)	(1,747)	3,292
	Aug	(13,922)	(12,334)	(12,334)	(2,334)	3,018
	Sep	(14,432)	(12,844)	(12,844)	(2,844)	2,821
	Oct	(15,071)	(13,483)	(13,483)	(3,483)	2,499
	Nov	(15,675)	(14,087)	(14,087)	(4,087)	2,212
	Dec	(16,278)	(15,484)	(15,484)	(5,484)	1,131

Note: Average bi-weekly payroll ~$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

AMERICAN OVERSIGHT

Long-Term Comparison of Pre-COVID and Post-COVID 10 Year Impacts

- **The 10 Year Net Loss is $54.3B worse than the previous baseline**
- **The FY2020/FY2021 Net loss is $22.8B worse than the previous baseline**

Previous Baseline - 10 Year IFP Scenario:

$ & pieces in billions	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Total Volume	138	132	126	122	117	113	108	105	100	97	1,156
Revenue	$ 71.8	$ 71.2	$ 71.2	$ 71.4	$ 71.4	$ 71.6	$ 71.5	$ 71.8	$ 72.3	$ 72.8	$ 716.9
Controllable Expenses	75.8	76.3	77.7	79.5	81.2	83.0	84.6	86.6	88.5	90.2	823.2
Non-Controllable Exp	3.6	3.7	3.8	3.9	3.9	4.0	4.1	4.2	4.3	4.5	39.8
Controllable Loss	(4.0)	(5.1)	(6.5)	(8.1)	(9.8)	(11.4)	(13.1)	(14.8)	(16.2)	(17.4)	(106.4)
Net Loss	**$ (7.6)**	**$ (8.7)**	**$(10.3)**	**$(12.0)**	**$(13.7)**	**$(15.4)**	**$(17.2)**	**$(18.9)**	**$(20.5)**	**$(21.9)**	**$(146.1)**

COVID Impact - 10 Year Scenario

$ & pieces in billions	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Total Volume	103	97	103	101	99	97	94	93	90	89	966
Revenue	$ 58.5	$ 55.6	$ 60.8	$ 61.3	$ 62.1	$ 63.0	$ 63.8	$ 64.9	$ 66.1	$ 67.2	$ 623.4
Controllable Expenses	74.3	70.5	73.0	74.5	76.5	78.6	80.7	82.9	85.2	87.0	783.3
Non-Controllable Exp	4.8	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	40.7
Controllable Loss	(15.8)	(14.8)	(12.2)	(13.2)	(14.4)	(15.6)	(16.9)	(18.0)	(19.1)	(19.9)	(159.9)
Net Loss	**$(20.6)**	**$(18.5)**	**$(15.9)**	**$(17.0)**	**$(18.3)**	**$(19.6)**	**$(21.0)**	**$(22.2)**	**$(23.3)**	**$(24.3)**	**$(200.6)**

AMERICAN OVERSIGHT

I. Aligned on volume assumptions in the short, medium and long-term with the Audit and Finance Committee

II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts

III. Assessed the business plan initiatives against the new P&L post-COVID

AMERICAN OVERSIGHT

10-Year Business Plan Initiative Impact

All numbers represent 10 year contribution impact
(Dollars in Billions)

	Scenario 3	Scenario 4
BASELINE 10 YEAR NET LOSS	**(200.6)**	**(200.6)**
LEGISLATIVE		
Medicare Integration		
Prospective Medicare Integration / Vested Liability	40.8	40.8
Eliminate RHB normal cost payments if overfunded	10.0	10.0
Immediate refund of RHB fund surplus	8.0	8.0
Normal cost payments required due to lower funding level after refund	(3.6)	(3.6)
Employee Benefits		
Pension benefits payments waived if funding > Federal government	61.4	
Convert new employees to defined contribution retirement system		1.2
Increase legacy employees contribution to FERS defined benefit		5.3
Reform workers' compensation system		4.4
Leave policy adjustment		4.5
USO		
5 Day delivery frequency with volume trigger and delivery of packages where density supports positive contribution		10.7
Investing		
Invest 100% FERS and CSRS in higher yielding securities		11.3
Invest 100% of RHB assets in higher yielding securities	3.4	3.4
Pricing		
Restore half exigent price increase (2.15%)	5.8	

Regulatory	Scenario 3	Scenario 4
Price Flexibility		
Current PRC proposal CPI+2%, CPI+4% for underwater products	23.2	23.2
Additional price increase on underwater products beyond PRC proposal.		5.3
USO		
Aggressive mode of delivery modifications (15.5M to cluster boxes, 4.9M to curbline)		8.5
USPS		
Infrastructure		
Outsource some operations and consolidate mail processing facilities		8.4
Reduce additional hours at Post Offices commensurate with workload		1.3
Reduce administrative structure by 5%		1.3
Collective Bargaining		
Increase percentage of non-career employees by ~5%		1.0
Products		
Digital product opportunities	2.8	2.8
Other product opportunities / Real estate monetization		1.1
OTHER		
Disynergies/Depreciation/Interest Savings		
Interest savings	17.7	17.7
Disynergy*		(3.3)
Depreciation		(1.2)
TOTAL	**(31.2)**	**(38.7)**

*Disynergy between CPI+2% price increase and half exigent price increase not currently modelled

Note: Average bi-weekly payroll ~$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

AMERICAN OVERSIGHT

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II. Flowed those volumes through the financial forecast models to assess the P&L and cash flow impacts

III. Assessed the business plan initiatives against the new P&L post-COVID

IV. Aligned on a short-term legislative ask with the Strategy & Innovation Committee given the immediate COVID impact on the financials

AMERICAN OVERSIGHT

Short-Term Legislative Relief:

1. $25B grant to cover COVID losses over the next two year period
2. $25B modernization grant to ensure USPS can maintain and modernize the infrastructure to support the nation
3. Debt forgiveness of the $14.4B in outstanding debt
4. Unrestricted borrowing authority up to $25B

Longer-Term 10-Year Scenario 3 Business Plan Initiatives:

1. Prospective Medicare Integration with vested liability
   - Investment of RHB funds
2. Pension Relief
3. Price Flexibility
4. Product Opportunities

AMERICAN OVERSIGHT

Impact of short-term legislative relief combined with Scenario 3

		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Base	Net Loss	(20,581)	(18,511)	(15,889)	(17,020)	(18,282)	(19,558)	(20,962)	(22,176)	(23,334)	(24,253)	**(200,566)**
	Cash without defaults	**(10,411)**	**(29,886)**	**(46,803)**	**(64,837)**	**(83,785)**	**(103,619)**	**(124,838)**	**(147,477)**	**(170,889)**	**(194,974)**	**(194,974)**
Stimulus (Social Security holiday and $3.4B borrowing)	Cash	**(6,336)**	**(28,298)**	**(47,597)**	**(64,837)**	**(83,785)**	**(103,619)**	**(124,838)**	**(147,477)**	**(170,889)**	**(194,974)**	**(194,974)**
$25B Cash infusion	Cash	**18,664**	**(3,298)**	**(22,597)**	**(39,837)**	**(58,785)**	**(78,619)**	**(99,838)**	**(122,477)**	**(145,889)**	**(169,974)**	**(169,974)**
$25B Modernization grant*	*Impact*	*12,500*	*625*	*1,250*	*1,875*	*2,500*	*2,500*	*2,500*	*2,500*	*2,500*	*2,500*	*31,250*
	Cash	**31,164**	**9,827**	**(8,222)**	**(23,587)**	**(40,035)**	**(57,369)**	**(76,088)**	**(96,227)**	**(117,139)**	**(138,724)**	**(138,724)**
$14.4B Debt Forgiveness	*Impact (debt due)*	400	3,000	1,000		1,000		700				6,100
	Cash	**31,564**	**13,227**	**(3,822)**	**(19,187)**	**(34,635)**	**(51,969)**	**(69,988)**	**(90,127)**	**(111,039)**	**(132,624)**	**(132,624)**
Additional Borrowing Authority	*Additional borrowing*		*5,000*	*5,000*	*15,000*							25,000
	Cash	**31,564**	**18,227**	**6,178**	**5,813**	**(9,635)**	**(26,969)**	**(44,988)**	**(65,127)**	**(86,039)**	**(107,624)**	**(107,624)**
Default on Year End Payments**	*Impact*	*7,577*	*7,877*	*8,077*	*8,377*	*8,677*	*8,977*	*9,377*	*9,677*	*10,077*	*10,177*	*88,870*
	Cash	**39,141**	**33,681**	**29,709**	**37,721**	**30,950**	**22,593**	**13,951**	**3,489**	**(7,346)**	**(18,754)**	**(18,754)**
With impact of Sc. 3 initiatives**	*Impact*	*8,000*	*3,022*	*4,102*	*6,010*	*7,183*	*7,097*	*9,626*	*10,741*	*11,913*	*12,935*	*80,630*
	Cash	**47,141**	**44,703**	**44,833**	**58,856**	**59,268**	**58,008**	**58,991**	**59,272**	**60,349**	**61,876**	**61,876**
Total Debt Balance after all impacts:		**-**	**5,000**	**10,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**
Cash Net of Debt after all impacts:		**47,141**	**39,703**	**34,833**	**33,856**	**34,268**	**33,008**	**33,991**	**34,272**	**35,349**	**36,876**	**36,876**

*** Of the $25B modernization grant, $12,500 is assumed to be spent over time on deferred maintenance and sustaining investments within the current capital plan and $12,500 to be spend immediately on projects that will realize a 20% annual ROI. The $25B grows to $31.250B as a result of the ROI on projects.**
**** The year end payments include RHB Normal Cost, FERS, CSRS, and RHB Amortization payments. If the components of scenario 3 related to Medicare Integration and Pension funding were enacted, these defaults would not be necessary and would be subsumed within the scenario 3 initiative total. The sum of the default on year end payments and scenario 3 intiatives listed above equals the total scenario 3 value of $169.5B.**

AMERICAN OVERSIGHT

Approve S&IC recommendation for immediate relief in Stimulus 4:

1. $25B grant to cover COVID losses over the next two year period
2. $25B modernization grant to ensure USPS can maintain and modernize the infrastructure to support the nation
3. Debt forgiveness of the $14.4B in outstanding debt
4. Unrestricted borrowing authority up to $25B

AMERICAN OVERSIGHT

Approve the recommendation of the Strategy & Innovation Committee regarding the 10-Year Strategy, which will include the following elements:

1. The Mission Statement approved on 4/1
2. Revised 10-year forecast based on COVID-19 impact
3. Scenario A (a/k/a Scenario 3)
4. The approved Legislative Request
5. As a contingency, Scenario B (a/k/a Scenario 4) in the event that (a) the gap is larger than anticipated, (b) all or part of Scenario A is not implemented, or (c) all or part of the Legislative Request is not fulfilled.

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UNITED STATES POSTAL SERVICE

APPENDIX

AMERICAN OVERSIGHT

Additional Regulatory Reform Proposals

Proposal	Explanation	Estimated 10 Yr. Value	Stakeholder Analysis	Tie to Mission Statement
Eliminate the price cap and have the PRC engage in after-the-fact regulatory monitoring of Market Dominant prices set by the Governors.	Would implement via statute the Postal Service's original proposal in the 10-Year Review, which is modeled on the regulatory system in the United Kingdom. It would create a much more flexible pricing system that still enables the PRC to ensure compliance with the law.	>$5B	Mailing industry, competitors, and PRC would be strongly opposed. Unions would likely be in favor of the substance of the proposal, particularly since we would propose to retain the existing workshare discount rules (a particular concern of APWU).	Indirect
Provide greater flexibility to enter into NSAs for Market-Dominant products, by eliminating the requirement in current law that an NSA provide a "net financial benefit"; this standard has been very hard to meet as an evidentiary matter.	The criteria for Market-Dominant NSAs would be streamlined to facilitate the Postal Service's ability to enter into more such agreements, based on the exercise of its business judgment. The statute would still require that the Postal Service not discriminate among similarly situated customers, and that the NSA not cause unreasonable harm to the marketplace (a standard that the PRC interprets to require that, among other things, an NSA cover its costs).	$1B-$5B	Mailing industry would generally support. Unclear if the PRC would oppose. Certain mailer groups that have opposed specific NSAs in the past, such as the newspapers, may be opposed, as may interest groups like the Taxpayers Alliance. Unions could oppose if this facilitates more workshare mail.	Indirect
Eliminate before-the-fact PRC review of Competitive rates, including NSAs. The Commission would engage in after-the-fact review in the Annual Compliance Report and complaint processes.	This would streamline the process for setting Competitive rates, particularly with respect to NSAs.	$1B-$5B	Customers would be in favor because this would increase ability to enter into agreements with Postal Service. Competitors would be strongly opposed, and PRC would likely be opposed to reduction in its regulatory authority.	Indirect
Eliminate before-the-fact review by PRC of new postal products, or PRC review of decisions to eliminate products	This proposal would give the Postal Service greater flexibility regarding its portfolio of postal products. The PRC would retain discretion as to how products would be categorized (i.e., either as Market-Dominant or Competitive), and therefore whether to transfer a product from one category to the other.	<$1B	Mailing industry, competitors, and PRC would likely oppose any diminution of the PRC's regulatory authority.	Indirect

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UNITED STATES POSTAL SERVICE

Additional Regulatory Reform Proposals

Proposal	Explanation	Estimated 10 Yr.- Value	Stakeholder Analysis	Tie to Mission Statement
Provide greater product freedom to offer nonpostal services and government services	This would allow new nonpostal services that are in the public interest and consistent with the Postal Service's mission of binding the Nation together. Those services would be authorized by the Governors, and subsequently regulated by the Commission in the same manner as the other nonpostal services. The language also would expand the Postal Service's authorization to provide government services to state, local, and tribal governments; would specifically authorizes the use of "sponsorship agreements"; and would endorse the concept that the Postal Service should be the storefront of the Federal Government.	$1B-$5B, with possible but unknown upside depending on profitability of additional services	There has been broad consensus around the state/local/tribal government language. The notion of sponsorship agreements may draw opposition from stakeholders concerned about the potential scope of that authority. There would likely be strong opposition to the nonpostal language, such as from the banking industry and aspects of the mailing industry.	Direct
Streamline service change process by either eliminating the PRC advisory opinion process entirely, or making the procedures less burdensome.	This would enable the Postal Service to implement service changes approved by the Board without first seeking an advisory opinion from the PRC. Alternatively, the Postal Service could retain the requirement to seek an advisory opinion, but change the statute to ensure a streamlined PRC process.	<$1B	Mailing industry, consumer groups, competitors, unions, and PRC would likely strongly oppose the elimination of this process. The alternative would likely also be opposed by these groups.	Indirect
Create additional flexibility for workshare discounts within price cap structure.	This would eliminate the PRC proposal to set a floor for workshare discounts, and give the Postal Service greater flexibility to set workshare discounts above the level of avoided costs.	<$1B	Mailing industry would support more flexibility to set workshare discounts above costs, but would oppose eliminating the floor. Unions would oppose giving more flexibility to set workshare discounts above cost. PRC would oppose any diminution of authority over pricing system.	Indirect

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Long-Term P&L and Cash Flow Statement Impacts

Note: Average bi-weekly payroll ~$2B / Assumes year-end defaults on RHB, CSRS and FERS lump sums.

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SEC. 2302. DELAY OF PAYMENT OF EMPLOYER PAYROLL TAXES.

(a) IN GENERAL.—

(1) TAXES.—Notwithstanding any other provision of law, the payment for applicable employment taxes for the payroll tax deferral period shall not be due before the applicable date.

(2) DEPOSITS.—Notwithstanding section 6302 of the Internal Revenue Code of 1986, an employer shall be treated as having timely made all deposits of applicable employment taxes that are required to be made (without regard to this section) for such taxes during the payroll tax deferral period if all such deposits are made not later than the applicable date.

(3) EXCEPTION.—This subsection shall not apply to any taxpayer if such taxpayer has had indebtedness forgiven under section 1106 of this Act with respect to a loan under paragraph (36) of section 7(a) of the Small Business Act (15 U.S.C. 636(a)), as added by section 1102 of this Act, or indebtedness forgiven under section 1109 of this Act.

(b) SECA.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the payment for 50 percent of the taxes imposed under section 1401(a) of the Internal Revenue Code of 1986 for the payroll tax deferral period shall not be due before the applicable date.

(2) ESTIMATED TAXES.—For purposes of applying section 6654 of the Internal Revenue Code of 1986 to any taxable year which includes any part of the payroll tax deferral period, 50 percent of the taxes imposed under section 1401(a) of such Code for the payroll tax deferral period shall not be treated as taxes to which such section 6654 applies.

(c) LIABILITY OF THIRD PARTIES.—

(1) ACTS TO BE PERFORMED BY AGENTS.—For purposes of section 3504 of the Internal Revenue Code of 1986, in the case of any person designated pursuant to such section (and any regulations or other guidance issued by the Secretary with respect to such section) to perform acts otherwise required to be performed by an employer under such Code, if such employer directs such person to defer payment of any applicable employment taxes during the payroll tax deferral period under this section, such employer shall be solely liable for the payment of such applicable employment taxes before the applicable date for any wages paid by such person on behalf of such employer during such period.

(2) CERTIFIED PROFESSIONAL EMPLOYER ORGANIZATIONS.—For purposes of section 3511, in the case of a certified professional employer organization (as defined in subsection (a) of section 7705 of the Internal Revenue Code of 1986) that has entered into a service contract described in subsection (e)(2) of such section with a customer, if such customer directs such organization to defer payment of any applicable employment taxes during the payroll tax deferral period under this section, such customer shall, notwithstanding subsections (a) and (c) of section 3511, be solely liable for the payment of such applicable employment taxes before the applicable date for any wages paid by such organization to any work site employee performing services for such customer during such period.

(d) DEFINITIONS.—For purposes of this section—

(1) APPLICABLE EMPLOYMENT TAXES.—The term "applicable employment taxes" means the following:

(A) The taxes imposed under section 3111(a) of the Internal Revenue Code of 1986.

(B) So much of the taxes imposed under section 3211(a) of such Code as are attributable to the rate in effect under section 3111(a) of such Code.

(C) So much of the taxes imposed under section 3221(a) of such Code as are attributable to the rate in effect under section 3111(a) of such Code.

(2) PAYROLL TAX DEFERRAL PERIOD.—The term "payroll tax deferral period" means the period beginning on the date of the enactment of this Act and ending before January 1, 2021.

(3) APPLICABLE DATE.—The term "applicable date" means—

(A) December 31, 2021, with respect to 50 percent of the amounts to which subsection (a) or (b), as the case may be, apply, and

(B) December 31, 2022, with respect to the remaining such amounts.

(4) SECRETARY.—The term "Secretary" means the Secretary of the Treasury (or the Secretary's delegate).

(e) TRUST FUNDS HELD HARMLESS.—There are hereby appropriated (out of any money in the Treasury not otherwise appropriated) for each fiscal year to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) and the Social Security Equivalent Benefit Account established under section 15A(a) of the Railroad Retirement Act of 1974 (45 U.S.C. 231n–1(a)) an amount equal to the reduction in the transfers to such fund for such fiscal year by reason of this section. Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had such amendments not been enacted.

(f) REGULATORY AUTHORITY.—The Secretary shall issue such regulations or other guidance as necessary to carry out the purposes of this section, including rules for the administration and enforcement of subsection (c).

AMERICAN OVERSIGHT

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates $1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS[1], often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

[1] Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/

AMERICAN OVERSIGHT

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ

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Colorado River Real Estate Magazine	Bullhead City	AZ
Entertainer	Bullhead City	AZ
Mohave Valley Daily News	Bullhead City	AZ
Runbeck Election Services, Inc.	Phoenix	AZ
The Bullhead City Booster	Bullhead City	AZ
The Laughlin Times	Bullhead City	AZ
The Wickenburg Sun	Wickenburg	AZ
Western States Printing Alliance	Queen Creek	AZ
Wickenburg Shopper News	Wickenburg	AZ

Arkansas

Arkansas Mailing Services	N. Little Rock	AR
Arkansas Press Association	Little Rock	AR
Dayspring Cards	Siloam Springs	AR
Harrison Daily Times	Harrison	AR
Johnson County Graphic	Clarksville	AR
Newton County Times	Jasper	AR

California

Auburn Direct	Auburn	CA
Auburn Journal	Auburn	CA
Big Bear Grizzly	Big Bear Lake	CA
Brentwood Press	Brentwood	CA
California News Publishers Association	Sacramento	CA
Chino Champion	Chino	CA
CohereOne	San Rafael	CA
Colfax Record	Colfax	CA
Desert Entertainer	Yucca Valley	CA
Desert Mobile Home News	Yucca Valley	CA
eBay Inc.	San Jose	CA
Folsom Lake Entertainer	Folsom	CA
Granite Bay View	Roseville	CA
Grizzly Weekender	Big Bear Lake	CA
Gustine Press-Standard	Newman	CA
Hi-Desert Star	Yucca Valley	CA
Idyllwild Town Crier	Idyllwild	CA
India West	San Leandro	CA
Lincoln News Messenger	Lincoln	CA
Major Mailers Assn.	El Dorado Hills	CA
Mountain News	Lake Arrowhead	CA
Mountain Shopper	Lake Arrowhead	CA
Needles Desert Star (1987)*	Needles	CA
Nevada & Placer County Entertainer	Auburn	CA
Ojai Valley News	Ojai	CA
PacSun, LLC	Anaheim	CA
Patterson Irrigator	Patterson	CA
PLD Group	Thousand Palms	CA
Point Reyes Light	Inverness	CA
Press Banner	Scotts Valley	CA
Printing Industries Assn. of San Diego, Inc.	San Diego	CA

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Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

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The Chronicle	Willimantic	CT
Trumbull Printing, LLC	Trumbull	CT
Wasco Tribune	Wasco	CT

Delaware

Cape Gazette	Lewes	DE
Greater Dover Extra	Dover	DE
Smyrna Extra	Smyrna	DE
Sussex Post	Seaford	DE
The Chronicle	Milford	DE

Florida

Access Mail Processing Services, Inc..	Clearwater	FL
Cedar Key Beacon	Chiefland	FL
Chiefland Citizen	Chiefland	FL
Citrus County Chronicle	Crystal River	FL
Consolidated Mailing Services	Tampa	FL
Direct Mail Impressions	Boca Raton	FL
Florida Graphics Alliance	Orlando	FL
Florida Mail & Print	Ft. Myers	FL
Florida Media Association	Ocala	FL
Florida Press Association	Tallahassee	FL
Gadsden County Times, The	Quincy	FL
Heritage Florida Jewish News	Orlando	FL
Kessler Creative	Jacksonville	FL
Key West Citizen and Free Press	Key West	FL
Lake City Reporter	Lake City	FL
Mail, Print & Packaging Solutions, Inc.	Lutz	FL
Nona Connect	Orlando	FL
Nonahood News	Orlando	FL
North Jax Monthly	Jacksonville	FL
Perry News Herald	Perry	FL
Print Reach, Inc.	Jacksonville Beach	FL
Publishers' Auxiliary	Pensacola	FL
Riverland News	Dunnellon	FL
South Marion Citizen	Dunnellon	FL
St. Augustine Observer	St. Augustine	FL
Sumter County Times	Bushnell	FL
Taco Times	Perry	FL
TC Delivers Mail Solutions & Savings	Jacksonville	FL
Textile Care Allied Trades Assn.	Wesley Chapel	FL
The West Volusia Beacon	DeLand	FL
Valpak	St. Petersburg	FL
Wakulla News, The	Crawfordville	FL
Westside Journal	Callahan	FL
Williston Pioneer Sun-News	Williston	FL
W.S. Badcock Corporation	Mulberry	FL

Georgia

Banks County News	Jefferson	GA

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Barrow News-Journal	Winder	GA
Charlton County Herald	Folkston	GA
Datamatx	Atlanta	GA
Early County News	Blakely	GA
Envelopes & Forms, Inc./SureBill	Duluth	GA
Fayette County News	Fayetteville	GA
Jackson Herald, The	Jefferson	GA
Madison County Journal, The	Jefferson	GA
Mature Living in the South	Baxley	GA
Mature Living in the Southeast	Baxley	GA
Monroe County Reporter	Forsyth	GA
North Georgia News	Blairsville	GA
Printing & Imaging Association of Georgia	Smyrna	GA
The Advance	Vidalia	GA
The Atlanta Voice	Atlanta	GA
The Baxley News-Banner	Baxley	GA
The Lincoln Journal	Lincolnton	GA
The Newnan Times-Herald	Newnan	GA
The News Observer	Blue Ridge	GA
The News-Reporter	Washington	GA
The Post-Searchlight	Bainbridge	GA
The Press-Sentinel	Jesup	GA
The Telfair Enterprise	McRae-Helena	GA
Times-Courier	Ellijay	GA
Towns County Herald	Hiawassee	GA
TSYS Inc.	Columbus	GA
Waycross Journal-Herald	Waycross	GA

Hawaii

Lahaina News	Maui	HI

Idaho

American Mailing Products, Inc.	Meridian	ID
Clearwater Tribune	Orofino	ID
The Arco Advertiser	Arco	ID
The Challis Messenger	Challis	ID
Weekly Mailer	Burley	ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)	Lake Villa	IL
Barco Products	Batavia	IL
Bunker Hill Gazette- News	Bunker Hill	IL
Carmi Chronicle	Carmi	IL
Carroll County Mirror-Democrat	Mt. Carroll	IL
Design Toscano	Elk Grove Village	IL
Fluence Automation, LLC	Arlington Heights	IL
Franklin County Gazette	Benton	IL
Gazette-Democrat, The	Anna	IL
Hardin County Independent	Elizabethtown	IL
InnerWorkings	Chicago	IL

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Journal-News, The	Hillsboro	IL
KirbyBuilt Products	Batavia	IL
K-Log	Zion	IL
Leader-Union, The	Vandalia	IL
Madison County Chronicle	Worden	IL
McLeansboro Gazette	McLeansboro	IL
Midland Paper Packaging and Supplies	Wheeling	IL
Mt. Olive Herald, The	Mount Olive	IL
Navigator and Journal Register, The	Albion	IL
North American Assn of Food Equipment Mfrs	Chicago	IL
Olney Gazette	Olney	IL
OSM Worldwide	Glendale Heights	IL
Quicksilver Mailing Services	Springfield	IL
Raymond News, The	Raymond	IL
Republic-Times Group, LLC	Waterloo	IL
R.R. Donnelley	Chicago	IL
Southwestern Journal News, The	Brighton	IL
The Carroll County Review	Thomson	IL
The Galena Gazette	Galena	IL
The Prairie News	Toulon	IL
The Sidell Reporter	Sidell	IL
The Vienna Times	Vienna	IL
The Weekly Post	Elmwood	IL
The Woodstock Independent	Woodstock	IL
TreeTop Products	Batavia	IL
Unison	Chicago	IL
Vienna Times, The	Vienna	IL
Weekly Press, The	Pinckneyville	IL

Indiana

Carroll County Comet	Delphi	IN
Crothersville Times	Crothersville	IN
Data Mail, Inc.	Evansville	IN
Engineering Innovation, Inc.	Lafayette	IN
Ferdinand News	Ferdinand	IN
Indiana Minority Business Magazine	Indianapolis	IN
Journal Review	Crawfordsville	IN
LaGrange News	LaGrange	IN
LaGrange Standard	LaGrange	IN
LSC Communications	Indianapolis	IN
Middlebury Independent	Middlebury	IN
Montpelier Weekly	Montpelier	IN
Mount Vernon Democrat	Mount Vernon	IN
Nat'l Assn of Mutual Insurance Companies	Indianapolis	IN
North Vernon Plain Dealer	North Vernon	IN
Online Data	South Bend	IN
Paper of Montgomery County	Crawfordsville	IN
Parke County Sentinel	Rockville	IN
Perry County News	Tell City	IN
Spencer County Journal-Democrat, The	Rockport	IN
Sullivan Daily Times	Sullivan	IN

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The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometowner	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

AMERICAN OVERSIGHT

The Carlisle Citizen	Carlisle	IA
The Charles City Press	Charles City	IA
The Columbus Gazette	Columbus Junction	IA
The Daily Iowan	Iowa City	IA
The Gowrie News	Gowrie	IA
The Manilla Times	Manilla	IA
The Observer	Westside	IA
The Ocheyedan Press-Melvin News	Ocheyedan	IA
The Seymour Herald	Seymour	IA
The Sun News	Lowden	IA
The Times Republican	Corydon	IA
The Tipton Conservative	Tipton	IA
Times-Republican	Marshalltown	IA
Toledo Chronicle	Toledo	IA
T-R Plus	Marshalltown	IA
Traer Star-Clipper	Traer	IA
West Branch Times	West Branch	IA
West Liberty Index	West Liberty	IA
Wilton-Durant Advocate News	Wilton	IA
Woolverton	Des Moines	IA

Kansas

Coffeyville Journal	Coffeyville	KS
Colby Free Press	Colby	KS
Ellsworth County Independent-Reporter	Ellsworth	KS
Eudora Times	Eudora	KS
Good News Press	Caney	KS
Independence Daily Reporter	Independence	KS
Kansas Press Association	Topeka	KS
Labette Avenue	Oswego	KS
Lineage	Lenexa	KS
Mail Works	Kansas City	KS
Marquette Tribune	Marquette	KS
Montgomery County Chronicle	Caney	KS
Mulvane News	Mulvane	KS
Prairie Star	Sedan	KS
Rawlins County Square Deal	Atwood	KS
Rose Hill Reporter	Rose Hill	KS
The Anthony Republican	Anthony	KS
The Cedar Vale Lookout	Cedar Vale	KS
The Cowley Courier Traveler	Arkansas City	KS
The Eureka Herald	Eureka	KS
The Goodland Star-News	Goodland	KS
The Holton Recorder	Holton	KS
The Marysville Advocate	Marysville	KS
The Monitor Journal	Little River	KS
The Norton Telegram	Norton	KS
The Oberlin Herald	Oberlin	KS
The Saint Francis Herald & Bird City Times	Saint Francis	KS
The Wabaunsee County Signal-Enterprise	Alma	KS
Universal Engraving, Inc.	Overland Park	KS

AMERICAN OVERSIGHT

Kentucky

Anderson News, The	Lawrenceburg	KY
Casey County News, The	Liberty	KY
Central Kentucky News-Journal	Campbellsville	KY
ElToro.com	Louisville	KY
Georgetown News-Graphic	Georgetown	KY
Henry County Local	Eminence	KY
Kentucky New Era	Hopkinsville	KY
Kentucky Standard, The	Bardstown	KY
LaRue County Herald News, The	Hodgenville	KY
Lebanon Enterprise, The	Lebanon	KY
News-Enterprise	Elizabethtown	KY
Oldham Era, The	La Grange	KY
Pioneer News, The	Shepherdsville	KY
Record, The	Leitchfield	KY
Record-Herald	Greensburg	KY
Sentinel-News, The	Shelbyville	KY
Spencer Magnet, The	Taylorsville	KY
Springfield Sun, The	Springfield	KY
The Cadiz Record	Cadiz	KY
The Cynthiana Democrat	Cynthiana	KY
The Eagle Post	Oak Grove	KY
The Grant County News	Williamstown	KY
The Harrison Shopper	Cynthiana	KY
The Licking Valley Courier	West Liberty	KY
The News-Democrat	Carrollton	KY
The News-Herald	Owenton	KY
The River City Trading Post	Carrollton	KY
The State Journal	Frankfort	KY
The Trimble Banner	Bedford	KY
Troublesome Creek Times	Hindman	KY
Vtility.com	Louisville	KY

Louisiana

American Press	Lake Charles	LA
Bogalusa Daily News	Bogalusa	LA
Bossier Press Tribune	Bossier City	LA
Cameron Parish Pilot	Cameron	LA
Catahoula News Booster	Jonesville	LA
Central Speaks Newspaper	Central	LA
DeQuincy News	DeQuincy	LA
DMS Mail Management, Inc.	Baton Rouge	LA
Jennings Daily News	Jennings	LA
LaPlace L'Observateur	LaPlace	LA
Ruston Daily Leader	Ruston	LA
Southwest Daily News	Sulphur	LA
The Avoyelles Journal	Avoyelles	LA
The Bienville Democrat	Arcadia	LA
The Bunkie Record	Bunkie	LA

AMERICAN OVERSIGHT

The Louisiana Weekly	New Orleans	LA
The Marksville News	Marksville	LA

Maine

Calyx Flowers, Inc.	Yarmouth	ME
Cuddledown	Yarmouth	ME
Ellsworth American	Ellsworth	ME
J.S. McCarthy	Augusta	ME
Mount Desert Islander	Bar Harbor	ME
Snowman Group	Hermon	ME

Maryland

Country Casual Teak	Gaithersburg	MD
Healthy Directions	Bethesda	MD
Ocean City Digest	Ocean City	MD
Ocean City Today	Ocean City	MD
Pet Industry Distributors Association	Abingdon	MD
Printing and Graphics Association MidAtlantic	Columbia	MD
Tire Industry Association	Bowie	MD
USAE Weekly Newspaper	Bethesda	MD

Massachusetts

Christianbook, LLC	Peabody	MA
Coldwater Creek	Hingham	MA
Daily Times Chronicle	Woburn	MA
Healy List Marketing	Beverly	MA
Integrated Systems Associates, Inc.	Swansea	MA
Legacy Publishing Group	Clinton	MA
Potpourri Group, Inc.	North Billerica	MA
Printing Industries of New England	Southborough	MA
The Manchester Cricket	Manchester-by-the-Sea	MA
Trainer's Warehouse	Natick	MA
Window Book, Inc.	Cambridge	MA

Michigan

Alcona County Review	Harrisville	MI
Ann Arbor Observer	Ann Arbor	MI
Assn. for Mail Electronic Enhancement	Newaygo	MI
Battle Creek Shopper News	Battle Creek	MI
Baudville Brands	Grand Rapids	MI
Bronner's Christmas Wonderland	Frankenmuth	MI
Cadillac News	Cadillac	MI
Clare County Cleaver	Harrison	MI
Clarkston News	Clarkston	MI
Community Papers of Michigan	Potterville	MI
Detroit Legal News	Detroit	MI
Extend Your Reach	Lansing	MI
Great American Media Services	Sparta	MI
Grosse Pointe News	Grosse Pointe	MI
Hastings Banner	Hastings	MI

AMERICAN OVERSIGHT

Hastings Reminder	Hastings	MI
Houghton Lake Resorter	Houghton Lake	MI
Kent Communications, Inc.	Grand Rapids	MI
Koeze Company	Grand Rapids	MI
Lake Orion Review	Lake Orion	MI
Lakewood News	Hastings	MI
Leelanau Enterprise	Lake Leelanau	MI
Lett Direct, Inc.	Williamsburg	MI
Lowell Buyers Guide	Lowell	MI
Lowell Ledger	Lowell	MI
Mail Room Service Center, Inc.	Saginaw	MI
Maple Valley News	Hastings	MI
Marshall/Chronicle	Marshall	MI
Oxford Leader	Oxford	MI
Save on Everything, LLC	Troy	MI
TGI Direct, Inc.	Flint	MI
The Citizen	Ortonville	MI
The Climax Crescent Newspaper	Climax	MI
The Clinton Local	Clinton	MI
The Independent	Dundee	MI
The Pinconning Journal	Pinconning	MI
The Record	Washington	MI
The Saginaw News	Saginaw	MI
The Tecumseh Herald	Tecumseh	MI
The Yale Expositor	Yale	MI

Minnesota

Belle Plaine Herald	Belle Plaine	MN
Benton County News	Foley	MN
Bloodwood Forum	Proctor	MN
Cardsource	Minneapolis	MN
Citizen Publishing Co., Inc	Windom	MN
Clara City Herald	Clara City	MN
Clifton Larson Allen	Minneapolis	MN
Comfrey Times	Comfrey	MN
Country Acres	Sauk Centre	MN
Crosby-Ironton Courier, Inc.	Crosby	MN
Dairy Star	Sauk Centre	MN
Eden Valley-Watkins Voice	Eden Valley	MN
Ely Echo	Ely	MN
Exponent, TheEast	Grand Forks	MN
Fergus Falls Daily Journal	Fergus Falls	MN
Floodwood Forum	Floodwood	MN
Graphic Finishing	Minneapolis	MN
Hanska Herald	Madelia	MN
Hermantown Star	Hermantown	MN
IdealPrinters	St. Paul	MN
Inkjet Insight, LLC	Minneapolis	MN
Jackson County Pilot	Jackson	MN
Japs-Olson	St. Louis Park	MN
Lafayette Nicollet Ledger	Lafayette	MN

AMERICAN OVERSIGHT

Madelia Times-Messenger	Madelia	MN
Meyers Printing	Minneapolis	MN
Minnesota Newspaper Association	Minneapolis	MN
Minnesota Women's Press	Minneapolis	MN
Nahan Printing	St. Cloud	MN
National Checking	Minneapolis	MN
New Babbitt Weekly News	Babbitt	MN
Northeaster	Minneapolis	MN
Northern Light Region, The	Baudette	MN
On-Trac International	Brighton	MN
Page 1 Publications, Inc.	East Grand Forks	MN
Paynesville Press	Paynesville	MN
Pelican Press	Pelican Rapids	MN
Pope County Tribune	Glenwood	MN
Printing Industry Midwest	Minneapolis	MN
Proctor Journal	Proctor	MN
Proprint	Duluth	MN
Pure Gold	Madelia	MN
Rock County Star Herald	Luverne	MN
Sartell-St. Stephen Newsleader	St. Joseph	MN
Saturation Mailers Coalition	Minneapolis	MN
Sauk Centre Herald	Sauk Centre	MN
Sauk Rapids Herald	Sauk Rapids	MN
Spicer - Lakes Area Review	New London	MN
St. Joseph Newsleader	St. Joseph	MN
St. Paul Voice	St. Paul	MN
Standard Dynamics	Minneapolis	MN
Star Publications, LLC	Sauk Centre	MN
Star Shopper	Sauk Centre	MN
The Appleton Press	Appleton	MN
The Battle Lake Review	Battle Lake	MN
The Kerkhoven Banner	Kerkhoven	MN
The Middle River Honker	Middle River	MN
The Observer	Belgrade	MN
The Star Post	Albany	MN
Timberjay	Tower	MN
Tracy Area Headlight Herald	Tracy	MN
Valley News	Browns Valley	MN
Wheaton Gazette	Wheaton	MN

Mississippi

Emmerich Newspapers	Jackson	MS
Jacobs Properties	Brookhaven	MS
The Charleston Sun-Sentinel	Charleston	MS
The Franklin Advocate	Meadville	MS
The Star-Herald	Kosciusko	MS
The Wayne County News	Waynesboro	MS

Missouri

Advertiser-Courier	Hermann	MO

AMERICAN OVERSIGHT

Arnold-Imperial Leader	Festus	MO
Bowling Green Times	Bowling Green	MO
Buffalo Reflex	Buffalo	MO
Cabool Enterprise	Cabool	MO
Centralia Fireside Guard	Centralia	MO
Christian County Headliner-News	Ozark	MO
Elsberry Democrat	Elsberry	MO
Eureka Leader	Festus	MO
Excelsior Springs Standard	Excelsior Springs	MO
Gasconade County Republican	Owensville	MO
Hallmark	Kansas City	MO
Hathaway & Lane Direct, LLC	O'Fallon	MO
Houston Herald	Houston	MO
Jefferson County Leader	Festus	MO
Lake Gazette, The	Monroe City	MO
Lincoln County Journal	Troy	MO
Louisiana Press-Journal	Louisiana	MO
Maginating	Kirkwood	MO
Maries County Advocate	Vienna	MO
Marshfield Mail, The	Marshfield	MO
MCH Strategic Data	Sweet Springs	MO
Midwest Mailing Service	Columbia	MO
Montgomery Standard	Montgomery City	MO
Newstime	Lake Saint Louis	MO
Nixa Xpress	Nixa	MO
Ozark County Times	Gainesville	MO
Ozark Mailing Service	Springfield	MO
Peruvian Connection, LLC	Kansas City	MO
Phelps County Focus	Rolla	MO
Presort, Inc.	St. Louis	MO
Print Media Association	Chesterfield	MO
Sage Information Services	Jefferson City	MO
Sedalia Democrat, The	Sedalia	MO
Stockton Cedar County Republican	Stockton	MO
The Labor Tribune	St. Louis	MO
The Laclede County Record	Lebanon	MO
The Mansfield Mirror	Mansfield	MO
The Mountain Grove News Journal	Mountain Grove	MO
The Richmond News	Richmond	MO
The Salem News	Salem	MO
Town and Country Leader	Excelsior Springs	MO
Troy Free Press	Troy	MO
Unterrified Democrat	Linn	MO
US Toy Company	Grandview	MO
Vandalia Leader, The	Vandalia	MO
Warren County Record	Warrenton	MO
Washington Missourian	Washington	MO
West Plains Daily Quill	West Plains	MO
West Side Leader, The	Festus	MO

Montana

AMERICAN OVERSIGHT

Cut Bank Pioneer Press	Cut Bank	MT
Daniels County Leader	Scobey	MT
Glacier Reporter	Browning	MT
Mailing Technical Services, Inc.	Billings	MT
Shelby Promoter	Shelby	MT
The Laurel Outlook	Laurel	MT
The Valierian	Valier	MT
Tobacco Valley News	Eureka	MT

Nebraska

Ainsworth Star-Journal	Ainsworth	NE
Albion News	Albion	NE
Barnhart Press	Omaha	NE
Blair Pilot-Tribune	Blair	NE
Business Farmer	Scottsbluff	NE
CapStone Technologies, LLC	Lincoln	NE
Cedar County News	Hartington	NE
Citizen	Arlington	NE
Crete News	Crete	NE
Douglas County Post-Gazette	Elkhorn	NE
Friend Sentinel, The	Friend	NE
Grant County News	Hyannis	NE
Grant Tribune-Sentinel, The	Grant	NE
Gretna Guide and News	Gretna	NE
Hastings Tribune	Hastings	NE
Hooker County Tribune	Mullen	NE
Humphrey Democrat	Humphrey	NE
Imperial Republican, The	Imperial	NE
Lyons Mirror-Sun	Lyons	NE
McPherson County News	Tryon	NE
Milford Times	Milford	NE
Nebraska Press Association	Lincoln	NE
North Bend Eagle	North Bend	NE
Oakland Independent	Oakland	NE
Petersburg Press	Petersburg	NE
Pierce County Leader	Pierce	NE
Seward County Independent	Seward	NE
Springview Herald	Springview	NE
St. Edward Advance	St Edward	NE
Summerland Advocate-Messenger	Clearwater	NE
The Arnold Sentinel	Arnold	NE
The Clay County News	Sutton	NE
The Elgin Review	Elgin	NE
The Stapleton Enterprise	Stapleton	NE
The Voice News	Hickman	NE
The Voice of Western Nebraska	Morrill	NE
Thomas County Herald	Thedford	NE
Valentine Midland News	Valentine	NE
Washington County Enterprise	Blair	NE
Wauneta Breeze	Wauneta	NE
Wilber Republican, The	Wilber	NE

AMERICAN OVERSIGHT

Nevada

Battle Mountain Bugle	Battle Mountain	NV
Gardnerville Record Courier	Gardnerville	NV
Humboldt Sun	Winnemucca	NV
Lahontan Valley News	Fallon	NV
Las Vegas Review Journal	Las Vegas	NV
Lovelock Review Miner	Lovelock	NV
Moapa Valley Progress	Overton	NV
Nevada Appeal	Carson City	NV
Nevada Press Association	Carson City	NV
Nevada Rancher	Winnemucca	NV
Northern Nevada Business Weekly	Reno	NV

New Hampshire

Eastern Marketing Services	Portsmouth	NH
InterTown Record	North Sutton	NH
Littleton Coin Company, Inc.	Littleton	NH
Valley News	West Lebanon	NH

New Jersey

A Smyth Co.	Haddon Township	NJ
Community News Service	Lawrence	NJ
Edmund Optics	Barrington	NJ
Maljon LLC	Flanders	NJ
OSG Billing	Ridgefield Park	NJ
Page Three Consulting	Haddonfield	NJ
The Advertiser-News	Vernon	NJ
The Sentinel of Gloucester County	Malaga	NJ
The Sparta Independent	Sparta	NJ
The Township Journal	Newton	NJ
The West Milford Messenger	West Milford	NJ
West Essex Tribune	Livingston	NJ

New Mexico

Cibola Citizen	Grants	NM
Hobbs News Sun	Hobbs	NM
Las Vegas Optic	Las Vegas	NM
Los Alamos Monitor	Los Alamos	NM

New York

Adirondack Daily Enterprise	Saranac Lake	NY
All Island Media Inc.	Edgewood	NY
Bee Group Newspapers	Buffalo	NY
Belardi Wong, ALC, LLC	New York City	NY
Charleston Gardens	New York City	NY
Chelsea Clinton News	New York City	NY
Chelsea News	New York City	NY
Cross Country Computer	East Islip	NY
FPH Communications	New York City	NY

AMERICAN OVERSIGHT

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

AMERICAN OVERSIGHT

Carson Press	Elgin	ND
Center Republican	Washburn	ND
Central McLean News Journal	Underwood	ND
Emmons County Record	Linton	ND
Enderlin Independent	Enderlin	ND
Golden Valley Beach News	Beach	ND
Grant County News	Elgin	ND
Hazen Star, The	Hazen	ND
Kulm Messenger	Kulm	ND
Lamoure Chronicle	Lamoure	ND
Larimore Leader/Tribune	Larimore	ND
Litchville Bulletin	Litchville	ND
McClusky Gazette	McClusky	ND
McKenzie County Farmer	Watford City	ND
McLean County Independent	Garrison	ND
Mountrail County Record	New Town	ND
Napoleon Homestead	Napoleon	ND
New Town News	New Town	ND
North Dakota Newspaper Association	Bismarck	ND
Presort Plus	Bismarck	ND
Recreation Supply Company	Bismarck	ND
The Forum of Fargo-Moorhead	Fargo	ND
The Herald	New England	ND
The Jamestown Sun	Jamestown	ND
The Journal	Crosby	ND
The Walsh County Record	Grafton	ND
Tioga Tribune	Tioga	ND
Tri-County News	Gackle	ND
Valley News & Views	Drayton	ND
Washburn Leader-News	Washburn	ND
Wishek Star	Wishek	ND

Ohio

American Greetings	Cleveland	OH
Archbold Buckeye	Archbold	OH
Bluestone Perennials	Madison	OH
Chagrin Valley Times	Chagrin Falls	OH
Farm and Dairy	Salem	OH
Farmland News	Archbold	OH
Gardens Alive!	Tipp City	OH
Geauga Times Courier	Chardon	OH
Graphic Media Alliance	Westerville	OH
Mail Automation, Inc.	Baltimore	OH
Midwest Direct	Cleveland	OH
Millers Print and Mail, Inc.	Akron	OH
Nationwide Insurance	Columbus	OH
Ohio News Media Association	Columbus	OH
Solon Times	Solon	OH
Sporty's/Sportsman's Market, Inc.	Batavia	OH
Summit Racing Equipment	Tallmadge	OH
The Crestline Advocate	Crestline	OH

AMERICAN OVERSIGHT

The Good News	Middlefield	OH
The Progressor-Times/Mohawk Leader	Carey	OH
Town Money Saver	Lucas	OH
Up With Paper	Mason	OH
Vermilion Photojournal	Vermilion	OH
Westlife	Westlake	OH

Oklahoma

Beckham County Record	Sayre	OK
Blanchard News	Blanchard	OK
Bristow News	Bristow	OK
Buffalo Weekly News	Buffalo	OK
Cheyenne Star	Cheyenne	OK
Clinton Daily News	Clinton	OK
Cordell Beacon	Cordell	OK
Country Connection News	Eakly	OK
Cushing Citizen	Cushing	OK
Drumright Gusher	Drumright	OK
Eastern Times Register, The	Vian	OK
Elk City News	Elk City	OK
Eufaula Indian Journal, The	Eufaula	OK
Garvin County News Star	Maysville	OK
Geary Star	Geary	OK
Harper County Leader	Laverne	OK
Henryetta Free-Lance	Henryetta	OK
Hinton Record	Hinton	OK
Johnston County Sentinel	Tishomingo	OK
Kiowa County Democrat	Snyder	OK
Lincoln County News	Chandler	OK
Madill Record	Madill	OK
McIntosh County Democrat	Eufaula	OK
Okarche Warrior	Okarche	OK
Okmulgee Times	Okmulgee	OK
Piedmont Gazette	Piedmont	OK
Ponca City News, The	Ponca City	OK
Presort First Class	Oklahoma City	OK
Sequoyah County Times	Sallisaw	OK
Southwest Ledger	Lawton	OK
Stilwell Democrat Journal	Stilwell	OK
Stroud American	Stroud	OK
Tahlequah Daily Press	Tahlequah	OK
Target Marketing Print and Mail Solutions	Broken Arrow	OK
The Apache News	Apache	OK
The Comanche Times	Comanche	OK
The Examiner	Hugo	OK
The Fairfax Chief	Fairfax	OK
The Hooker Advance	Hooker	OK
The Newcastle Pacer	Newcastle	OK
The Newkirk Herald Journal	Newkirk	OK
The Purcell Register	Purcell	OK
The Walters Herald	Walters	OK

AMERICAN OVERSIGHT

The Wynnewood Gazette	Wynnewood	OK
Tonkawa News, The	Tonkawa	OK
Tri-County Herald	Meeker	OK
Vian Tenkiller News	Vian	OK
Vici Vision	Vici	OK
Walters Herald	Walters	OK
Watonga Republican	Watonga	OK
Weatherford Daily News	Weatherford	OK
Wylie Communications, Inc.	Oologah	OK
Yukon Progress	Yukon	OK

Oregon

Baker City Herald	Baker City	OR
Blue Mountain Eagle	John Day	OR
Boundaryless Enterprises, LLC	Medford	OR
Burns Times-Herald	Burns	OR
Capital Press	Salem	OR
Columbia Gorge News	Columbia River Gorge	OR
East Oregonian	Pendleton	OR
Hermiston Herald	Hermiston	OR
Hood River News	Hood River	OR
Keizertimes	Keizer	OR
La Grande Observer	La Grande	OR
Lake County Examiner	Lakeview	OR
Mailbox Merchants	Portland	OR
News-Register	McMinnville	OR
Pacific Printing Industries Association	Portland	OR
Redmond Spokesman	Redmond	OR
Seaside Signal	Seaside	OR
Signature Graphics	Portland	OR
The Astorian	Astoria	OR
The Bulletin	Bend	OR
The Chronicle	Creswell	OR
The Dalles Chronicle	Dalles	OR
TOO Magazine	Pendleton	OR
Wallowa County Chieftain	Enterprise	OR
White Salmon Enterprise	White Salmon	OR

Pennsylvania

Asendia	Folcraft	PA
Crayola	Easton	PA
Graphic Arts Association	Trevose	PA
Philadelphia Gay News	Philadelphia	PA
Printing Industries of America	Warrendale	PA
The New Republic	Meyersdale	PA
The Pike County Courier	Milford	PA
The Savings Guide	Mechanicsburg	PA
The Spirit	Glenolden	PA

Rhode Island

AMERICAN OVERSIGHT

Calypso Cards	Providence	RI
Cathedral Corporation	Lincoln	RI
The Block Island Times	Block Island	RI

South Carolina

Carolina Gateway	Lancaster	SC
Domtar	Fort Mill	SC
Island News	Beaufort	SC
Lancaster News, The	Lancaster	SC
Lexington County Chronicle & The Dispatch-News	Lexington	SC
News & Reporter, The	Chester	SC
Pageland Progressive-Journal	Pageland	SC
The Catholic Miscellany	Charleston	SC
The Gaffney Ledger	Gaffney	SC
The Twin-City News	Batesburg	SC
The Voice of Blythewood & Fairfield County	Blythewood	SC

South Dakota

Clear Lake Courier	Clear Lake	SD
Custer County Chronicle	Custer	SD
Dakota Dunes/North Sioux City Times	North Sioux City	SD
Highmore Herald	Highmore	SD
Hill City Prevailer New	Hill City	SD
Lakota Times	Martin	SD
Prairie Pioneer	Pollock	SD
Qualified Presort Service, LLC	Sioux Falls	SD
Sisseton Courier	Sisseton	SD
South Dakota Newspaper Association	Brookings	SD
Southern Union County Leader Courier	Elk Point	SD
Times-Advocate	Gregory	SD
True Dakotan	Wessington Springs	SD
Winner Advocate	Winner	SD

Tennessee

Action Mail Presort, Inc.	Chattanooga	TN
Carroll County News Leader	Huntingdon	TN
Citizen Tribune	Morristown	TN
Elk Valley Times, The	Fayetteville	TN
Exchange media Group	Fayetteville	TN
Grundy County Herald	Tracy City	TN
Herald Chronicle, The	Winchester	TN
International Paper	Memphis	TN
LaFollette Press	La Follette	TN
Manchester Times	Manchester	TN
Moore County News, The	Lynchburg	TN
Morgan County News	Wartburg	TN
Printing Industry Association of the South, Inc.	Nashville	TN
Roane County News	Kingston	TN
The Paris Post-Intelligencer	Paris	TN
The Standard Banner	Jefferson City	TN

AMERICAN OVERSIGHT

Tullahoma News	Tullahoma	TN

Texas

Ad Pages Solutions	Plano	TX
Alpine Avalanche	Alpine	TX
Aransas Pass Progress	Aransas Pass	TX
Atlanta Citizens Journal	Atlanta	TX
Bay City Tribune	Bay City	TX
Big Bend Sentinel	Marfa	TX
Big Sandy-Hawkins Journal	Big Sandy	TX
Blanco County News	Blanco	TX
Brady Standard-Herald	Brady	TX
Breckenridge American	Breckenridge	TX
Brenham Banner	Brenham	TX
Burnet Bulletin	Burnet	TX
Carrizo Springs Javelin	Carrizo Springs	TX
Centerville News	Centerville	TX
Cleburne Times Review	Cleburne	TX
Clifton Record	Clifton	TX
Coleman Chronicle and Democrat Voice	Coleman	TX
Copperas Cove Leader-Press	Copperas Cove	TX
Dalhart Texan	Dalhart	TX
Direct Merchandising, Inc.	Carrollton	TX
Double Mountain Chronicle	Rotan	TX
Dripping Springs Century News	Dripping Springs	TX
Dublin Citizen	Dublin	TX
El Campo Leader-News	El Campo	TX
Ennis News	Ennis	TX
Fairfield Recorder	Fairfield	TX
Focus Daily News	DeSoto	TX
Fort Stockton Pioneer	Fort Stockton	TX
Fredericksburg Standard-Radio Post	Fredericksburg	TX
Frio-Nueces Current	Pearsall	TX
Gainesville Daily Register	Gainesville	TX
Gatesville Messenger	Gatesville	TX
Gladewater Mirror	Gladewater	TX
Gonzales Inquirer	Gonzales	TX
Great American Business Products	Houston	TX
Groesbeck Journal	Groesbeck	TX
Half Price Books	Dallas	TX
Hays Free Press	Kyle	TX
Herald-Banner	Greenville	TX
Hill Country News	Cedar Park	TX
Horseshoe Bay	Horseshoe Bay	TX
Ingleside Index	Aransas Pass	TX
Jacksboro Herald-Gazette	Jacksboro	TX
Jackson County Herald-Tribune	Edna	TX
J.C. Penney Corporation, Inc.	Plano	TX
Johnson City Record-Courier	Johnson City	TX
Journal-Spectator	Wharton	TX
Kaufman Herald	Kaufman	TX

AMERICAN OVERSIGHT

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

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The Community News	Aledo	TX
The Cuero Record	Cuero	TX
The Daily Sentinel	Nacogdoches	TX
The Devil's River News	Sonora	TX
The Eldorado Success	Eldorado	TX
The Farmersville Times	Farmesville	TX
The Fayette County Record	La Grange	TX
The Fort Bend Herald	Rosenberg	TX
The Galveston County Daily News	Galveston	TX
The Graham Leader	Graham	TX
The Hansford County Reporter-Statesman	Spearman	TX
The Henderson News	Henderson	TX
The Highlander	Marble Falls	TX
The Katy Times	Katy	TX
The Liberty Hill Independent	Liberty Hill	TX
The Light and Champion	Center	TX
The Lufkin Daily News	Lufkin	TX
The Marlin Democrat	Marlin	TX
The Marshall News Messenger	Marshall	TX
The Meridian Tribune	Meridian	TX
The Mexia News	Mexia	TX
The Normangee Star	Normangee	TX
The Panola Watchman	Carthage	TX
The Paris News	Paris	TX
The Picayune	Marble Falls	TX
The Pittsburg Gazette	Pittsburg	TX
The Port Lavaca Wave	Port Lavaca	TX
The Princeton Herald	Princeton	TX
The Rockport Pilot	Rockport	TX
The Rosebud News	Rosebud	TX
The Sachse News	Sachse	TX
The Snyder News	Snyder	TX
The Thorndale Champion	Thorndale	TX
The Whitewright Sun	Whitewright	TX
The Wylie News	Wylie	TX
Uvalde Leader-News	Uvalde	TX
VariVerge, LLC	Dallas	TX
Vernon Record	Vernon	TX
Wallis News-Review	Wallis	TX
Weatherford Democrat	Weatherford	TX
White Oak Independent	White Oak	TX
Whitesboro News-Record	Whitesboro	TX
Wimberley View	Wimberley	TX
Wise County Messenger	Decatur	TX
Yorktown-News View	Yorktown	TX

Utah

Basin Nickel Ads	Vernal	UT
Beaver County Journal	Beaver	UT
Chronicle Progress	Delta	UT
Cottonwood Heights Journal	Cottonwood Heights	UT

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Davis Clipper	Bountiful	UT
Draper Journal	Draper	UT
ETV News	Price	UT
Herriman Journal	Herriman	UT
Holladay Journal	Holladay	UT
Intermountain Catholic	Salt Lake City	UT
International Bridge Inc.	Provo	UT
Midvale Journal	Midvale	UT
Millcreek Journal	Millcreek	UT
Murray Journal	Murray	UT
Olive & Cocoa, LLC	Salt Lake City	UT
Presort Essentials	Salt Lake City	UT
Riverton Journal	Riverton	UT
Sandy Journal	Sandy	UT
South Jordan Journal	South Jordan	UT
South Salt Lake Journal	Salt Lake City	UT
Southern Utah News	Kanab	UT
Sugar House Journal	Salt Lake City	UT
Taylorsville Journal	Taylorsville	UT
The Intermountain Commercial Record and the Salt Lake Times	Salt Lake City	UT
The Pyramid	Mt. Pleasant	UT
The Reaper Extra	Richfield	UT
The Richfield Reaper	Richfield	UT
The Times-Independent	Moab	UT
The Wayne & Garfield County Insider	Escalante	UT
Uintah Basin	Roosevelt	UT
Utah Press Association	West Jordan	UT
Vernal Express	Vernal	UT
West Jordan Journal	West Jordan	UT
West Valley City Journal	West Valley City	UT

Vermont

Colchester Sun	Colchester	VT
Essex Reporter	Colchester	VT
International Coins & Currency	Montpelier	VT
Lane Press	South Burlington	VT
Milton Independent	Milton	VT
News & Citizen	Morrisville	VT
Saint Albans Messenger	Saint Albans	VT
Shelburne News	Shelburne	VT
Shine Strategy, LLC	Manchester Center	VT
South Burlington Other Paper	South Burlington	VT
Stowe Reporter	Stowe	VT
The Citizen	Charlotte	VT
The Valley Reporter	Waitsfield	VT
The Vermont Teddy Bear Company, Inc.	Shelburne	VT
The White River Valley Herald	Randolph	VT
Vermont Country Store	Manchester Center	VT
Vermont Press Association	Colchester	VT

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Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV

Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

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Elmwood Sun-Argus	Spring Valley	WI
Great Lakes Graphics Association	Pewaukee	WI
Kewaskum Statesman	Campbellsport	WI
L&M Mail and Courier	Eau Claire	WI
MadMen3, LLC	DeForest	WI
National Business Furniture	Milwaukee	WI
North Woods Trader	Eagle River	WI
Nueske's Applewood Smoked Meats	Wittenberg	WI
Ozaukee Press	Port Washington	WI
Quad, Inc.	Sussex	WI
Record Review	Edgar	WI
Silver Star Brands	Oshkosh	WI
Star Journal	Rhinelander	WI
Star News	Medford	WI
The Democrat Tribune	Mineral Point	WI
The Dodgeville Chronicle	Dodgeville	WI
The Pecatonica Valley River	Argyle	WI
The Plymouth Review	Plymouth	WI
The Sheboygan Falls News	Sheboygan Falls	WI
The Sounder	Random Lake	WI
The Star News	Medford	WI
The Three Lakes News	Three Lakes	WI
The Woodville Leader	Woodville	WI
Tomahawk Leader	Tomahawk	WI
Tribune Phonograph	Abbottsford	WI
Tribune Record Gleaner	Loyal	WI
Vilas County News-Review	Eagle River	WI
Walsworth/Ripon	Ripon	WI
Waupaca County Post-East	Waupaca	WI
Waupaca County Post-West	Waupaca	WI
Wisconsin Community Papers	Fond du Lac	WI

Wyoming

Bridger Valley Pioneer	Lyman	WY
Cheyenne Minuteman	Cheyenne	WY
Cody Enterprise	Cody	WY
Douglas Budget	Douglas	WY
Gillette News-Record	Gillette	WY
Glenrock Independent	Glenrock	WY
Guernsey Gazette	Guernsey	WY
Jackson Hole News & Guide	Jackson	WY
Kemmerer Gazette	Kemmerer	WY
Lingle Guide	Lingle	WY
Lusk Herald	Lusk	WY
Moorcroft Leader	Moorcroft	WY
Pinedale Roundup	Pinedale	WY
Pirate Ship	Jackson	WY
Platte County Record-Times	Wheatland	WY
Powell Tribune	Powell	WY
Sublette Examiner	Pinedale	WY
Sundance Times	Sundance	WY

AMERICAN OVERSIGHT

Thermopolis Independent Record	Thermopolis	WY
Torrington Telegram	Torrington	WY
Uinta County Herald	Evanston	WY
Wyoming Livestock Roundup	Casper	WY
Wyoming Pioneer	Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters

AMERICAN OVERSIGHT

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates $1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS[1], often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

[1] Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/

AMERICAN OVERSIGHT

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ

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Colorado River Real Estate Magazine	Bullhead City	AZ
Entertainer	Bullhead City	AZ
Mohave Valley Daily News	Bullhead City	AZ
Runbeck Election Services, Inc.	Phoenix	AZ
The Bullhead City Booster	Bullhead City	AZ
The Laughlin Times	Bullhead City	AZ
The Wickenburg Sun	Wickenburg	AZ
Western States Printing Alliance	Queen Creek	AZ
Wickenburg Shopper News	Wickenburg	AZ

Arkansas

Arkansas Mailing Services	N. Little Rock	AR
Arkansas Press Association	Little Rock	AR
Dayspring Cards	Siloam Springs	AR
Harrison Daily Times	Harrison	AR
Johnson County Graphic	Clarksville	AR
Newton County Times	Jasper	AR

California

Auburn Direct	Auburn	CA
Auburn Journal	Auburn	CA
Big Bear Grizzly	Big Bear Lake	CA
Brentwood Press	Brentwood	CA
California News Publishers Association	Sacramento	CA
Chino Champion	Chino	CA
CohereOne	San Rafael	CA
Colfax Record	Colfax	CA
Desert Entertainer	Yucca Valley	CA
Desert Mobile Home News	Yucca Valley	CA
eBay Inc.	San Jose	CA
Folsom Lake Entertainer	Folsom	CA
Granite Bay View	Roseville	CA
Grizzly Weekender	Big Bear Lake	CA
Gustine Press-Standard	Newman	CA
Hi-Desert Star	Yucca Valley	CA
Idyllwild Town Crier	Idyllwild	CA
India West	San Leandro	CA
Lincoln News Messenger	Lincoln	CA
Major Mailers Assn.	El Dorado Hills	CA
Mountain News	Lake Arrowhead	CA
Mountain Shopper	Lake Arrowhead	CA
Needles Desert Star (1987)*	Needles	CA
Nevada & Placer County Entertainer	Auburn	CA
Ojai Valley News	Ojai	CA
PacSun, LLC	Anaheim	CA
Patterson Irrigator	Patterson	CA
PLD Group	Thousand Palms	CA
Point Reyes Light	Inverness	CA
Press Banner	Scotts Valley	CA
Printing Industries Assn. of San Diego, Inc.	San Diego	CA

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Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

AMERICAN OVERSIGHT

The Chronicle	Willimantic	CT
Trumbull Printing, LLC	Trumbull	CT
Wasco Tribune	Wasco	CT

Delaware

Cape Gazette	Lewes	DE
Greater Dover Extra	Dover	DE
Smyrna Extra	Smyrna	DE
Sussex Post	Seaford	DE
The Chronicle	Milford	DE

Florida

Access Mail Processing Services, Inc..	Clearwater	FL
Cedar Key Beacon	Chiefland	FL
Chiefland Citizen	Chiefland	FL
Citrus County Chronicle	Crystal River	FL
Consolidated Mailing Services	Tampa	FL
Direct Mail Impressions	Boca Raton	FL
Florida Graphics Alliance	Orlando	FL
Florida Mail & Print	Ft. Myers	FL
Florida Media Association	Ocala	FL
Florida Press Association	Tallahassee	FL
Gadsden County Times, The	Quincy	FL
Heritage Florida Jewish News	Orlando	FL
Kessler Creative	Jacksonville	FL
Key West Citizen and Free Press	Key West	FL
Lake City Reporter	Lake City	FL
Mail, Print & Packaging Solutions, Inc.	Lutz	FL
Nona Connect	Orlando	FL
Nonahood News	Orlando	FL
North Jax Monthly	Jacksonville	FL
Perry News Herald	Perry	FL
Print Reach, Inc.	Jacksonville Beach	FL
Publishers' Auxiliary	Pensacola	FL
Riverland News	Dunnellon	FL
South Marion Citizen	Dunnellon	FL
St. Augustine Observer	St. Augustine	FL
Sumter County Times	Bushnell	FL
Taco Times	Perry	FL
TC Delivers Mail Solutions & Savings	Jacksonville	FL
Textile Care Allied Trades Assn.	Wesley Chapel	FL
The West Volusia Beacon	DeLand	FL
Valpak	St. Petersburg	FL
Wakulla News, The	Crawfordville	FL
Westside Journal	Callahan	FL
Williston Pioneer Sun-News	Williston	FL
W.S. Badcock Corporation	Mulberry	FL

Georgia

Banks County News	Jefferson	GA

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Barrow News-Journal	Winder	GA
Charlton County Herald	Folkston	GA
Datamatx	Atlanta	GA
Early County News	Blakely	GA
Envelopes & Forms, Inc./SureBill	Duluth	GA
Fayette County News	Fayetteville	GA
Jackson Herald, The	Jefferson	GA
Madison County Journal, The	Jefferson	GA
Mature Living in the South	Baxley	GA
Mature Living in the Southeast	Baxley	GA
Monroe County Reporter	Forsyth	GA
North Georgia News	Blairsville	GA
Printing & Imaging Association of Georgia	Smyrna	GA
The Advance	Vidalia	GA
The Atlanta Voice	Atlanta	GA
The Baxley News-Banner	Baxley	GA
The Lincoln Journal	Lincolnton	GA
The Newnan Times-Herald	Newnan	GA
The News Observer	Blue Ridge	GA
The News-Reporter	Washington	GA
The Post-Searchlight	Bainbridge	GA
The Press-Sentinel	Jesup	GA
The Telfair Enterprise	McRae-Helena	GA
Times-Courier	Ellijay	GA
Towns County Herald	Hiawassee	GA
TSYS Inc.	Columbus	GA
Waycross Journal-Herald	Waycross	GA

Hawaii

Lahaina News	Maui	HI

Idaho

American Mailing Products, Inc.	Meridian	ID
Clearwater Tribune	Orofino	ID
The Arco Advertiser	Arco	ID
The Challis Messenger	Challis	ID
Weekly Mailer	Burley	ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)	Lake Villa	IL
Barco Products	Batavia	IL
Bunker Hill Gazette- News	Bunker Hill	IL
Carmi Chronicle	Carmi	IL
Carroll County Mirror-Democrat	Mt. Carroll	IL
Design Toscano	Elk Grove Village	IL
Fluence Automation, LLC	Arlington Heights	IL
Franklin County Gazette	Benton	IL
Gazette-Democrat, The	Anna	IL
Hardin County Independent	Elizabethtown	IL
InnerWorkings	Chicago	IL

AMERICAN OVERSIGHT

Journal-News, The	Hillsboro	IL
KirbyBuilt Products	Batavia	IL
K-Log	Zion	IL
Leader-Union, The	Vandalia	IL
Madison County Chronicle	Worden	IL
McLeansboro Gazette	McLeansboro	IL
Midland Paper Packaging and Supplies	Wheeling	IL
Mt. Olive Herald, The	Mount Olive	IL
Navigator and Journal Register, The	Albion	IL
North American Assn of Food Equipment Mfrs	Chicago	IL
Olney Gazette	Olney	IL
OSM Worldwide	Glendale Heights	IL
Quicksilver Mailing Services	Springfield	IL
Raymond News, The	Raymond	IL
Republic-Times Group, LLC	Waterloo	IL
R.R. Donnelley	Chicago	IL
Southwestern Journal News, The	Brighton	IL
The Carroll County Review	Thomson	IL
The Galena Gazette	Galena	IL
The Prairie News	Toulon	IL
The Sidell Reporter	Sidell	IL
The Vienna Times	Vienna	IL
The Weekly Post	Elmwood	IL
The Woodstock Independent	Woodstock	IL
TreeTop Products	Batavia	IL
Unison	Chicago	IL
Vienna Times, The	Vienna	IL
Weekly Press, The	Pinckneyville	IL

Indiana

Carroll County Comet	Delphi	IN
Crothersville Times	Crothersville	IN
Data Mail, Inc.	Evansville	IN
Engineering Innovation, Inc.	Lafayette	IN
Ferdinand News	Ferdinand	IN
Indiana Minority Business Magazine	Indianapolis	IN
Journal Review	Crawfordsville	IN
LaGrange News	LaGrange	IN
LaGrange Standard	LaGrange	IN
LSC Communications	Indianapolis	IN
Middlebury Independent	Middlebury	IN
Montpelier Weekly	Montpelier	IN
Mount Vernon Democrat	Mount Vernon	IN
Nat'l Assn of Mutual Insurance Companies	Indianapolis	IN
North Vernon Plain Dealer	North Vernon	IN
Online Data	South Bend	IN
Paper of Montgomery County	Crawfordsville	IN
Parke County Sentinel	Rockville	IN
Perry County News	Tell City	IN
Spencer County Journal-Democrat, The	Rockport	IN
Sullivan Daily Times	Sullivan	IN

AMERICAN OVERSIGHT

The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometowner	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

AMERICAN OVERSIGHT

The Carlisle Citizen	Carlisle	IA
The Charles City Press	Charles City	IA
The Columbus Gazette	Columbus Junction	IA
The Daily Iowan	Iowa City	IA
The Gowrie News	Gowrie	IA
The Manilla Times	Manilla	IA
The Observer	Westside	IA
The Ocheyedan Press-Melvin News	Ocheyedan	IA
The Seymour Herald	Seymour	IA
The Sun News	Lowden	IA
The Times Republican	Corydon	IA
The Tipton Conservative	Tipton	IA
Times-Republican	Marshalltown	IA
Toledo Chronicle	Toledo	IA
T-R Plus	Marshalltown	IA
Traer Star-Clipper	Traer	IA
West Branch Times	West Branch	IA
West Liberty Index	West Liberty	IA
Wilton-Durant Advocate News	Wilton	IA
Woolverton	Des Moines	IA

Kansas

Coffeyville Journal	Coffeyville	KS
Colby Free Press	Colby	KS
Ellsworth County Independent-Reporter	Ellsworth	KS
Eudora Times	Eudora	KS
Good News Press	Caney	KS
Independence Daily Reporter	Independence	KS
Kansas Press Association	Topeka	KS
Labette Avenue	Oswego	KS
Lineage	Lenexa	KS
Mail Works	Kansas City	KS
Marquette Tribune	Marquette	KS
Montgomery County Chronicle	Caney	KS
Mulvane News	Mulvane	KS
Prairie Star	Sedan	KS
Rawlins County Square Deal	Atwood	KS
Rose Hill Reporter	Rose Hill	KS
The Anthony Republican	Anthony	KS
The Cedar Vale Lookout	Cedar Vale	KS
The Cowley Courier Traveler	Arkansas City	KS
The Eureka Herald	Eureka	KS
The Goodland Star-News	Goodland	KS
The Holton Recorder	Holton	KS
The Marysville Advocate	Marysville	KS
The Monitor Journal	Little River	KS
The Norton Telegram	Norton	KS
The Oberlin Herald	Oberlin	KS
The Saint Francis Herald & Bird City Times	Saint Francis	KS
The Wabaunsee County Signal-Enterprise	Alma	KS
Universal Engraving, Inc.	Overland Park	KS

AMERICAN OVERSIGHT

Kentucky

Anderson News, The	Lawrenceburg	KY
Casey County News, The	Liberty	KY
Central Kentucky News-Journal	Campbellsville	KY
ElToro.com	Louisville	KY
Georgetown News-Graphic	Georgetown	KY
Henry County Local	Eminence	KY
Kentucky New Era	Hopkinsville	KY
Kentucky Standard, The	Bardstown	KY
LaRue County Herald News, The	Hodgenville	KY
Lebanon Enterprise, The	Lebanon	KY
News-Enterprise	Elizabethtown	KY
Oldham Era, The	La Grange	KY
Pioneer News, The	Shepherdsville	KY
Record, The	Leitchfield	KY
Record-Herald	Greensburg	KY
Sentinel-News, The	Shelbyville	KY
Spencer Magnet, The	Taylorsville	KY
Springfield Sun, The	Springfield	KY
The Cadiz Record	Cadiz	KY
The Cynthiana Democrat	Cynthiana	KY
The Eagle Post	Oak Grove	KY
The Grant County News	Williamstown	KY
The Harrison Shopper	Cynthiana	KY
The Licking Valley Courier	West Liberty	KY
The News-Democrat	Carrollton	KY
The News-Herald	Owenton	KY
The River City Trading Post	Carrollton	KY
The State Journal	Frankfort	KY
The Trimble Banner	Bedford	KY
Troublesome Creek Times	Hindman	KY
Vtility.com	Louisville	KY

Louisiana

American Press	Lake Charles	LA
Bogalusa Daily News	Bogalusa	LA
Bossier Press Tribune	Bossier City	LA
Cameron Parish Pilot	Cameron	LA
Catahoula News Booster	Jonesville	LA
Central Speaks Newspaper	Central	LA
DeQuincy News	DeQuincy	LA
DMS Mail Management, Inc.	Baton Rouge	LA
Jennings Daily News	Jennings	LA
LaPlace L'Observateur	LaPlace	LA
Ruston Daily Leader	Ruston	LA
Southwest Daily News	Sulphur	LA
The Avoyelles Journal	Avoyelles	LA
The Bienville Democrat	Arcadia	LA
The Bunkie Record	Bunkie	LA

AMERICAN OVERSIGHT

The Louisiana Weekly	New Orleans	LA
The Marksville News	Marksville	LA

Maine

Calyx Flowers, Inc.	Yarmouth	ME
Cuddledown	Yarmouth	ME
Ellsworth American	Ellsworth	ME
J.S. McCarthy	Augusta	ME
Mount Desert Islander	Bar Harbor	ME
Snowman Group	Hermon	ME

Maryland

Country Casual Teak	Gaithersburg	MD
Healthy Directions	Bethesda	MD
Ocean City Digest	Ocean City	MD
Ocean City Today	Ocean City	MD
Pet Industry Distributors Association	Abingdon	MD
Printing and Graphics Association MidAtlantic	Columbia	MD
Tire Industry Association	Bowie	MD
USAE Weekly Newspaper	Bethesda	MD

Massachusetts

Christianbook, LLC	Peabody	MA
Coldwater Creek	Hingham	MA
Daily Times Chronicle	Woburn	MA
Healy List Marketing	Beverly	MA
Integrated Systems Associates, Inc.	Swansea	MA
Legacy Publishing Group	Clinton	MA
Potpourri Group, Inc.	North Billerica	MA
Printing Industries of New England	Southborough	MA
The Manchester Cricket	Manchester-by-the-Sea	MA
Trainer's Warehouse	Natick	MA
Window Book, Inc.	Cambridge	MA

Michigan

Alcona County Review	Harrisville	MI
Ann Arbor Observer	Ann Arbor	MI
Assn. for Mail Electronic Enhancement	Newaygo	MI
Battle Creek Shopper News	Battle Creek	MI
Baudville Brands	Grand Rapids	MI
Bronner's Christmas Wonderland	Frankenmuth	MI
Cadillac News	Cadillac	MI
Clare County Cleaver	Harrison	MI
Clarkston News	Clarkston	MI
Community Papers of Michigan	Potterville	MI
Detroit Legal News	Detroit	MI
Extend Your Reach	Lansing	MI
Great American Media Services	Sparta	MI
Grosse Pointe News	Grosse Pointe	MI
Hastings Banner	Hastings	MI

AMERICAN OVERSIGHT

Hastings Reminder	Hastings	MI
Houghton Lake Resorter	Houghton Lake	MI
Kent Communications, Inc.	Grand Rapids	MI
Koeze Company	Grand Rapids	MI
Lake Orion Review	Lake Orion	MI
Lakewood News	Hastings	MI
Leelanau Enterprise	Lake Leelanau	MI
Lett Direct, Inc.	Williamsburg	MI
Lowell Buyers Guide	Lowell	MI
Lowell Ledger	Lowell	MI
Mail Room Service Center, Inc.	Saginaw	MI
Maple Valley News	Hastings	MI
Marshall/Chronicle	Marshall	MI
Oxford Leader	Oxford	MI
Save on Everything, LLC	Troy	MI
TGI Direct, Inc.	Flint	MI
The Citizen	Ortonville	MI
The Climax Crescent Newspaper	Climax	MI
The Clinton Local	Clinton	MI
The Independent	Dundee	MI
The Pinconning Journal	Pinconning	MI
The Record	Washington	MI
The Saginaw News	Saginaw	MI
The Tecumseh Herald	Tecumseh	MI
The Yale Expositor	Yale	MI

Minnesota

Belle Plaine Herald	Belle Plaine	MN
Benton County News	Foley	MN
Bloodwood Forum	Proctor	MN
Cardsource	Minneapolis	MN
Citizen Publishing Co., Inc	Windom	MN
Clara City Herald	Clara City	MN
Clifton Larson Allen	Minneapolis	MN
Comfrey Times	Comfrey	MN
Country Acres	Sauk Centre	MN
Crosby-Ironton Courier, Inc.	Crosby	MN
Dairy Star	Sauk Centre	MN
Eden Valley-Watkins Voice	Eden Valley	MN
Ely Echo	Ely	MN
Exponent, TheEast	Grand Forks	MN
Fergus Falls Daily Journal	Fergus Falls	MN
Floodwood Forum	Floodwood	MN
Graphic Finishing	Minneapolis	MN
Hanska Herald	Madelia	MN
Hermantown Star	Hermantown	MN
IdealPrinters	St. Paul	MN
Inkjet Insight, LLC	Minneapolis	MN
Jackson County Pilot	Jackson	MN
Japs-Olson	St. Louis Park	MN
Lafayette Nicollet Ledger	Lafayette	MN

AMERICAN OVERSIGHT

Madelia Times-Messenger	Madelia	MN
Meyers Printing	Minneapolis	MN
Minnesota Newspaper Association	Minneapolis	MN
Minnesota Women's Press	Minneapolis	MN
Nahan Printing	St. Cloud	MN
National Checking	Minneapolis	MN
New Babbitt Weekly News	Babbitt	MN
Northeaster	Minneapolis	MN
Northern Light Region, The	Baudette	MN
On-Trac International	Brighton	MN
Page 1 Publications, Inc.	East Grand Forks	MN
Paynesville Press	Paynesville	MN
Pelican Press	Pelican Rapids	MN
Pope County Tribune	Glenwood	MN
Printing Industry Midwest	Minneapolis	MN
Proctor Journal	Proctor	MN
Proprint	Duluth	MN
Pure Gold	Madelia	MN
Rock County Star Herald	Luverne	MN
Sartell-St. Stephen Newsleader	St. Joseph	MN
Saturation Mailers Coalition	Minneapolis	MN
Sauk Centre Herald	Sauk Centre	MN
Sauk Rapids Herald	Sauk Rapids	MN
Spicer - Lakes Area Review	New London	MN
St. Joseph Newsleader	St. Joseph	MN
St. Paul Voice	St. Paul	MN
Standard Dynamics	Minneapolis	MN
Star Publications, LLC	Sauk Centre	MN
Star Shopper	Sauk Centre	MN
The Appleton Press	Appleton	MN
The Battle Lake Review	Battle Lake	MN
The Kerkhoven Banner	Kerkhoven	MN
The Middle River Honker	Middle River	MN
The Observer	Belgrade	MN
The Star Post	Albany	MN
Timberjay	Tower	MN
Tracy Area Headlight Herald	Tracy	MN
Valley News	Browns Valley	MN
Wheaton Gazette	Wheaton	MN

Mississippi

Emmerich Newspapers	Jackson	MS
Jacobs Properties	Brookhaven	MS
The Charleston Sun-Sentinel	Charleston	MS
The Franklin Advocate	Meadville	MS
The Star-Herald	Kosciusko	MS
The Wayne County News	Waynesboro	MS

Missouri

Advertiser-Courier	Hermann	MO

AMERICAN OVERSIGHT

Arnold-Imperial Leader	Festus	MO
Bowling Green Times	Bowling Green	MO
Buffalo Reflex	Buffalo	MO
Cabool Enterprise	Cabool	MO
Centralia Fireside Guard	Centralia	MO
Christian County Headliner-News	Ozark	MO
Elsberry Democrat	Elsberry	MO
Eureka Leader	Festus	MO
Excelsior Springs Standard	Excelsior Springs	MO
Gasconade County Republican	Owensville	MO
Hallmark	Kansas City	MO
Hathaway & Lane Direct, LLC	O'Fallon	MO
Houston Herald	Houston	MO
Jefferson County Leader	Festus	MO
Lake Gazette, The	Monroe City	MO
Lincoln County Journal	Troy	MO
Louisiana Press-Journal	Louisiana	MO
Maginating	Kirkwood	MO
Maries County Advocate	Vienna	MO
Marshfield Mail, The	Marshfield	MO
MCH Strategic Data	Sweet Springs	MO
Midwest Mailing Service	Columbia	MO
Montgomery Standard	Montgomery City	MO
Newstime	Lake Saint Louis	MO
Nixa Xpress	Nixa	MO
Ozark County Times	Gainesville	MO
Ozark Mailing Service	Springfield	MO
Peruvian Connection, LLC	Kansas City	MO
Phelps County Focus	Rolla	MO
Presort, Inc.	St. Louis	MO
Print Media Association	Chesterfield	MO
Sage Information Services	Jefferson City	MO
Sedalia Democrat, The	Sedalia	MO
Stockton Cedar County Republican	Stockton	MO
The Labor Tribune	St. Louis	MO
The Laclede County Record	Lebanon	MO
The Mansfield Mirror	Mansfield	MO
The Mountain Grove News Journal	Mountain Grove	MO
The Richmond News	Richmond	MO
The Salem News	Salem	MO
Town and Country Leader	Excelsior Springs	MO
Troy Free Press	Troy	MO
Unterrified Democrat	Linn	MO
US Toy Company	Grandview	MO
Vandalia Leader, The	Vandalia	MO
Warren County Record	Warrenton	MO
Washington Missourian	Washington	MO
West Plains Daily Quill	West Plains	MO
West Side Leader, The	Festus	MO

Montana

AMERICAN OVERSIGHT

Cut Bank Pioneer Press	Cut Bank	MT
Daniels County Leader	Scobey	MT
Glacier Reporter	Browning	MT
Mailing Technical Services, Inc.	Billings	MT
Shelby Promoter	Shelby	MT
The Laurel Outlook	Laurel	MT
The Valierian	Valier	MT
Tobacco Valley News	Eureka	MT

Nebraska

Ainsworth Star-Journal	Ainsworth	NE
Albion News	Albion	NE
Barnhart Press	Omaha	NE
Blair Pilot-Tribune	Blair	NE
Business Farmer	Scottsbluff	NE
CapStone Technologies, LLC	Lincoln	NE
Cedar County News	Hartington	NE
Citizen	Arlington	NE
Crete News	Crete	NE
Douglas County Post-Gazette	Elkhorn	NE
Friend Sentinel, The	Friend	NE
Grant County News	Hyannis	NE
Grant Tribune-Sentinel, The	Grant	NE
Gretna Guide and News	Gretna	NE
Hastings Tribune	Hastings	NE
Hooker County Tribune	Mullen	NE
Humphrey Democrat	Humphrey	NE
Imperial Republican, The	Imperial	NE
Lyons Mirror-Sun	Lyons	NE
McPherson County News	Tryon	NE
Milford Times	Milford	NE
Nebraska Press Association	Lincoln	NE
North Bend Eagle	North Bend	NE
Oakland Independent	Oakland	NE
Petersburg Press	Petersburg	NE
Pierce County Leader	Pierce	NE
Seward County Independent	Seward	NE
Springview Herald	Springview	NE
St. Edward Advance	St Edward	NE
Summerland Advocate-Messenger	Clearwater	NE
The Arnold Sentinel	Arnold	NE
The Clay County News	Sutton	NE
The Elgin Review	Elgin	NE
The Stapleton Enterprise	Stapleton	NE
The Voice News	Hickman	NE
The Voice of Western Nebraska	Morrill	NE
Thomas County Herald	Thedford	NE
Valentine Midland News	Valentine	NE
Washington County Enterprise	Blair	NE
Wauneta Breeze	Wauneta	NE
Wilber Republican, The	Wilber	NE

AMERICAN OVERSIGHT

Nevada

Battle Mountain Bugle	Battle Mountain	NV
Gardnerville Record Courier	Gardnerville	NV
Humboldt Sun	Winnemucca	NV
Lahontan Valley News	Fallon	NV
Las Vegas Review Journal	Las Vegas	NV
Lovelock Review Miner	Lovelock	NV
Moapa Valley Progress	Overton	NV
Nevada Appeal	Carson City	NV
Nevada Press Association	Carson City	NV
Nevada Rancher	Winnemucca	NV
Northern Nevada Business Weekly	Reno	NV

New Hampshire

Eastern Marketing Services	Portsmouth	NH
InterTown Record	North Sutton	NH
Littleton Coin Company, Inc.	Littleton	NH
Valley News	West Lebanon	NH

New Jersey

A Smyth Co.	Haddon Township	NJ
Community News Service	Lawrence	NJ
Edmund Optics	Barrington	NJ
Maljon LLC	Flanders	NJ
OSG Billing	Ridgefield Park	NJ
Page Three Consulting	Haddonfield	NJ
The Advertiser-News	Vernon	NJ
The Sentinel of Gloucester County	Malaga	NJ
The Sparta Independent	Sparta	NJ
The Township Journal	Newton	NJ
The West Milford Messenger	West Milford	NJ
West Essex Tribune	Livingston	NJ

New Mexico

Cibola Citizen	Grants	NM
Hobbs News Sun	Hobbs	NM
Las Vegas Optic	Las Vegas	NM
Los Alamos Monitor	Los Alamos	NM

New York

Adirondack Daily Enterprise	Saranac Lake	NY
All Island Media Inc.	Edgewood	NY
Bee Group Newspapers	Buffalo	NY
Belardi Wong, ALC, LLC	New York City	NY
Charleston Gardens	New York City	NY
Chelsea Clinton News	New York City	NY
Chelsea News	New York City	NY
Cross Country Computer	East Islip	NY
FPH Communications	New York City	NY

AMERICAN OVERSIGHT

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

AMERICAN OVERSIGHT

Carson Press	Elgin	ND
Center Republican	Washburn	ND
Central McLean News Journal	Underwood	ND
Emmons County Record	Linton	ND
Enderlin Independent	Enderlin	ND
Golden Valley Beach News	Beach	ND
Grant County News	Elgin	ND
Hazen Star, The	Hazen	ND
Kulm Messenger	Kulm	ND
Lamoure Chronicle	Lamoure	ND
Larimore Leader/Tribune	Larimore	ND
Litchville Bulletin	Litchville	ND
McClusky Gazette	McClusky	ND
McKenzie County Farmer	Watford City	ND
McLean County Independent	Garrison	ND
Mountrail County Record	New Town	ND
Napoleon Homestead	Napoleon	ND
New Town News	New Town	ND
North Dakota Newspaper Association	Bismarck	ND
Presort Plus	Bismarck	ND
Recreation Supply Company	Bismarck	ND
The Forum of Fargo-Moorhead	Fargo	ND
The Herald	New England	ND
The Jamestown Sun	Jamestown	ND
The Journal	Crosby	ND
The Walsh County Record	Grafton	ND
Tioga Tribune	Tioga	ND
Tri-County News	Gackle	ND
Valley News & Views	Drayton	ND
Washburn Leader-News	Washburn	ND
Wishek Star	Wishek	ND

Ohio

American Greetings	Cleveland	OH
Archbold Buckeye	Archbold	OH
Bluestone Perennials	Madison	OH
Chagrin Valley Times	Chagrin Falls	OH
Farm and Dairy	Salem	OH
Farmland News	Archbold	OH
Gardens Alive!	Tipp City	OH
Geauga Times Courier	Chardon	OH
Graphic Media Alliance	Westerville	OH
Mail Automation, Inc.	Baltimore	OH
Midwest Direct	Cleveland	OH
Millers Print and Mail, Inc.	Akron	OH
Nationwide Insurance	Columbus	OH
Ohio News Media Association	Columbus	OH
Solon Times	Solon	OH
Sporty's/Sportsman's Market, Inc.	Batavia	OH
Summit Racing Equipment	Tallmadge	OH
The Crestline Advocate	Crestline	OH

AMERICAN OVERSIGHT

The Good News	Middlefield	OH
The Progressor-Times/Mohawk Leader	Carey	OH
Town Money Saver	Lucas	OH
Up With Paper	Mason	OH
Vermilion Photojournal	Vermilion	OH
Westlife	Westlake	OH

Oklahoma

Beckham County Record	Sayre	OK
Blanchard News	Blanchard	OK
Bristow News	Bristow	OK
Buffalo Weekly News	Buffalo	OK
Cheyenne Star	Cheyenne	OK
Clinton Daily News	Clinton	OK
Cordell Beacon	Cordell	OK
Country Connection News	Eakly	OK
Cushing Citizen	Cushing	OK
Drumright Gusher	Drumright	OK
Eastern Times Register, The	Vian	OK
Elk City News	Elk City	OK
Eufaula Indian Journal, The	Eufaula	OK
Garvin County News Star	Maysville	OK
Geary Star	Geary	OK
Harper County Leader	Laverne	OK
Henryetta Free-Lance	Henryetta	OK
Hinton Record	Hinton	OK
Johnston County Sentinel	Tishomingo	OK
Kiowa County Democrat	Snyder	OK
Lincoln County News	Chandler	OK
Madill Record	Madill	OK
McIntosh County Democrat	Eufaula	OK
Okarche Warrior	Okarche	OK
Okmulgee Times	Okmulgee	OK
Piedmont Gazette	Piedmont	OK
Ponca City News, The	Ponca City	OK
Presort First Class	Oklahoma City	OK
Sequoyah County Times	Sallisaw	OK
Southwest Ledger	Lawton	OK
Stilwell Democrat Journal	Stilwell	OK
Stroud American	Stroud	OK
Tahlequah Daily Press	Tahlequah	OK
Target Marketing Print and Mail Solutions	Broken Arrow	OK
The Apache News	Apache	OK
The Comanche Times	Comanche	OK
The Examiner	Hugo	OK
The Fairfax Chief	Fairfax	OK
The Hooker Advance	Hooker	OK
The Newcastle Pacer	Newcastle	OK
The Newkirk Herald Journal	Newkirk	OK
The Purcell Register	Purcell	OK
The Walters Herald	Walters	OK

AMERICAN OVERSIGHT

The Wynnewood Gazette	Wynnewood	OK
Tonkawa News, The	Tonkawa	OK
Tri-County Herald	Meeker	OK
Vian Tenkiller News	Vian	OK
Vici Vision	Vici	OK
Walters Herald	Walters	OK
Watonga Republican	Watonga	OK
Weatherford Daily News	Weatherford	OK
Wylie Communications, Inc.	Oologah	OK
Yukon Progress	Yukon	OK

Oregon

Baker City Herald	Baker City	OR
Blue Mountain Eagle	John Day	OR
Boundaryless Enterprises, LLC	Medford	OR
Burns Times-Herald	Burns	OR
Capital Press	Salem	OR
Columbia Gorge News	Columbia River Gorge	OR
East Oregonian	Pendleton	OR
Hermiston Herald	Hermiston	OR
Hood River News	Hood River	OR
Keizertimes	Keizer	OR
La Grande Observer	La Grande	OR
Lake County Examiner	Lakeview	OR
Mailbox Merchants	Portland	OR
News-Register	McMinnville	OR
Pacific Printing Industries Association	Portland	OR
Redmond Spokesman	Redmond	OR
Seaside Signal	Seaside	OR
Signature Graphics	Portland	OR
The Astorian	Astoria	OR
The Bulletin	Bend	OR
The Chronicle	Creswell	OR
The Dalles Chronicle	Dalles	OR
TOO Magazine	Pendleton	OR
Wallowa County Chieftain	Enterprise	OR
White Salmon Enterprise	White Salmon	OR

Pennsylvania

Asendia	Folcraft	PA
Crayola	Easton	PA
Graphic Arts Association	Trevose	PA
Philadelphia Gay News	Philadelphia	PA
Printing Industries of America	Warrendale	PA
The New Republic	Meyersdale	PA
The Pike County Courier	Milford	PA
The Savings Guide	Mechanicsburg	PA
The Spirit	Glenolden	PA

Rhode Island

AMERICAN OVERSIGHT

Calypso Cards	Providence	RI
Cathedral Corporation	Lincoln	RI
The Block Island Times	Block Island	RI

South Carolina

Carolina Gateway	Lancaster	SC
Domtar	Fort Mill	SC
Island News	Beaufort	SC
Lancaster News, The	Lancaster	SC
Lexington County Chronicle & The Dispatch-News	Lexington	SC
News & Reporter, The	Chester	SC
Pageland Progressive-Journal	Pageland	SC
The Catholic Miscellany	Charleston	SC
The Gaffney Ledger	Gaffney	SC
The Twin-City News	Batesburg	SC
The Voice of Blythewood & Fairfield County	Blythewood	SC

South Dakota

Clear Lake Courier	Clear Lake	SD
Custer County Chronicle	Custer	SD
Dakota Dunes/North Sioux City Times	North Sioux City	SD
Highmore Herald	Highmore	SD
Hill City Prevailer New	Hill City	SD
Lakota Times	Martin	SD
Prairie Pioneer	Pollock	SD
Qualified Presort Service, LLC	Sioux Falls	SD
Sisseton Courier	Sisseton	SD
South Dakota Newspaper Association	Brookings	SD
Southern Union County Leader Courier	Elk Point	SD
Times-Advocate	Gregory	SD
True Dakotan	Wessington Springs	SD
Winner Advocate	Winner	SD

Tennessee

Action Mail Presort, Inc.	Chattanooga	TN
Carroll County News Leader	Huntingdon	TN
Citizen Tribune	Morristown	TN
Elk Valley Times, The	Fayetteville	TN
Exchange media Group	Fayetteville	TN
Grundy County Herald	Tracy City	TN
Herald Chronicle, The	Winchester	TN
International Paper	Memphis	TN
LaFollette Press	La Follette	TN
Manchester Times	Manchester	TN
Moore County News, The	Lynchburg	TN
Morgan County News	Wartburg	TN
Printing Industry Association of the South, Inc.	Nashville	TN
Roane County News	Kingston	TN
The Paris Post-Intelligencer	Paris	TN
The Standard Banner	Jefferson City	TN

AMERICAN OVERSIGHT

Tullahoma News	Tullahoma	TN

Texas

Ad Pages Solutions	Plano	TX
Alpine Avalanche	Alpine	TX
Aransas Pass Progress	Aransas Pass	TX
Atlanta Citizens Journal	Atlanta	TX
Bay City Tribune	Bay City	TX
Big Bend Sentinel	Marfa	TX
Big Sandy-Hawkins Journal	Big Sandy	TX
Blanco County News	Blanco	TX
Brady Standard-Herald	Brady	TX
Breckenridge American	Breckenridge	TX
Brenham Banner	Brenham	TX
Burnet Bulletin	Burnet	TX
Carrizo Springs Javelin	Carrizo Springs	TX
Centerville News	Centerville	TX
Cleburne Times Review	Cleburne	TX
Clifton Record	Clifton	TX
Coleman Chronicle and Democrat Voice	Coleman	TX
Copperas Cove Leader-Press	Copperas Cove	TX
Dalhart Texan	Dalhart	TX
Direct Merchandising, Inc.	Carrollton	TX
Double Mountain Chronicle	Rotan	TX
Dripping Springs Century News	Dripping Springs	TX
Dublin Citizen	Dublin	TX
El Campo Leader-News	El Campo	TX
Ennis News	Ennis	TX
Fairfield Recorder	Fairfield	TX
Focus Daily News	DeSoto	TX
Fort Stockton Pioneer	Fort Stockton	TX
Fredericksburg Standard-Radio Post	Fredericksburg	TX
Frio-Nueces Current	Pearsall	TX
Gainesville Daily Register	Gainesville	TX
Gatesville Messenger	Gatesville	TX
Gladewater Mirror	Gladewater	TX
Gonzales Inquirer	Gonzales	TX
Great American Business Products	Houston	TX
Groesbeck Journal	Groesbeck	TX
Half Price Books	Dallas	TX
Hays Free Press	Kyle	TX
Herald-Banner	Greenville	TX
Hill Country News	Cedar Park	TX
Horseshoe Bay	Horseshoe Bay	TX
Ingleside Index	Aransas Pass	TX
Jacksboro Herald-Gazette	Jacksboro	TX
Jackson County Herald-Tribune	Edna	TX
J.C. Penney Corporation, Inc.	Plano	TX
Johnson City Record-Courier	Johnson City	TX
Journal-Spectator	Wharton	TX
Kaufman Herald	Kaufman	TX

AMERICAN OVERSIGHT

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

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The Community News	Aledo	TX
The Cuero Record	Cuero	TX
The Daily Sentinel	Nacogdoches	TX
The Devil's River News	Sonora	TX
The Eldorado Success	Eldorado	TX
The Farmersville Times	Farmesville	TX
The Fayette County Record	La Grange	TX
The Fort Bend Herald	Rosenberg	TX
The Galveston County Daily News	Galveston	TX
The Graham Leader	Graham	TX
The Hansford County Reporter-Statesman	Spearman	TX
The Henderson News	Henderson	TX
The Highlander	Marble Falls	TX
The Katy Times	Katy	TX
The Liberty Hill Independent	Liberty Hill	TX
The Light and Champion	Center	TX
The Lufkin Daily News	Lufkin	TX
The Marlin Democrat	Marlin	TX
The Marshall News Messenger	Marshall	TX
The Meridian Tribune	Meridian	TX
The Mexia News	Mexia	TX
The Normangee Star	Normangee	TX
The Panola Watchman	Carthage	TX
The Paris News	Paris	TX
The Picayune	Marble Falls	TX
The Pittsburg Gazette	Pittsburg	TX
The Port Lavaca Wave	Port Lavaca	TX
The Princeton Herald	Princeton	TX
The Rockport Pilot	Rockport	TX
The Rosebud News	Rosebud	TX
The Sachse News	Sachse	TX
The Snyder News	Snyder	TX
The Thorndale Champion	Thorndale	TX
The Whitewright Sun	Whitewright	TX
The Wylie News	Wylie	TX
Uvalde Leader-News	Uvalde	TX
VariVerge, LLC	Dallas	TX
Vernon Record	Vernon	TX
Wallis News-Review	Wallis	TX
Weatherford Democrat	Weatherford	TX
White Oak Independent	White Oak	TX
Whitesboro News-Record	Whitesboro	TX
Wimberley View	Wimberley	TX
Wise County Messenger	Decatur	TX
Yorktown-News View	Yorktown	TX

Utah

Basin Nickel Ads	Vernal	UT
Beaver County Journal	Beaver	UT
Chronicle Progress	Delta	UT
Cottonwood Heights Journal	Cottonwood Heights	UT

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Davis Clipper	Bountiful	UT
Draper Journal	Draper	UT
ETV News	Price	UT
Herriman Journal	Herriman	UT
Holladay Journal	Holladay	UT
Intermountain Catholic	Salt Lake City	UT
International Bridge Inc.	Provo	UT
Midvale Journal	Midvale	UT
Millcreek Journal	Millcreek	UT
Murray Journal	Murray	UT
Olive & Cocoa, LLC	Salt Lake City	UT
Presort Essentials	Salt Lake City	UT
Riverton Journal	Riverton	UT
Sandy Journal	Sandy	UT
South Jordan Journal	South Jordan	UT
South Salt Lake Journal	Salt Lake City	UT
Southern Utah News	Kanab	UT
Sugar House Journal	Salt Lake City	UT
Taylorsville Journal	Taylorsville	UT
The Intermountain Commercial Record and the Salt Lake Times	Salt Lake City	UT
The Pyramid	Mt. Pleasant	UT
The Reaper Extra	Richfield	UT
The Richfield Reaper	Richfield	UT
The Times-Independent	Moab	UT
The Wayne & Garfield County Insider	Escalante	UT
Uintah Basin	Roosevelt	UT
Utah Press Association	West Jordan	UT
Vernal Express	Vernal	UT
West Jordan Journal	West Jordan	UT
West Valley City Journal	West Valley City	UT

Vermont

Colchester Sun	Colchester	VT
Essex Reporter	Colchester	VT
International Coins & Currency	Montpelier	VT
Lane Press	South Burlington	VT
Milton Independent	Milton	VT
News & Citizen	Morrisville	VT
Saint Albans Messenger	Saint Albans	VT
Shelburne News	Shelburne	VT
Shine Strategy, LLC	Manchester Center	VT
South Burlington Other Paper	South Burlington	VT
Stowe Reporter	Stowe	VT
The Citizen	Charlotte	VT
The Valley Reporter	Waitsfield	VT
The Vermont Teddy Bear Company, Inc.	Shelburne	VT
The White River Valley Herald	Randolph	VT
Vermont Country Store	Manchester Center	VT
Vermont Press Association	Colchester	VT

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Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV

Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

AMERICAN OVERSIGHT

Elmwood Sun-Argus	Spring Valley	WI
Great Lakes Graphics Association	Pewaukee	WI
Kewaskum Statesman	Campbellsport	WI
L&M Mail and Courier	Eau Claire	WI
MadMen3, LLC	DeForest	WI
National Business Furniture	Milwaukee	WI
North Woods Trader	Eagle River	WI
Nueske's Applewood Smoked Meats	Wittenberg	WI
Ozaukee Press	Port Washington	WI
Quad, Inc.	Sussex	WI
Record Review	Edgar	WI
Silver Star Brands	Oshkosh	WI
Star Journal	Rhinelander	WI
Star News	Medford	WI
The Democrat Tribune	Mineral Point	WI
The Dodgeville Chronicle	Dodgeville	WI
The Pecatonica Valley River	Argyle	WI
The Plymouth Review	Plymouth	WI
The Sheboygan Falls News	Sheboygan Falls	WI
The Sounder	Random Lake	WI
The Star News	Medford	WI
The Three Lakes News	Three Lakes	WI
The Woodville Leader	Woodville	WI
Tomahawk Leader	Tomahawk	WI
Tribune Phonograph	Abbottsford	WI
Tribune Record Gleaner	Loyal	WI
Vilas County News-Review	Eagle River	WI
Walsworth/Ripon	Ripon	WI
Waupaca County Post-East	Waupaca	WI
Waupaca County Post-West	Waupaca	WI
Wisconsin Community Papers	Fond du Lac	WI

Wyoming

Bridger Valley Pioneer	Lyman	WY
Cheyenne Minuteman	Cheyenne	WY
Cody Enterprise	Cody	WY
Douglas Budget	Douglas	WY
Gillette News-Record	Gillette	WY
Glenrock Independent	Glenrock	WY
Guernsey Gazette	Guernsey	WY
Jackson Hole News & Guide	Jackson	WY
Kemmerer Gazette	Kemmerer	WY
Lingle Guide	Lingle	WY
Lusk Herald	Lusk	WY
Moorcroft Leader	Moorcroft	WY
Pinedale Roundup	Pinedale	WY
Pirate Ship	Jackson	WY
Platte County Record-Times	Wheatland	WY
Powell Tribune	Powell	WY
Sublette Examiner	Pinedale	WY
Sundance Times	Sundance	WY

AMERICAN OVERSIGHT

Thermopolis Independent Record	Thermopolis	WY
Torrington Telegram	Torrington	WY
Uinta County Herald	Evanston	WY
Wyoming Livestock Roundup	Casper	WY
Wyoming Pioneer	Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters

AMERICAN OVERSIGHT

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates $1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS[1], often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

[1] Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/

AMERICAN OVERSIGHT

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ

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Colorado River Real Estate Magazine	Bullhead City	AZ
Entertainer	Bullhead City	AZ
Mohave Valley Daily News	Bullhead City	AZ
Runbeck Election Services, Inc.	Phoenix	AZ
The Bullhead City Booster	Bullhead City	AZ
The Laughlin Times	Bullhead City	AZ
The Wickenburg Sun	Wickenburg	AZ
Western States Printing Alliance	Queen Creek	AZ
Wickenburg Shopper News	Wickenburg	AZ

Arkansas

Arkansas Mailing Services	N. Little Rock	AR
Arkansas Press Association	Little Rock	AR
Dayspring Cards	Siloam Springs	AR
Harrison Daily Times	Harrison	AR
Johnson County Graphic	Clarksville	AR
Newton County Times	Jasper	AR

California

Auburn Direct	Auburn	CA
Auburn Journal	Auburn	CA
Big Bear Grizzly	Big Bear Lake	CA
Brentwood Press	Brentwood	CA
California News Publishers Association	Sacramento	CA
Chino Champion	Chino	CA
CohereOne	San Rafael	CA
Colfax Record	Colfax	CA
Desert Entertainer	Yucca Valley	CA
Desert Mobile Home News	Yucca Valley	CA
eBay Inc.	San Jose	CA
Folsom Lake Entertainer	Folsom	CA
Granite Bay View	Roseville	CA
Grizzly Weekender	Big Bear Lake	CA
Gustine Press-Standard	Newman	CA
Hi-Desert Star	Yucca Valley	CA
Idyllwild Town Crier	Idyllwild	CA
India West	San Leandro	CA
Lincoln News Messenger	Lincoln	CA
Major Mailers Assn.	El Dorado Hills	CA
Mountain News	Lake Arrowhead	CA
Mountain Shopper	Lake Arrowhead	CA
Needles Desert Star (1987)*	Needles	CA
Nevada & Placer County Entertainer	Auburn	CA
Ojai Valley News	Ojai	CA
PacSun, LLC	Anaheim	CA
Patterson Irrigator	Patterson	CA
PLD Group	Thousand Palms	CA
Point Reyes Light	Inverness	CA
Press Banner	Scotts Valley	CA
Printing Industries Assn. of San Diego, Inc.	San Diego	CA

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Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

AMERICAN OVERSIGHT

The Chronicle	Willimantic	CT
Trumbull Printing, LLC	Trumbull	CT
Wasco Tribune	Wasco	CT

Delaware

Cape Gazette	Lewes	DE
Greater Dover Extra	Dover	DE
Smyrna Extra	Smyrna	DE
Sussex Post	Seaford	DE
The Chronicle	Milford	DE

Florida

Access Mail Processing Services, Inc..	Clearwater	FL
Cedar Key Beacon	Chiefland	FL
Chiefland Citizen	Chiefland	FL
Citrus County Chronicle	Crystal River	FL
Consolidated Mailing Services	Tampa	FL
Direct Mail Impressions	Boca Raton	FL
Florida Graphics Alliance	Orlando	FL
Florida Mail & Print	Ft. Myers	FL
Florida Media Association	Ocala	FL
Florida Press Association	Tallahassee	FL
Gadsden County Times, The	Quincy	FL
Heritage Florida Jewish News	Orlando	FL
Kessler Creative	Jacksonville	FL
Key West Citizen and Free Press	Key West	FL
Lake City Reporter	Lake City	FL
Mail, Print & Packaging Solutions, Inc.	Lutz	FL
Nona Connect	Orlando	FL
Nonahood News	Orlando	FL
North Jax Monthly	Jacksonville	FL
Perry News Herald	Perry	FL
Print Reach, Inc.	Jacksonville Beach	FL
Publishers' Auxiliary	Pensacola	FL
Riverland News	Dunnellon	FL
South Marion Citizen	Dunnellon	FL
St. Augustine Observer	St. Augustine	FL
Sumter County Times	Bushnell	FL
Taco Times	Perry	FL
TC Delivers Mail Solutions & Savings	Jacksonville	FL
Textile Care Allied Trades Assn.	Wesley Chapel	FL
The West Volusia Beacon	DeLand	FL
Valpak	St. Petersburg	FL
Wakulla News, The	Crawfordville	FL
Westside Journal	Callahan	FL
Williston Pioneer Sun-News	Williston	FL
W.S. Badcock Corporation	Mulberry	FL

Georgia

Banks County News	Jefferson	GA

AMERICAN OVERSIGHT

Barrow News-Journal	Winder	GA
Charlton County Herald	Folkston	GA
Datamatx	Atlanta	GA
Early County News	Blakely	GA
Envelopes & Forms, Inc./SureBill	Duluth	GA
Fayette County News	Fayetteville	GA
Jackson Herald, The	Jefferson	GA
Madison County Journal, The	Jefferson	GA
Mature Living in the South	Baxley	GA
Mature Living in the Southeast	Baxley	GA
Monroe County Reporter	Forsyth	GA
North Georgia News	Blairsville	GA
Printing & Imaging Association of Georgia	Smyrna	GA
The Advance	Vidalia	GA
The Atlanta Voice	Atlanta	GA
The Baxley News-Banner	Baxley	GA
The Lincoln Journal	Lincolnton	GA
The Newnan Times-Herald	Newnan	GA
The News Observer	Blue Ridge	GA
The News-Reporter	Washington	GA
The Post-Searchlight	Bainbridge	GA
The Press-Sentinel	Jesup	GA
The Telfair Enterprise	McRae-Helena	GA
Times-Courier	Ellijay	GA
Towns County Herald	Hiawassee	GA
TSYS Inc.	Columbus	GA
Waycross Journal-Herald	Waycross	GA

Hawaii

Lahaina News	Maui	HI

Idaho

American Mailing Products, Inc.	Meridian	ID
Clearwater Tribune	Orofino	ID
The Arco Advertiser	Arco	ID
The Challis Messenger	Challis	ID
Weekly Mailer	Burley	ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)	Lake Villa	IL
Barco Products	Batavia	IL
Bunker Hill Gazette- News	Bunker Hill	IL
Carmi Chronicle	Carmi	IL
Carroll County Mirror-Democrat	Mt. Carroll	IL
Design Toscano	Elk Grove Village	IL
Fluence Automation, LLC	Arlington Heights	IL
Franklin County Gazette	Benton	IL
Gazette-Democrat, The	Anna	IL
Hardin County Independent	Elizabethtown	IL
InnerWorkings	Chicago	IL

AMERICAN OVERSIGHT

Journal-News, The	Hillsboro	IL
KirbyBuilt Products	Batavia	IL
K-Log	Zion	IL
Leader-Union, The	Vandalia	IL
Madison County Chronicle	Worden	IL
McLeansboro Gazette	McLeansboro	IL
Midland Paper Packaging and Supplies	Wheeling	IL
Mt. Olive Herald, The	Mount Olive	IL
Navigator and Journal Register, The	Albion	IL
North American Assn of Food Equipment Mfrs	Chicago	IL
Olney Gazette	Olney	IL
OSM Worldwide	Glendale Heights	IL
Quicksilver Mailing Services	Springfield	IL
Raymond News, The	Raymond	IL
Republic-Times Group, LLC	Waterloo	IL
R.R. Donnelley	Chicago	IL
Southwestern Journal News, The	Brighton	IL
The Carroll County Review	Thomson	IL
The Galena Gazette	Galena	IL
The Prairie News	Toulon	IL
The Sidell Reporter	Sidell	IL
The Vienna Times	Vienna	IL
The Weekly Post	Elmwood	IL
The Woodstock Independent	Woodstock	IL
TreeTop Products	Batavia	IL
Unison	Chicago	IL
Vienna Times, The	Vienna	IL
Weekly Press, The	Pinckneyville	IL

Indiana

Carroll County Comet	Delphi	IN
Crothersville Times	Crothersville	IN
Data Mail, Inc.	Evansville	IN
Engineering Innovation, Inc.	Lafayette	IN
Ferdinand News	Ferdinand	IN
Indiana Minority Business Magazine	Indianapolis	IN
Journal Review	Crawfordsville	IN
LaGrange News	LaGrange	IN
LaGrange Standard	LaGrange	IN
LSC Communications	Indianapolis	IN
Middlebury Independent	Middlebury	IN
Montpelier Weekly	Montpelier	IN
Mount Vernon Democrat	Mount Vernon	IN
Nat'l Assn of Mutual Insurance Companies	Indianapolis	IN
North Vernon Plain Dealer	North Vernon	IN
Online Data	South Bend	IN
Paper of Montgomery County	Crawfordsville	IN
Parke County Sentinel	Rockville	IN
Perry County News	Tell City	IN
Spencer County Journal-Democrat, The	Rockport	IN
Sullivan Daily Times	Sullivan	IN

AMERICAN OVERSIGHT

The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometowner	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

AMERICAN OVERSIGHT

The Carlisle Citizen	Carlisle	IA
The Charles City Press	Charles City	IA
The Columbus Gazette	Columbus Junction	IA
The Daily Iowan	Iowa City	IA
The Gowrie News	Gowrie	IA
The Manilla Times	Manilla	IA
The Observer	Westside	IA
The Ocheyedan Press-Melvin News	Ocheyedan	IA
The Seymour Herald	Seymour	IA
The Sun News	Lowden	IA
The Times Republican	Corydon	IA
The Tipton Conservative	Tipton	IA
Times-Republican	Marshalltown	IA
Toledo Chronicle	Toledo	IA
T-R Plus	Marshalltown	IA
Traer Star-Clipper	Traer	IA
West Branch Times	West Branch	IA
West Liberty Index	West Liberty	IA
Wilton-Durant Advocate News	Wilton	IA
Woolverton	Des Moines	IA

Kansas

Coffeyville Journal	Coffeyville	KS
Colby Free Press	Colby	KS
Ellsworth County Independent-Reporter	Ellsworth	KS
Eudora Times	Eudora	KS
Good News Press	Caney	KS
Independence Daily Reporter	Independence	KS
Kansas Press Association	Topeka	KS
Labette Avenue	Oswego	KS
Lineage	Lenexa	KS
Mail Works	Kansas City	KS
Marquette Tribune	Marquette	KS
Montgomery County Chronicle	Caney	KS
Mulvane News	Mulvane	KS
Prairie Star	Sedan	KS
Rawlins County Square Deal	Atwood	KS
Rose Hill Reporter	Rose Hill	KS
The Anthony Republican	Anthony	KS
The Cedar Vale Lookout	Cedar Vale	KS
The Cowley Courier Traveler	Arkansas City	KS
The Eureka Herald	Eureka	KS
The Goodland Star-News	Goodland	KS
The Holton Recorder	Holton	KS
The Marysville Advocate	Marysville	KS
The Monitor Journal	Little River	KS
The Norton Telegram	Norton	KS
The Oberlin Herald	Oberlin	KS
The Saint Francis Herald & Bird City Times	Saint Francis	KS
The Wabaunsee County Signal-Enterprise	Alma	KS
Universal Engraving, Inc.	Overland Park	KS

AMERICAN OVERSIGHT

Kentucky

Anderson News, The	Lawrenceburg	KY
Casey County News, The	Liberty	KY
Central Kentucky News-Journal	Campbellsville	KY
ElToro.com	Louisville	KY
Georgetown News-Graphic	Georgetown	KY
Henry County Local	Eminence	KY
Kentucky New Era	Hopkinsville	KY
Kentucky Standard, The	Bardstown	KY
LaRue County Herald News, The	Hodgenville	KY
Lebanon Enterprise, The	Lebanon	KY
News-Enterprise	Elizabethtown	KY
Oldham Era, The	La Grange	KY
Pioneer News, The	Shepherdsville	KY
Record, The	Leitchfield	KY
Record-Herald	Greensburg	KY
Sentinel-News, The	Shelbyville	KY
Spencer Magnet, The	Taylorsville	KY
Springfield Sun, The	Springfield	KY
The Cadiz Record	Cadiz	KY
The Cynthiana Democrat	Cynthiana	KY
The Eagle Post	Oak Grove	KY
The Grant County News	Williamstown	KY
The Harrison Shopper	Cynthiana	KY
The Licking Valley Courier	West Liberty	KY
The News-Democrat	Carrollton	KY
The News-Herald	Owenton	KY
The River City Trading Post	Carrollton	KY
The State Journal	Frankfort	KY
The Trimble Banner	Bedford	KY
Troublesome Creek Times	Hindman	KY
Vtility.com	Louisville	KY

Louisiana

American Press	Lake Charles	LA
Bogalusa Daily News	Bogalusa	LA
Bossier Press Tribune	Bossier City	LA
Cameron Parish Pilot	Cameron	LA
Catahoula News Booster	Jonesville	LA
Central Speaks Newspaper	Central	LA
DeQuincy News	DeQuincy	LA
DMS Mail Management, Inc.	Baton Rouge	LA
Jennings Daily News	Jennings	LA
LaPlace L'Observateur	LaPlace	LA
Ruston Daily Leader	Ruston	LA
Southwest Daily News	Sulphur	LA
The Avoyelles Journal	Avoyelles	LA
The Bienville Democrat	Arcadia	LA
The Bunkie Record	Bunkie	LA

AMERICAN OVERSIGHT

The Louisiana Weekly	New Orleans	LA
The Marksville News	Marksville	LA

Maine

Calyx Flowers, Inc.	Yarmouth	ME
Cuddledown	Yarmouth	ME
Ellsworth American	Ellsworth	ME
J.S. McCarthy	Augusta	ME
Mount Desert Islander	Bar Harbor	ME
Snowman Group	Hermon	ME

Maryland

Country Casual Teak	Gaithersburg	MD
Healthy Directions	Bethesda	MD
Ocean City Digest	Ocean City	MD
Ocean City Today	Ocean City	MD
Pet Industry Distributors Association	Abingdon	MD
Printing and Graphics Association MidAtlantic	Columbia	MD
Tire Industry Association	Bowie	MD
USAE Weekly Newspaper	Bethesda	MD

Massachusetts

Christianbook, LLC	Peabody	MA
Coldwater Creek	Hingham	MA
Daily Times Chronicle	Woburn	MA
Healy List Marketing	Beverly	MA
Integrated Systems Associates, Inc.	Swansea	MA
Legacy Publishing Group	Clinton	MA
Potpourri Group, Inc.	North Billerica	MA
Printing Industries of New England	Southborough	MA
The Manchester Cricket	Manchester-by-the-Sea	MA
Trainer's Warehouse	Natick	MA
Window Book, Inc.	Cambridge	MA

Michigan

Alcona County Review	Harrisville	MI
Ann Arbor Observer	Ann Arbor	MI
Assn. for Mail Electronic Enhancement	Newaygo	MI
Battle Creek Shopper News	Battle Creek	MI
Baudville Brands	Grand Rapids	MI
Bronner's Christmas Wonderland	Frankenmuth	MI
Cadillac News	Cadillac	MI
Clare County Cleaver	Harrison	MI
Clarkston News	Clarkston	MI
Community Papers of Michigan	Potterville	MI
Detroit Legal News	Detroit	MI
Extend Your Reach	Lansing	MI
Great American Media Services	Sparta	MI
Grosse Pointe News	Grosse Pointe	MI
Hastings Banner	Hastings	MI

AMERICAN OVERSIGHT

Hastings Reminder	Hastings	MI
Houghton Lake Resorter	Houghton Lake	MI
Kent Communications, Inc.	Grand Rapids	MI
Koeze Company	Grand Rapids	MI
Lake Orion Review	Lake Orion	MI
Lakewood News	Hastings	MI
Leelanau Enterprise	Lake Leelanau	MI
Lett Direct, Inc.	Williamsburg	MI
Lowell Buyers Guide	Lowell	MI
Lowell Ledger	Lowell	MI
Mail Room Service Center, Inc.	Saginaw	MI
Maple Valley News	Hastings	MI
Marshall/Chronicle	Marshall	MI
Oxford Leader	Oxford	MI
Save on Everything, LLC	Troy	MI
TGI Direct, Inc.	Flint	MI
The Citizen	Ortonville	MI
The Climax Crescent Newspaper	Climax	MI
The Clinton Local	Clinton	MI
The Independent	Dundee	MI
The Pinconning Journal	Pinconning	MI
The Record	Washington	MI
The Saginaw News	Saginaw	MI
The Tecumseh Herald	Tecumseh	MI
The Yale Expositor	Yale	MI

Minnesota

Belle Plaine Herald	Belle Plaine	MN
Benton County News	Foley	MN
Bloodwood Forum	Proctor	MN
Cardsource	Minneapolis	MN
Citizen Publishing Co., Inc	Windom	MN
Clara City Herald	Clara City	MN
Clifton Larson Allen	Minneapolis	MN
Comfrey Times	Comfrey	MN
Country Acres	Sauk Centre	MN
Crosby-Ironton Courier, Inc.	Crosby	MN
Dairy Star	Sauk Centre	MN
Eden Valley-Watkins Voice	Eden Valley	MN
Ely Echo	Ely	MN
Exponent, TheEast	Grand Forks	MN
Fergus Falls Daily Journal	Fergus Falls	MN
Floodwood Forum	Floodwood	MN
Graphic Finishing	Minneapolis	MN
Hanska Herald	Madelia	MN
Hermantown Star	Hermantown	MN
IdealPrinters	St. Paul	MN
Inkjet Insight, LLC	Minneapolis	MN
Jackson County Pilot	Jackson	MN
Japs-Olson	St. Louis Park	MN
Lafayette Nicollet Ledger	Lafayette	MN

AMERICAN OVERSIGHT

Madelia Times-Messenger	Madelia	MN
Meyers Printing	Minneapolis	MN
Minnesota Newspaper Association	Minneapolis	MN
Minnesota Women's Press	Minneapolis	MN
Nahan Printing	St. Cloud	MN
National Checking	Minneapolis	MN
New Babbitt Weekly News	Babbitt	MN
Northeaster	Minneapolis	MN
Northern Light Region, The	Baudette	MN
On-Trac International	Brighton	MN
Page 1 Publications, Inc.	East Grand Forks	MN
Paynesville Press	Paynesville	MN
Pelican Press	Pelican Rapids	MN
Pope County Tribune	Glenwood	MN
Printing Industry Midwest	Minneapolis	MN
Proctor Journal	Proctor	MN
Proprint	Duluth	MN
Pure Gold	Madelia	MN
Rock County Star Herald	Luverne	MN
Sartell-St. Stephen Newsleader	St. Joseph	MN
Saturation Mailers Coalition	Minneapolis	MN
Sauk Centre Herald	Sauk Centre	MN
Sauk Rapids Herald	Sauk Rapids	MN
Spicer - Lakes Area Review	New London	MN
St. Joseph Newsleader	St. Joseph	MN
St. Paul Voice	St. Paul	MN
Standard Dynamics	Minneapolis	MN
Star Publications, LLC	Sauk Centre	MN
Star Shopper	Sauk Centre	MN
The Appleton Press	Appleton	MN
The Battle Lake Review	Battle Lake	MN
The Kerkhoven Banner	Kerkhoven	MN
The Middle River Honker	Middle River	MN
The Observer	Belgrade	MN
The Star Post	Albany	MN
Timberjay	Tower	MN
Tracy Area Headlight Herald	Tracy	MN
Valley News	Browns Valley	MN
Wheaton Gazette	Wheaton	MN

Mississippi

Emmerich Newspapers	Jackson	MS
Jacobs Properties	Brookhaven	MS
The Charleston Sun-Sentinel	Charleston	MS
The Franklin Advocate	Meadville	MS
The Star-Herald	Kosciusko	MS
The Wayne County News	Waynesboro	MS

Missouri

Advertiser-Courier	Hermann	MO

AMERICAN OVERSIGHT

Arnold-Imperial Leader	Festus	MO
Bowling Green Times	Bowling Green	MO
Buffalo Reflex	Buffalo	MO
Cabool Enterprise	Cabool	MO
Centralia Fireside Guard	Centralia	MO
Christian County Headliner-News	Ozark	MO
Elsberry Democrat	Elsberry	MO
Eureka Leader	Festus	MO
Excelsior Springs Standard	Excelsior Springs	MO
Gasconade County Republican	Owensville	MO
Hallmark	Kansas City	MO
Hathaway & Lane Direct, LLC	O'Fallon	MO
Houston Herald	Houston	MO
Jefferson County Leader	Festus	MO
Lake Gazette, The	Monroe City	MO
Lincoln County Journal	Troy	MO
Louisiana Press-Journal	Louisiana	MO
Maginating	Kirkwood	MO
Maries County Advocate	Vienna	MO
Marshfield Mail, The	Marshfield	MO
MCH Strategic Data	Sweet Springs	MO
Midwest Mailing Service	Columbia	MO
Montgomery Standard	Montgomery City	MO
Newstime	Lake Saint Louis	MO
Nixa Xpress	Nixa	MO
Ozark County Times	Gainesville	MO
Ozark Mailing Service	Springfield	MO
Peruvian Connection, LLC	Kansas City	MO
Phelps County Focus	Rolla	MO
Presort, Inc.	St. Louis	MO
Print Media Association	Chesterfield	MO
Sage Information Services	Jefferson City	MO
Sedalia Democrat, The	Sedalia	MO
Stockton Cedar County Republican	Stockton	MO
The Labor Tribune	St. Louis	MO
The Laclede County Record	Lebanon	MO
The Mansfield Mirror	Mansfield	MO
The Mountain Grove News Journal	Mountain Grove	MO
The Richmond News	Richmond	MO
The Salem News	Salem	MO
Town and Country Leader	Excelsior Springs	MO
Troy Free Press	Troy	MO
Unterrified Democrat	Linn	MO
US Toy Company	Grandview	MO
Vandalia Leader, The	Vandalia	MO
Warren County Record	Warrenton	MO
Washington Missourian	Washington	MO
West Plains Daily Quill	West Plains	MO
West Side Leader, The	Festus	MO

Montana

AMERICAN OVERSIGHT

Cut Bank Pioneer Press	Cut Bank	MT
Daniels County Leader	Scobey	MT
Glacier Reporter	Browning	MT
Mailing Technical Services, Inc.	Billings	MT
Shelby Promoter	Shelby	MT
The Laurel Outlook	Laurel	MT
The Valierian	Valier	MT
Tobacco Valley News	Eureka	MT

Nebraska

Ainsworth Star-Journal	Ainsworth	NE
Albion News	Albion	NE
Barnhart Press	Omaha	NE
Blair Pilot-Tribune	Blair	NE
Business Farmer	Scottsbluff	NE
CapStone Technologies, LLC	Lincoln	NE
Cedar County News	Hartington	NE
Citizen	Arlington	NE
Crete News	Crete	NE
Douglas County Post-Gazette	Elkhorn	NE
Friend Sentinel, The	Friend	NE
Grant County News	Hyannis	NE
Grant Tribune-Sentinel, The	Grant	NE
Gretna Guide and News	Gretna	NE
Hastings Tribune	Hastings	NE
Hooker County Tribune	Mullen	NE
Humphrey Democrat	Humphrey	NE
Imperial Republican, The	Imperial	NE
Lyons Mirror-Sun	Lyons	NE
McPherson County News	Tryon	NE
Milford Times	Milford	NE
Nebraska Press Association	Lincoln	NE
North Bend Eagle	North Bend	NE
Oakland Independent	Oakland	NE
Petersburg Press	Petersburg	NE
Pierce County Leader	Pierce	NE
Seward County Independent	Seward	NE
Springview Herald	Springview	NE
St. Edward Advance	St Edward	NE
Summerland Advocate-Messenger	Clearwater	NE
The Arnold Sentinel	Arnold	NE
The Clay County News	Sutton	NE
The Elgin Review	Elgin	NE
The Stapleton Enterprise	Stapleton	NE
The Voice News	Hickman	NE
The Voice of Western Nebraska	Morrill	NE
Thomas County Herald	Thedford	NE
Valentine Midland News	Valentine	NE
Washington County Enterprise	Blair	NE
Wauneta Breeze	Wauneta	NE
Wilber Republican, The	Wilber	NE

AMERICAN OVERSIGHT

Nevada

Battle Mountain Bugle	Battle Mountain	NV
Gardnerville Record Courier	Gardnerville	NV
Humboldt Sun	Winnemucca	NV
Lahontan Valley News	Fallon	NV
Las Vegas Review Journal	Las Vegas	NV
Lovelock Review Miner	Lovelock	NV
Moapa Valley Progress	Overton	NV
Nevada Appeal	Carson City	NV
Nevada Press Association	Carson City	NV
Nevada Rancher	Winnemucca	NV
Northern Nevada Business Weekly	Reno	NV

New Hampshire

Eastern Marketing Services	Portsmouth	NH
InterTown Record	North Sutton	NH
Littleton Coin Company, Inc.	Littleton	NH
Valley News	West Lebanon	NH

New Jersey

A Smyth Co.	Haddon Township	NJ
Community News Service	Lawrence	NJ
Edmund Optics	Barrington	NJ
Maljon LLC	Flanders	NJ
OSG Billing	Ridgefield Park	NJ
Page Three Consulting	Haddonfield	NJ
The Advertiser-News	Vernon	NJ
The Sentinel of Gloucester County	Malaga	NJ
The Sparta Independent	Sparta	NJ
The Township Journal	Newton	NJ
The West Milford Messenger	West Milford	NJ
West Essex Tribune	Livingston	NJ

New Mexico

Cibola Citizen	Grants	NM
Hobbs News Sun	Hobbs	NM
Las Vegas Optic	Las Vegas	NM
Los Alamos Monitor	Los Alamos	NM

New York

Adirondack Daily Enterprise	Saranac Lake	NY
All Island Media Inc.	Edgewood	NY
Bee Group Newspapers	Buffalo	NY
Belardi Wong, ALC, LLC	New York City	NY
Charleston Gardens	New York City	NY
Chelsea Clinton News	New York City	NY
Chelsea News	New York City	NY
Cross Country Computer	East Islip	NY
FPH Communications	New York City	NY

AMERICAN OVERSIGHT

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

AMERICAN OVERSIGHT

Carson Press	Elgin	ND
Center Republican	Washburn	ND
Central McLean News Journal	Underwood	ND
Emmons County Record	Linton	ND
Enderlin Independent	Enderlin	ND
Golden Valley Beach News	Beach	ND
Grant County News	Elgin	ND
Hazen Star, The	Hazen	ND
Kulm Messenger	Kulm	ND
Lamoure Chronicle	Lamoure	ND
Larimore Leader/Tribune	Larimore	ND
Litchville Bulletin	Litchville	ND
McClusky Gazette	McClusky	ND
McKenzie County Farmer	Watford City	ND
McLean County Independent	Garrison	ND
Mountrail County Record	New Town	ND
Napoleon Homestead	Napoleon	ND
New Town News	New Town	ND
North Dakota Newspaper Association	Bismarck	ND
Presort Plus	Bismarck	ND
Recreation Supply Company	Bismarck	ND
The Forum of Fargo-Moorhead	Fargo	ND
The Herald	New England	ND
The Jamestown Sun	Jamestown	ND
The Journal	Crosby	ND
The Walsh County Record	Grafton	ND
Tioga Tribune	Tioga	ND
Tri-County News	Gackle	ND
Valley News & Views	Drayton	ND
Washburn Leader-News	Washburn	ND
Wishek Star	Wishek	ND

Ohio

American Greetings	Cleveland	OH
Archbold Buckeye	Archbold	OH
Bluestone Perennials	Madison	OH
Chagrin Valley Times	Chagrin Falls	OH
Farm and Dairy	Salem	OH
Farmland News	Archbold	OH
Gardens Alive!	Tipp City	OH
Geauga Times Courier	Chardon	OH
Graphic Media Alliance	Westerville	OH
Mail Automation, Inc.	Baltimore	OH
Midwest Direct	Cleveland	OH
Millers Print and Mail, Inc.	Akron	OH
Nationwide Insurance	Columbus	OH
Ohio News Media Association	Columbus	OH
Solon Times	Solon	OH
Sporty's/Sportsman's Market, Inc.	Batavia	OH
Summit Racing Equipment	Tallmadge	OH
The Crestline Advocate	Crestline	OH

AMERICAN OVERSIGHT

The Good News	Middlefield	OH
The Progressor-Times/Mohawk Leader	Carey	OH
Town Money Saver	Lucas	OH
Up With Paper	Mason	OH
Vermilion Photojournal	Vermilion	OH
Westlife	Westlake	OH

Oklahoma

Beckham County Record	Sayre	OK
Blanchard News	Blanchard	OK
Bristow News	Bristow	OK
Buffalo Weekly News	Buffalo	OK
Cheyenne Star	Cheyenne	OK
Clinton Daily News	Clinton	OK
Cordell Beacon	Cordell	OK
Country Connection News	Eakly	OK
Cushing Citizen	Cushing	OK
Drumright Gusher	Drumright	OK
Eastern Times Register, The	Vian	OK
Elk City News	Elk City	OK
Eufaula Indian Journal, The	Eufaula	OK
Garvin County News Star	Maysville	OK
Geary Star	Geary	OK
Harper County Leader	Laverne	OK
Henryetta Free-Lance	Henryetta	OK
Hinton Record	Hinton	OK
Johnston County Sentinel	Tishomingo	OK
Kiowa County Democrat	Snyder	OK
Lincoln County News	Chandler	OK
Madill Record	Madill	OK
McIntosh County Democrat	Eufaula	OK
Okarche Warrior	Okarche	OK
Okmulgee Times	Okmulgee	OK
Piedmont Gazette	Piedmont	OK
Ponca City News, The	Ponca City	OK
Presort First Class	Oklahoma City	OK
Sequoyah County Times	Sallisaw	OK
Southwest Ledger	Lawton	OK
Stilwell Democrat Journal	Stilwell	OK
Stroud American	Stroud	OK
Tahlequah Daily Press	Tahlequah	OK
Target Marketing Print and Mail Solutions	Broken Arrow	OK
The Apache News	Apache	OK
The Comanche Times	Comanche	OK
The Examiner	Hugo	OK
The Fairfax Chief	Fairfax	OK
The Hooker Advance	Hooker	OK
The Newcastle Pacer	Newcastle	OK
The Newkirk Herald Journal	Newkirk	OK
The Purcell Register	Purcell	OK
The Walters Herald	Walters	OK

AMERICAN OVERSIGHT

The Wynnewood Gazette	Wynnewood	OK
Tonkawa News, The	Tonkawa	OK
Tri-County Herald	Meeker	OK
Vian Tenkiller News	Vian	OK
Vici Vision	Vici	OK
Walters Herald	Walters	OK
Watonga Republican	Watonga	OK
Weatherford Daily News	Weatherford	OK
Wylie Communications, Inc.	Oologah	OK
Yukon Progress	Yukon	OK

Oregon

Baker City Herald	Baker City	OR
Blue Mountain Eagle	John Day	OR
Boundaryless Enterprises, LLC	Medford	OR
Burns Times-Herald	Burns	OR
Capital Press	Salem	OR
Columbia Gorge News	Columbia River Gorge	OR
East Oregonian	Pendleton	OR
Hermiston Herald	Hermiston	OR
Hood River News	Hood River	OR
Keizertimes	Keizer	OR
La Grande Observer	La Grande	OR
Lake County Examiner	Lakeview	OR
Mailbox Merchants	Portland	OR
News-Register	McMinnville	OR
Pacific Printing Industries Association	Portland	OR
Redmond Spokesman	Redmond	OR
Seaside Signal	Seaside	OR
Signature Graphics	Portland	OR
The Astorian	Astoria	OR
The Bulletin	Bend	OR
The Chronicle	Creswell	OR
The Dalles Chronicle	Dalles	OR
TOO Magazine	Pendleton	OR
Wallowa County Chieftain	Enterprise	OR
White Salmon Enterprise	White Salmon	OR

Pennsylvania

Asendia	Folcraft	PA
Crayola	Easton	PA
Graphic Arts Association	Trevose	PA
Philadelphia Gay News	Philadelphia	PA
Printing Industries of America	Warrendale	PA
The New Republic	Meyersdale	PA
The Pike County Courier	Milford	PA
The Savings Guide	Mechanicsburg	PA
The Spirit	Glenolden	PA

Rhode Island

AMERICAN OVERSIGHT

Calypso Cards	Providence	RI
Cathedral Corporation	Lincoln	RI
The Block Island Times	Block Island	RI

South Carolina

Carolina Gateway	Lancaster	SC
Domtar	Fort Mill	SC
Island News	Beaufort	SC
Lancaster News, The	Lancaster	SC
Lexington County Chronicle & The Dispatch-News	Lexington	SC
News & Reporter, The	Chester	SC
Pageland Progressive-Journal	Pageland	SC
The Catholic Miscellany	Charleston	SC
The Gaffney Ledger	Gaffney	SC
The Twin-City News	Batesburg	SC
The Voice of Blythewood & Fairfield County	Blythewood	SC

South Dakota

Clear Lake Courier	Clear Lake	SD
Custer County Chronicle	Custer	SD
Dakota Dunes/North Sioux City Times	North Sioux City	SD
Highmore Herald	Highmore	SD
Hill City Prevailer New	Hill City	SD
Lakota Times	Martin	SD
Prairie Pioneer	Pollock	SD
Qualified Presort Service, LLC	Sioux Falls	SD
Sisseton Courier	Sisseton	SD
South Dakota Newspaper Association	Brookings	SD
Southern Union County Leader Courier	Elk Point	SD
Times-Advocate	Gregory	SD
True Dakotan	Wessington Springs	SD
Winner Advocate	Winner	SD

Tennessee

Action Mail Presort, Inc.	Chattanooga	TN
Carroll County News Leader	Huntingdon	TN
Citizen Tribune	Morristown	TN
Elk Valley Times, The	Fayetteville	TN
Exchange media Group	Fayetteville	TN
Grundy County Herald	Tracy City	TN
Herald Chronicle, The	Winchester	TN
International Paper	Memphis	TN
LaFollette Press	La Follette	TN
Manchester Times	Manchester	TN
Moore County News, The	Lynchburg	TN
Morgan County News	Wartburg	TN
Printing Industry Association of the South, Inc.	Nashville	TN
Roane County News	Kingston	TN
The Paris Post-Intelligencer	Paris	TN
The Standard Banner	Jefferson City	TN

AMERICAN OVERSIGHT

Tullahoma News	Tullahoma	TN

Texas

Ad Pages Solutions	Plano	TX
Alpine Avalanche	Alpine	TX
Aransas Pass Progress	Aransas Pass	TX
Atlanta Citizens Journal	Atlanta	TX
Bay City Tribune	Bay City	TX
Big Bend Sentinel	Marfa	TX
Big Sandy-Hawkins Journal	Big Sandy	TX
Blanco County News	Blanco	TX
Brady Standard-Herald	Brady	TX
Breckenridge American	Breckenridge	TX
Brenham Banner	Brenham	TX
Burnet Bulletin	Burnet	TX
Carrizo Springs Javelin	Carrizo Springs	TX
Centerville News	Centerville	TX
Cleburne Times Review	Cleburne	TX
Clifton Record	Clifton	TX
Coleman Chronicle and Democrat Voice	Coleman	TX
Copperas Cove Leader-Press	Copperas Cove	TX
Dalhart Texan	Dalhart	TX
Direct Merchandising, Inc.	Carrollton	TX
Double Mountain Chronicle	Rotan	TX
Dripping Springs Century News	Dripping Springs	TX
Dublin Citizen	Dublin	TX
El Campo Leader-News	El Campo	TX
Ennis News	Ennis	TX
Fairfield Recorder	Fairfield	TX
Focus Daily News	DeSoto	TX
Fort Stockton Pioneer	Fort Stockton	TX
Fredericksburg Standard-Radio Post	Fredericksburg	TX
Frio-Nueces Current	Pearsall	TX
Gainesville Daily Register	Gainesville	TX
Gatesville Messenger	Gatesville	TX
Gladewater Mirror	Gladewater	TX
Gonzales Inquirer	Gonzales	TX
Great American Business Products	Houston	TX
Groesbeck Journal	Groesbeck	TX
Half Price Books	Dallas	TX
Hays Free Press	Kyle	TX
Herald-Banner	Greenville	TX
Hill Country News	Cedar Park	TX
Horseshoe Bay	Horseshoe Bay	TX
Ingleside Index	Aransas Pass	TX
Jacksboro Herald-Gazette	Jacksboro	TX
Jackson County Herald-Tribune	Edna	TX
J.C. Penney Corporation, Inc.	Plano	TX
Johnson City Record-Courier	Johnson City	TX
Journal-Spectator	Wharton	TX
Kaufman Herald	Kaufman	TX

AMERICAN OVERSIGHT

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

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The Community News	Aledo	TX
The Cuero Record	Cuero	TX
The Daily Sentinel	Nacogdoches	TX
The Devil's River News	Sonora	TX
The Eldorado Success	Eldorado	TX
The Farmersville Times	Farmesville	TX
The Fayette County Record	La Grange	TX
The Fort Bend Herald	Rosenberg	TX
The Galveston County Daily News	Galveston	TX
The Graham Leader	Graham	TX
The Hansford County Reporter-Statesman	Spearman	TX
The Henderson News	Henderson	TX
The Highlander	Marble Falls	TX
The Katy Times	Katy	TX
The Liberty Hill Independent	Liberty Hill	TX
The Light and Champion	Center	TX
The Lufkin Daily News	Lufkin	TX
The Marlin Democrat	Marlin	TX
The Marshall News Messenger	Marshall	TX
The Meridian Tribune	Meridian	TX
The Mexia News	Mexia	TX
The Normangee Star	Normangee	TX
The Panola Watchman	Carthage	TX
The Paris News	Paris	TX
The Picayune	Marble Falls	TX
The Pittsburg Gazette	Pittsburg	TX
The Port Lavaca Wave	Port Lavaca	TX
The Princeton Herald	Princeton	TX
The Rockport Pilot	Rockport	TX
The Rosebud News	Rosebud	TX
The Sachse News	Sachse	TX
The Snyder News	Snyder	TX
The Thorndale Champion	Thorndale	TX
The Whitewright Sun	Whitewright	TX
The Wylie News	Wylie	TX
Uvalde Leader-News	Uvalde	TX
VariVerge, LLC	Dallas	TX
Vernon Record	Vernon	TX
Wallis News-Review	Wallis	TX
Weatherford Democrat	Weatherford	TX
White Oak Independent	White Oak	TX
Whitesboro News-Record	Whitesboro	TX
Wimberley View	Wimberley	TX
Wise County Messenger	Decatur	TX
Yorktown-News View	Yorktown	TX

Utah

Basin Nickel Ads	Vernal	UT
Beaver County Journal	Beaver	UT
Chronicle Progress	Delta	UT
Cottonwood Heights Journal	Cottonwood Heights	UT

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Davis Clipper	Bountiful	UT
Draper Journal	Draper	UT
ETV News	Price	UT
Herriman Journal	Herriman	UT
Holladay Journal	Holladay	UT
Intermountain Catholic	Salt Lake City	UT
International Bridge Inc.	Provo	UT
Midvale Journal	Midvale	UT
Millcreek Journal	Millcreek	UT
Murray Journal	Murray	UT
Olive & Cocoa, LLC	Salt Lake City	UT
Presort Essentials	Salt Lake City	UT
Riverton Journal	Riverton	UT
Sandy Journal	Sandy	UT
South Jordan Journal	South Jordan	UT
South Salt Lake Journal	Salt Lake City	UT
Southern Utah News	Kanab	UT
Sugar House Journal	Salt Lake City	UT
Taylorsville Journal	Taylorsville	UT
The Intermountain Commercial Record and the Salt Lake Times	Salt Lake City	UT
The Pyramid	Mt. Pleasant	UT
The Reaper Extra	Richfield	UT
The Richfield Reaper	Richfield	UT
The Times-Independent	Moab	UT
The Wayne & Garfield County Insider	Escalante	UT
Uintah Basin	Roosevelt	UT
Utah Press Association	West Jordan	UT
Vernal Express	Vernal	UT
West Jordan Journal	West Jordan	UT
West Valley City Journal	West Valley City	UT

Vermont

Colchester Sun	Colchester	VT
Essex Reporter	Colchester	VT
International Coins & Currency	Montpelier	VT
Lane Press	South Burlington	VT
Milton Independent	Milton	VT
News & Citizen	Morrisville	VT
Saint Albans Messenger	Saint Albans	VT
Shelburne News	Shelburne	VT
Shine Strategy, LLC	Manchester Center	VT
South Burlington Other Paper	South Burlington	VT
Stowe Reporter	Stowe	VT
The Citizen	Charlotte	VT
The Valley Reporter	Waitsfield	VT
The Vermont Teddy Bear Company, Inc.	Shelburne	VT
The White River Valley Herald	Randolph	VT
Vermont Country Store	Manchester Center	VT
Vermont Press Association	Colchester	VT

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Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV

Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

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Elmwood Sun-Argus	Spring Valley	WI
Great Lakes Graphics Association	Pewaukee	WI
Kewaskum Statesman	Campbellsport	WI
L&M Mail and Courier	Eau Claire	WI
MadMen3, LLC	DeForest	WI
National Business Furniture	Milwaukee	WI
North Woods Trader	Eagle River	WI
Nueske's Applewood Smoked Meats	Wittenberg	WI
Ozaukee Press	Port Washington	WI
Quad, Inc.	Sussex	WI
Record Review	Edgar	WI
Silver Star Brands	Oshkosh	WI
Star Journal	Rhinelander	WI
Star News	Medford	WI
The Democrat Tribune	Mineral Point	WI
The Dodgeville Chronicle	Dodgeville	WI
The Pecatonica Valley River	Argyle	WI
The Plymouth Review	Plymouth	WI
The Sheboygan Falls News	Sheboygan Falls	WI
The Sounder	Random Lake	WI
The Star News	Medford	WI
The Three Lakes News	Three Lakes	WI
The Woodville Leader	Woodville	WI
Tomahawk Leader	Tomahawk	WI
Tribune Phonograph	Abbottsford	WI
Tribune Record Gleaner	Loyal	WI
Vilas County News-Review	Eagle River	WI
Walsworth/Ripon	Ripon	WI
Waupaca County Post-East	Waupaca	WI
Waupaca County Post-West	Waupaca	WI
Wisconsin Community Papers	Fond du Lac	WI

Wyoming

Bridger Valley Pioneer	Lyman	WY
Cheyenne Minuteman	Cheyenne	WY
Cody Enterprise	Cody	WY
Douglas Budget	Douglas	WY
Gillette News-Record	Gillette	WY
Glenrock Independent	Glenrock	WY
Guernsey Gazette	Guernsey	WY
Jackson Hole News & Guide	Jackson	WY
Kemmerer Gazette	Kemmerer	WY
Lingle Guide	Lingle	WY
Lusk Herald	Lusk	WY
Moorcroft Leader	Moorcroft	WY
Pinedale Roundup	Pinedale	WY
Pirate Ship	Jackson	WY
Platte County Record-Times	Wheatland	WY
Powell Tribune	Powell	WY
Sublette Examiner	Pinedale	WY
Sundance Times	Sundance	WY

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Thermopolis Independent Record	Thermopolis	WY
Torrington Telegram	Torrington	WY
Uinta County Herald	Evanston	WY
Wyoming Livestock Roundup	Casper	WY
Wyoming Pioneer	Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

PRIVILEGED AND CONFIDENTIAL
ATTORNEY WORK PRODUCT

March 29, 2020

TO: Thomas J. Marshall, Executive Vice President and General Counsel

FROM: Kevin A. Calamoneri, Deputy General Counsel

SUBJECT: Current Practices Regarding Administrative Leave

Introduction

In the initial stages of the COVID-19 crisis, the Center for Disease Control and Prevention (CDC) issued guidance stating that individuals returning to the United States from certain designated "level 3" countries should self-quarantine for a period of 14 days. During these initial stages, employees returning from the designated countries were instructed to stay home and given administrative leave for the duration of the self-quarantine. Recently, there has been direction coming from the CDC impacting purely domestic travel, particularly from states with high instances of the virus. Official CDC guidance was issued on March 28, 2020, urging residents of New York, New Jersey, and Connecticut to refrain from non-essential travel. Prior to this official guidance, the CDC had suggested that individuals recently traveling from New York to another state self-quarantine for a period of 14 days. You have asked that the following issues be addressed:

1. With regard to domestic travel can we rely on the specific guidance provided by CDC so that we are not required to offer administrative leave but rather have employees who choose self-quarantine in domestic travel circumstances take their own leave (e.g., sick leave, annual leave or LWOP)? In other words, can the CDC guidance as to foreign and domestic travel be distinguished?
2. If the CDC language is not distinguishable is there any other basis upon which to treat domestic travel differently.
3. In any event, is it possible to pivot from the use of administrative leave in such circumstances to leave provided pursuant to the Family First Act (FFA)?

Discussion

Can CDC Language on Foreign and Domestic Travel Be Distinguished?

We conclude that CDC's language with regard to foreign and domestic travel can be readily distinguished. Specifically, with respect to international travel, the CDC currently states that "[t]here is widespread, ongoing transmission of novel coronavirus. If you have traveled internationally in the past 14 days, stay home and monitor your health." On other parts of the CDC website, this guidance is presented more clearly as a recommendation, rather than a requirement, stating that "[a]ll international travelers should stay home for 14 days after returning from travel, monitor their health, and practice social distancing." This guidance now refers to all international travel, not just level 3 countries.

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PRIVILEGED AND CONFIDENTIAL ATTORNEY WORK PRODUCT

The domestic travel advisory addresses the issue of non-essential travel, rather than self-quarantine. With respect to domestic travel, the CDC "urges residents of New York, New Jersey, and Connecticut to refrain from non-essential domestic travel for 14 days effective immediately." Significantly, the CDC states that the domestic travel advisory "does not apply to employees of critical infrastructure industries" as defined by the Department of Homeland Security's Cybersecurity & Infrastructure Security Agency (CISA) guidance. The CISA guidance includes "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" as critical infrastructure employees within the transportation and logistics industry. And consistent with previous White House and CDC guidance (on which we have relied in various communications regarding the Postal Service's essentiality), the CDC domestic travel advisory goes on to say that "employees of critical infrastructure have a special responsibility to maintain normal work schedules."

Commented [MTJ-WD1]: Do we believe this exception to the general applies equally to employees in critical infrastructure industries who traveled for personal reasons, as opposed the travel related to their critical infrastructure positions?

The CDC has also issued a statement regarding self-quarantine for domestic travel, namely stating that "out of an abundance of caution, [individuals who were recently in the affected areas of New York] should self-quarantine for 14 days." The statement originally came from a White House COVID-19 Task Force press conference and the only reference on the CDC website appears in the context of a press release clarifying that the "guidance does not apply to critical transportation and delivery workers." Given that the CDC chose to post prominently on its page dedicated to domestic travel the above guidance regarding non-essential travel, and this guidance regarding self-quarantine is not presented in a similar manner, it appears that the CDC is not taking a formal position on self-quarantine, but rather issued this press release as a way to walk back from the statements made at a press conference. Thus, we believe there is a way to distinguish the CDC guidance on foreign and domestic travel.

Commented [MTJ-WD2]: See my question above.

In Any Event Is It Possible to Pivot From Administrative Leave to Leave Provided Pursuant to the Family First Act (FFA)?

We have concluded that we could pivot to the leave provided under the FFA, but we should update any guidance documents in conjunction with such a decision. The FFA states that "[n]othing in this Act shall be construed to in any away diminish the rights and benefits that any employee is entitled to under any (a) federal, state, or local law, (b) collective bargaining agreement, or (c) existing employer policy." Neither the CBA nor the more recently negotiated MOUs (which should be considered a collectively bargained device) provide administrative leave under these circumstances. Nor does our existing policy infrastructure otherwise provide administrative leave in circumstances of quarantine. ELM 519 more generally provides for up to three days of administrative leave (with necessary approval) for "Acts of God," but that term under the ELM is not specifically defined to cover pandemics.

Commented [MTJ-WD3]: A related question to could we pivot is should we pivot? In answering this question I am somewhat concerned about the email Kevin forwarded concerning intermittent leave. Given the added complexity that the FFA added, should we instead be seeking to ask OMB (I think that is what Carrie said) to relieve us from the application of the statute?

Employees or the unions may argue that the Postal Service has established a "past practice" that requires the Postal Service to continue to provide administrative leave, notwithstanding the absence of a specific CBA or existing policy provision. Past practice is more frequently used in the context of a potential breach of CBA claim – the idea being either that (a) the past practice provides a strong basis for reading existing contract language a certain way, or (b) the past practice itself becomes incorporated into the contract, even if unwritten. In either case, the party asserting the existence of a past practice bears the burden of proof, and the evidence must show that the practice occurred "with such regularity and frequency that employees could

AMERICAN OVERSIGHT

reasonably expect the 'practice' to continue or reoccur on a regular and consistent basis." *Sunoco, Inc. and Atlantic Independent Union*, 349 NLRB 240, 244 (2007). In other words, the employer's practices must be "regular" and "long-standing," as opposed to "random or intermittent." *Id*. The Postal Service's short-term guidance to provide administrative leave in specific circumstances is very unlikely to be deemed a regular or long-standing guidance to the point where it could be used to establish a right to such leave. It is possible that employees or the union would nonetheless argue that the Postal Service's generous application of administrative leave, whether here or in response to prior crises, creates a legitimate expectation to it. However, the possibility of such a claim, which is unlikely to be successful, would not be a reason to adjusting our leave policies as the Postal Service sees fit and thus pivoting from this temporary application of administrative leave to other types of leave provided for in the FFA.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

<AUTODATE>

To Whom It May Concern,

This letter is to inform you that (insert supplier name) is under contract with the United States Postal Service (USPS) to provide (insert description of services) services in support of the Postal Service's ongoing operations .

The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic. The Postal Service is an entity of the Federal Government, and the continued provision of postal services to the American people is designated as an essential function under federal law.

The Postal Service relies on its suppliers in order to provide this critical government service. (Insert supplier name)'s status as a federal contractor of the USPS makes its continued work essential and necessary to maintain our operations.

Postal and shipping workers are considered essential critical infrastructure workers under recent guidance issued be the Department of Homeland Security. White House and CDC guidance has also stated that such industries have a special responsibility to maintain normal work schedules.

Therefore, all staff must be allowed to report for duty to fulfill (insert supplier name)'s contractual obligations to the USPS.

Questions regarding this may be directed to the USPS contracting officer, (insert CO name), at (insert phone number).

(Insert CO Name)
Contracting Officer
USPS Supply Management
475 L'Enfant Plaza SW
Washington, DC 20260

AMERICAN OVERSIGHT

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(Insert CO Name)
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475 L'Enfant Plaza SW
Washington, DC 20260

AMERICAN OVERSIGHT

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(Original Signature of Member)

116TH CONGRESS
2D SESSION

H. R. _____

Making emergency supplemental appropriations for the fiscal year ending September 30, 2020, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__._____ introduced the following bill; which was referred to the Committee on _____

A BILL

Making emergency supplemental appropriations for the fiscal year ending September 30, 2020, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Take Responsibility for Workers and Families Act''.

SEC. 2. TABLE OF CONTENTS.

The table of contents is as follows:

DIVISION A—THIRD CORONAVIRUS PREPAREDNESS AND RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT, 2020

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Title I—Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
Title II—Commerce, Justice, Science, and Related Agencies
Title III—Department of Defense
Title IV—Energy and Water Development and Related Agencies
Title V—Financial Services and General Government
Title VI—Department of Homeland Security
Title VII—Interior, Environment, and Related Agencies
Title VIII—Departments of Labor, Health and Human Services, and Education, and Related Agencies
Title IX—Legislative Branch
Title X—Military Construction, Veterans Affairs, and Related Agencies
Title XI—Department of State, Foreign Operations, and Related Programs
Title XII—Transportation, Housing and Urban Development, and Related Agencies
Title XIII—General Provisions—This Division

DIVISION B—EMERGENCY FAMILY AND MEDICAL LEAVE EXPANSION ACT

DIVISION C—EMERGENCY PAID SICK LEAVE ACT AMENDMENTS

DIVISION D—COVID–19 WORKERS FIRST PROTECTION ACT OF 2020

DIVISION E—COVID–19 WORKFORCE EMERGENCY RESPONSE ACT OF 2020

DIVISION F—FAMILY SUPPORT PROVISIONS

DIVISION G—HEALTH PROVISIONS

Title ____—Child Care For Essential Workers

DIVISION H—EMERGENCY CORONAVIRUS PANDEMIC UNEMPLOYMENT COMPENSATION ACT OF 2020

Title I—Federal Benefit Enhancements
Title II—Expanded Eligibility for Unemployment Compensation
Title III—Relief for Governmental and Nonprofit Entities
Title IV—Emergency Assistance for Rail Workers

DIVISION I—FINANCIAL SERVICES

Title I—Protecting Consumers, Renters, Homeowners and People Experiencing Homelessness
Title II—Assisting Small Businesses and Community Financial Institutions
Title III—Supporting State, Territory, and Local Governments
Title IV—Promoting Financial Stability and Transparent Markets
Title V—Investing in A Sustainable Recovery

DIVISION J—EDUCATION RELIEF AND OTHER PROGRAMS

Title I—Education provisions
Title II—Other programs

DIVISION K—AGRICULTURE PROVISIONS

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Title I—Commodity Support and other Agriculture Programs
Title II—Supplemental Nutrition Assistance Program

DIVISION L—ACCESS ACT

DIVISION M—OVERSIGHT AND ACCOUNTABILITY

DIVISION N—U.S. POSTAL SERVICE PROVISIONS

DIVISION O—FEDERAL WORKFORCE PROVISIONS

DIVISION P—FEDERAL EMPLOYEE COLLECTIVE BARGAINING AND OFFICIAL TIME

DIVISION Q—STUDENT VETERAN CORONAVIRUS RESPONSE ACT OF 2020

DIVISION R—AVIATION WORKER RELIEF

Title I—Aviation Worker Relief
Title II—Labor Protections
Title III—Airline Industry Financial Oversight
Title IV—Airport Relief
Title V—Small Community Air Service
Title VI—Consumer Protections
Title VII—Environmental Protections
Title VIII—Miscellaneous

DIVISION S—SBC PROVISIONS

DIVISION T—REVENUE PROVISIONS

Title I—Health-related tax relief
Title II—Economic Stimulus
Title III—Administrative
Title IV—Retirement provisions
Title V—Rehabilitation for Multiemployer Pensions

DIVISION U—TELECOMMUNICATIONS PROVISIONS

Title I—COVID–19 Price Gouging Prevention
Title II—E–Rate Support for Wi-Fi Hotspots and Connected Devices
Title III—Emergency Lifeline Benefit for Broadband Service
Title IV—Continued Connectivity
Title V—Don't Break Up the T–Band

DIVISION V—GROW ACT

DIVISION W—OTHER MATTERS

SEC. 3. REFERENCES.

Except as expressly provided otherwise, any reference to ''this Act'' contained in any division of this Act shall

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be treated as referring only to the provisions of that division.

DIVISION A—THIRD CORONAVIRUS PREPAREDNESS AND RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT, 2020

TITLE I—AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

DEPARTMENT OF AGRICULTURE

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $55,000,000, to prevent, prepare for, and respond to coronavirus, to supplement amounts otherwise available for the Agricultural Quarantine Inspection Program: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

AGRICULTURAL MARKETING SERVICE

MARKETING SERVICES

For an additional amount for ''Marketing Services'', $45,000,000, to prevent, prepare for, and respond to coronavirus, to supplement amounts otherwise available for commodity grading, inspection, and audit activities:

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Provided, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FOOD SAFETY AND INSPECTION SERVICE

For an additional amount for ''Food Safety and Inspection Service'', $33,000,000, to prevent, prepare for, and respond to coronavirus, for the support of temporary and intermittent workers, temporary inspection relocation, and overtime inspection costs: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FARM SERVICE AGENCY

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $3,000,000, to prevent, prepare for, and respond to coronavirus, for temporary staff and overtime expenses: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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RURAL BUSINESS—COOPERATIVE SERVICE

RURAL BUSINESS PROGRAM ACCOUNT

For an additional amount for ''Rural Business Program Account'', $20,500,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, for the cost of loans for rural business development programs authorized by section 310B and described in subsection (g) of section 310B of the Consolidated Farm and Rural Development Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM

For an additional amount for ''Distance Learning, Telemedicine, and Broadband Program'', $25,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, for grants for telemedicine and distance learning services in rural areas as authorized by 7 U.S.C. 950aaa et seq.: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FOOD AND NUTRITION SERVICE

COMMODITY ASSISTANCE PROGRAM

For an additional amount for ''Commodity Assistance Program'', for the emergency food assistance program as authorized by section 27(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2036(a)) and section 204(a)(1) of the Emergency Food Assistance Act of 1983 (7 U.S.C. 7508(a)(1)), $450,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the funds made available, the Secretary may use up to $200,000,000 for costs associated with the distribution of commodities: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FOREIGN AGRICULTURAL SERVICE

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $4,000,000, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement

AMERICAN OVERSIGHT

pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $80,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus, for efforts on potential medical product shortages, enforcement work against counterfeit or misbranded products, work on Emergency Use Authorizations, pre- and post-market work on medical countermeasures, therapies, vaccines and research, and related administrative activities: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—THIS TITLE

SEC. 10101. For an additional amount for grants under the pilot program established under section 779 of Public Law 115–141, to prevent, prepare for, and respond to coronavirus, $258,000,000, to remain available until September 30, 2021: *Provided*, That at least 90 percent of the households to be served by a project receiving a

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grant shall be in a rural area without sufficient access to broadband: *Provided further*, That for purposes of such pilot program, a rural area without sufficient access to broadband shall be defined as 10 Mbps downstream and 1 Mbps upstream, and such definition shall be reevaluated and redefined, as necessary, on an annual basis by the Secretary of Agriculture: *Provided further*, That an entity to which a grant is made under the pilot program shall not use a grant to overbuild or duplicate broadband expansion efforts made by any entity that has received a broadband loan from the Rural Utilities Service: *Provided further*, That priority consideration for grants shall be given to previous applicants now eligible as a result of adjusted eligibility requirements: *Provided further*, That not more than three percent of the funds made available in this paragraph may be used for administrative costs to carry out the program: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10102. The first amount under ''Child Nutrition Programs'' in Division B of the Further Consolidated Appropriations Act, 2020 (P.L. 116–94) is amended by

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striking ''$23,615,098,000'' and inserting ''$32,615,098,000''.

SEC. 10103. The matter under the heading ''Supplemental Nutrition Assistance Program'' in division B of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) is amended by inserting before '': *Provided*,'' the following: ''and for an additional amount, such sums as may be necessary to remain available through September 30, 2022, which shall be placed in reserve for use only in such amounts and at such times as may become necessary to carry out program operations''.

SEC. 10104. For an additional amount for ''Supplemental Nutrition Assistance Program'', to supplement funds otherwise available for the Food Distribution Program on Indian Reservations, $100,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the total amount available, $50,000,000 is for administrative expenses, including facility improvements and equipment upgrades, and $50,000,000 is for the costs relating to additional food purchases: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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SEC. 10105. In addition to amounts otherwise made available, $200,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus, shall be available for the Secretary of Agriculture to provide grants to the Commonwealth of the Northern Mariana Islands, Puerto Rico, and American Samoa for nutrition assistance: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10106. The Secretary may extend the term of a marketing assistance loan authorized by section 1201 of the Agricultural Act of 2014 (7 U.S.C. 9033) for any loan commodity to 12 months: *Provided*, That the authority made available pursuant to this section shall expire on September 30, 2020: *Provided further*, That amounts made available by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10107. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

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TITLE II—COMMERCE, JUSTICE, SCIENCE, AND RELATED AGENCIES

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

(INCLUDING TRANSFERS OF FUNDS)

For an additional amount for ''Economic Development Assistance Programs'' for necessary expenses related to responding to economic injury as a result of coronavirus, $2,000,000,000, to remain available until September 30, 2022: *Provided*, That such amount shall be for economic adjustment assistance as authorized by section 209 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3149): *Provided further*, That within the amount appropriated, up to 2 percent of funds appropriated in this paragraph may be transferred to ''Salaries and Expenses'' for administration and oversight activities: *Provided further*, That the Secretary of Commerce is authorized to appoint and fix the compensation of such temporary personnel as may be necessary to implement the requirements under this heading, without regard to the provisions of title 5, United States Code, governing appointments in competitive service: *Provided further*, That the Secretary of Commerce is authorized to appoint such temporary personnel, after serving continu-

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ously for 2 years, to positions in the Economic Development Administration in the same manner that competitive service employees with competitive status are considered for transfer, reassignment, or promotion to such positions, and an individual appointed under this proviso shall become a career-conditional employee, unless the employee has already completed the service requirements for career tenure: *Provided further*, That within the amount appropriated in this paragraph, $4,000,000 shall be transferred to ''Office of Inspector General'' for carrying out investigations and audits related to the funding provided under this heading: *Provided further,* That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MINORITY BUSINESS DEVELOPMENT AGENCY

MINORITY BUSINESS DEVELOPMENT

For an additional amount for ''Minority Business Development'' for necessary expenses for the Business Centers and Specialty Centers, including any cost sharing requirements that may exist, for assisting minority business enterprises to prevent, prepare for, and respond to coronavirus, including identifying and accessing local, State, and Federal government assistance related to such virus, $15,000,000, to remain available until September

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30, 2021: *Provided*, That such amount is designated by Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES

For an additional amount for ''Scientific and Technical Research and Services'' for necessary expenses to prevent, prepare for, and respond to coronavirus, $6,000,000, to remain available until September 30, 2021, including for measurement science to support testing for such virus (or viral strains mutating therefrom) and biomanufacturing: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INDUSTRIAL TECHNOLOGY SERVICES

For an additional amount for ''Industrial Technology Services'' for necessary expenses, $75,000,000, to remain available until September 30, 2021, of which $50,000,000 shall be for the Hollings Manufacturing Extension Partnership to assist manufacturers to prevent, prepare for, and respond to coronavirus, and of which $25,000,000 shall be for the National Network for Manufacturing Innovation (also known as ''Manufacturing USA'') to support

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development and manufacturing of medical countermeasures and biomedical equipment and supplies: *Provided,* That none of the funds provided under this heading shall be subject to cost share requirements under 15 U.S.C. 278k(e)(2) or 15 U.S.C. 278s(e)(7)(A): *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

OPERATIONS, RESEARCH, AND FACILITIES

For an additional amount for ''Operations, Research, and Facilities'' for necessary expenses to prevent, prepare for, and respond to coronavirus, $33,200,000, to remain available until September 30, 2021: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF JUSTICE

FEDERAL PRISON SYSTEM

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $100,000,000, to remain available until Sep-

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tember 30, 2021, for necessary expenses to prevent, prepare for, and respond to coronavirus, including for maintaining correctional operations, including overtime costs, temporary facilities, purchase and rental of equipment, medical services and supplies, and emergency preparedness: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

STATE AND LOCAL LAW ENFORCEMENT ACTIVITIES

STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE

For an additional amount for ''State and Local Law Enforcement Assistance'', $500,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for the purchase of personal protective equipment, for the Edward Byrne Memorial Justice Assistance Grant program as authorized by subpart 1 of part E of title I of the Omnibus Crime Control and Safe Streets Acts of 1968 (''1968 Act''), (except that the allocation provisions under sections 505(a) through (e) and the special rules for Puerto Rico under section 505(g), and section 1001(c), of the 1968 Act, shall not apply for purposes of this Act), to be distributed in relative proportion to fiscal year 2016 allocations: *Provided*, That awards made using amounts provided in this

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paragraph shall be made only with the same requirements, conditions, compliance, and certification as fiscal year 2016: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

JUVENILE JUSTICE PROGRAMS

For an additional amount for ''Juvenile Justice Programs'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, of which $75,000,000 shall be for programs authorized by section 221 of the Juvenile Justice and Delinquency Prevention Act of 1974 (''the 1974 Act''), and $25,000,000 for delinquency prevention, as authorized by section 261 of the 1974 Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SCIENCE

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

SAFETY, SECURITY AND MISSION SERVICES

For an additional amount for ''Safety, Security and Mission Services'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond

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to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CONSTRUCTION AND ENVIRONMENTAL COMPLIANCE AND RESTORATION

For an additional amount for ''Construction and Environmental Compliance and Restoration'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL SCIENCE FOUNDATION

RESEARCH AND RELATED ACTIVITIES

For an additional amount for ''Research and Related Activities'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, domestically and internationally, including to fund research grants and other necessary expenses: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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AGENCY OPERATIONS AND AWARD MANAGEMENT

For an additional amount for ''Agency Operations and Award Management'', $2,000,000, to prevent, prepare for, and respond to coronavirus, domestically and internationally, including to administer research grants and other necessary expenses: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RELATED AGENCIES

Legal Services Corporation

PAYMENT TO THE LEGAL SERVICES CORPORATION

For an additional amount for ''Payment to the Legal Services Corporation'' to carry out the purposes of the Legal Services Corporation Act by providing for necessary expenses to prevent, prepare for, and respond to coronavirus, $100,000,000, to remain available until September 30, 2021: *Provided*, That none of the funds appropriated in this Act to the Legal Services Corporation shall be expended for any purpose prohibited or limited by, or contrary to any of the provisions of, sections 501, 502, 503, 504, 505, and 506 of Public Law 105–119, and all funds appropriated in this Act to the Legal Services Corporation shall be subject to the same terms and conditions

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set forth in such sections, except that all references in sections 502 and 503 to 1997 and 1998 shall be deemed to refer instead to 2020 and 2021, respectively, and except that sections 501 and 503 of Public Law 104–134 (referenced by Public Law 105–119) shall not apply to the amount made available under this heading: *Provided further*, That for the purposes of this Act, the Legal Services Corporation shall be considered an agency of the United States Government: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—THIS TITLE

SEC. 10201. (a) Amounts provided by the Department of Commerce Appropriations Act, 2020, for the Hollings Manufacturing Extension Partnership under the heading ''National Institute of Standards and Technology—Industrial Technology Services'' shall not be subject to cost share requirements under 15 U.S.C. 278k(e)(2).

(b) Subsection (a) shall not apply to the extent that a Manufacturing Extension Partnership Center receives funding from a State that is conditioned upon the application of a Federal cost sharing requirement to the Center.

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SEC. 10202. (a) Funds appropriated in this title for the National Science Foundation may be made available to restore amounts, either directly or through reimbursement, for obligations incurred by the National Science Foundation for research grants and other necessary expenses to prevent, prepare for, and respond to coronavirus, domestically or internationally, prior to the date of enactment of this Act.

(b) Grants or cooperative agreements made by the National Science Foundation under this title, to carry out research grants and other necessary expenses to prevent, prepare for, and respond to coronavirus, domestically or internationally, shall include amounts to reimburse costs for these purposes incurred between January 20, 2020, and the date of issuance of such grants or agreements.

SEC. 10203. (a)(1) Section 110(b)(2)(C) of the Family and Medical Leave Act of 1993 (as added by division C of the Families First Coronavirus Response Act) and section 5110(5)(C) of the Families First Coronavirus Response Act (relating to varying schedule hours calculation) shall not apply to the Bureau of the Census regarding any employee hired pursuant to section 23(c) of title 13, United States Code.

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(2) Any such employee shall be entitled to 40 hours of paid leave under division E of the Families First Coronavirus Response Act.

(b) With respect to any temporary employee of the Bureau of the Census, including any employee hired pursuant to section 23(c) of title 13, United States Code, the Bureau may classify any leave provided by the Bureau pursuant to the amendments made by division C of the Families First Coronavirus Response Act or division E of such Act to such an employee (based on such employee's status as an employee of the Bureau) as any leave category necessary to comport with the Bureau's leave system.

SEC. 10204. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

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TITLE III—DEPARTMENT OF DEFENSE

DEPARTMENT OF DEFENSE

MILITARY PERSONNEL

MILITARY PERSONNEL, ARMY

For an additional amount for Military Personnel, Army, $37,900,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MILITARY PERSONNEL, NAVY

For an additional amount for Military Personnel, Navy, $37,900,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MILITARY PERSONNEL, MARINE CORPS

For an additional amount for Military Personnel, Marine Corps, $9,900,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MILITARY PERSONNEL, AIR FORCE

For an additional amount for Military Personnel, Air Force, $37,900,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL GUARD PERSONNEL, ARMY

For an additional amount for National Guard Personnel, Army, $804,529,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL GUARD PERSONNEL, AIR FORCE

For an additional amount for National Guard Personnel, Air Force, $402,063,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to sec-

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tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE

OPERATION AND MAINTENANCE, ARMY

For an additional amount for ''Operation and Maintenance, Army'', $105,300,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, NAVY

For an additional amount for ''Operation and Maintenance, Navy'', $568,408,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, MARINE CORPS

For an additional amount for ''Operation and Maintenance, Marine Corps'', $70,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, AIR FORCE

For an additional amount for ''Operation and Maintenance, Air Force'', $154,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, DEFENSE-WIDE

For an additional amount for ''Operation and Maintenance, Defense-Wide'', $927,800,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, ARMY RESERVE

For an additional amount for ''Operation and Maintenance, Army Reserve'', $48,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

For an additional amount for ''Operation and Maintenance, Army National Guard'', $194,002,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

For an additional amount for ''Operation and Maintenance, Air National Guard'', $79,406,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PROCUREMENT

DEFENSE PRODUCTION ACT PURCHASES

For an additional amount for ''Defense Production Act Purchases'', $500,000,000 to remain available until September 30, 2022, to prevent, prepare for, and respond

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to coronavirus: *Provided*, That the Secretary of Defense may waive the requirements of 50 U.S.C. 5433(a)(6) on a case-by-case basis upon three days prior written notification to the Committees on Appropriations and Banking, Housing, and Urban Affairs of the Senate, and the Committees on Appropriations and Financial Services of the House of Representatives. *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OTHER DEPARTMENT OF DEFENSE PROGRAMS

DEFENSE HEALTH PROGRAM

For an additional amount for ''Defense Health Program'', $3,805,500,000, to prevent, prepare for, and respond to coronavirus; of which $3,561,500,000 shall be for operation and maintenance to remain available until September 30, 2020; and of which $244,000,000, to remain available for obligation until September 30, 2021, shall be for research, development, test and evaluation: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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GENERAL PROVISIONS—THIS TITLE

SEC. 10301. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

SEC. 10302. Upon the determination of the Secretary of Defense that such action is necessary in the national interest, the Secretary may transfer up to $500,000,000 between the appropriations or funds made available to the Department of Defense for expenses relating to the use of the National Guard in response to coronavirus: Provided, That such funds may only be transferred among military personnel and operation and maintenance accounts for the National Guard provided for in this title: Provided further, That the Secretary shall notify the Congress promptly of each transfer made pursuant to the authority in this section: Provided further, That the authority provided in this section is in addition to any other transfer authority available to the Department of Defense and is subject to the same terms and conditions as the authority provided in section 8005 of the Department of Defense Appropriations Act, 2020: Provided further, That the transfer authority in sections 8005 and 9002 of the Department of Defense Appropriations Act, 2020, shall

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not apply to amounts appropriated or otherwise made available in this title.

SEC. 10303. Notwithstanding section 2208(l)(3) of title 10, United States Code, during fiscal year 2020, the amount of advance billings rendered or imposed by Defense working capital funds may exceed $1,000,000,000. In the preceding sentence, the term ''advance billing'' has the meaning given the term in section 2208(l)(4) of such title.

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TITLE IV—ENERGY AND WATER DEVELOPMENT AND RELATED AGENCIES

CORPS OF ENGINEERS—CIVIL

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS—CIVIL

OPERATION AND MAINTENANCE

For an additional amount for ''Operation and Maintenance'', $50,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

EXPENSES

For an additional amount for ''Expenses'', $20,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

WATER AND RELATED RESOURCES

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''Water and Related Resources'', $12,500,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That $500,000 of the funds provided under this paragraph shall be transferred to the Central Utah Project Completion Account to prevent, prepare for, and respond to coronavirus: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

POLICY AND ADMINISTRATION

For an additional amount for ''Policy and Administration'', $8,100,000, to remain available until September 30, 2021, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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DEPARTMENT OF ENERGY

ENERGY PROGRAMS

SCIENCE

For an additional amount for ''Science'', $99,500,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, for necessary expenses related to providing support and access to scientific user facilities in the Office of Science, including equipment, enabling technologies, and personnel associated with the operations of those scientific user facilities: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL ADMINISTRATION

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''Departmental Administration'', $28,000,000, to remain available until September 30, 2021, for necessary expenses related to supporting remote access for personnel to prevent, prepare for, and respond to coronavirus: *Provided*, That funds appropriated under this paragraph in this Act may be transferred to, and merged with, other appropriation accounts of the Department of Energy for necessary expenses related to supporting remote access for personnel to prevent,

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prepare for, and respond to coronavirus: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INDEPENDENT AGENCIES

NUCLEAR REGULATORY COMMISSION

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $3,300,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That the amount provided in this paragraph shall not be derived from fee revenues notwithstanding 42 U.S.C. 2214: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—THIS TITLE

SEC. 10401. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

SEC. 10402. Funds appropriated in this title may be made available to restore amounts, either directly or

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through reimbursement, for obligations incurred for the same purposes to prevent, prepare for, and respond to coronavirus prior to the date of enactment of this Act.

SEC. 10403. Notwithstanding any other provision of law, and subject to the availability of appropriations, the Secretary of Energy, or designee, may include in or modify the terms and conditions of any Department of Energy contract, or other agreement, to authorize the Department to reimburse any contractor paid leave the contractor provides to its employees as the Secretary deems necessary to ensure the effective response to a declared national emergency or pandemic event. Such authority shall apply only to a contractor whose employees cannot perform work on a federally-owned or leased facility or site due to federal government directed closures or other restrictions, and who cannot telework because their job duties cannot be performed remotely. As determined by the Secretary, or designee, this authority also shall apply to subcontractors: *Provided*, That amounts provided by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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TITLE V—FINANCIAL SERVICES AND GENERAL GOVERNMENT

DEPARTMENT OF THE TREASURY

DEPARTMENTAL OFFICES

SALARIES AND EXPENSES

For an additional amount for [the Department of the Treasury/''Salaries and Expenses''], $100,000,000 to remain available until expended, for the necessary expenses to establish and support a COVID–19 Stimulus Accountability and Transparency Board to conduct oversight of funds provided in this Act in order to monitor spending, provide transparency to the public, and help prevent fraud, waste, and abuse; *Provided*, That not less frequently than monthly, and until all such funds are expended, the Secretary of the Treasury shall publish on a dedicated portion of the website established under section 2 of the Federal Funding Accountability and Transparency Act of 2006 (31 U.S.C. 6101 note), for any funds made available to or expended by a Federal agency or component of a Federal agency that were provided in Public Law 116–123, Public Law 116–127, or in the Take Responsibility for Workers and Families Act—

(1) for each appropriations account, including an expired or unexpired appropriations account, the amount—

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(A) of budget authority appropriated;

(B) that is obligated;

(C) of unobligated balances; and

(D) of any other budgetary resources;

(2) from which accounts and in what amount—

(A) appropriations are obligated for each program activity; and

(B) outlays are made for each program activity;

(3) from which accounts and in what amount—

(A) appropriations are obligated for each object class; and

(B) outlays are made for each object class; and

(4) for each program activity, the amount—

(A) obligated for each object class; and

(B) of outlays made for each object class.

Provided further, That the information required to be published pursuant to the preceding proviso shall be published in such a format that amounts allows such information to be sorted by the public law that provided the relevant obligational authority: *Provided further*, That such amounts are designated by the Congress as being for an emergency requirement

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pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND PROGRAM ACCOUNT

For an additional amount for ''Community Development Financial Institutions Fund Program Account'', $200,000,000, to remain available until September 30, 2020, to promote economic recovery due to the impact of coronavirus through financial assistance and technical assistance under subparagraphs (A) and (B) of section 108(a)(1), respectively, of Public Law 103–325 (12 U.S.C. 4707(a)(1)(A) and (B)), except that subsections (d) and (e) of section 108 of Public Law 103–325 shall not apply to the provision of such financial assistance and technical assistance: *Provided*, That up to $10,000,000 may be transferred to and merged with ''Administrative Expenses'' for administrative expenses to carry out financial assistance and technical assistance: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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INTERNAL REVENUE SERVICE

TAXPAYER SERVICES

For an additional amount for ''Taxpayer Services'', $236,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That not later than 30 days after the date of the enactment of this Act, the Commissioner of the Internal Revenue Service shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spend plan for such funds: *Provided further*, That such amounts are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ENFORCEMENT

For an additional amount for ''Enforcement'', $42,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That not later than 30 days after the date of the enactment of this Act, the Commissioner of the Internal Revenue Service shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spend plan for such funds: *Provided further*, That such amounts are designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATIONS SUPPORT

For an additional amount for "Operations Support", $324,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That not later than 30 days after the date of the enactment of this Act, the Commissioner of the Internal Revenue Service shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spend plan for such funds: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATIVE PROVISIONS—INTERNAL REVENUE SERVICE

(INCLUDING TRANSFER OF FUNDS)

SEC. 10501. In addition to the authority provided in section 101 of title I of division C of Public Law 116–93, the funds provided to the Internal Revenue Service in this Act may be transferred among accounts of the Internal Revenue Service to prevent, prepare for, and respond to coronavirus. On the date of any such transfer, the Commissioner shall notify the Committees on Appro-

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priations of the House of Representatives and Senate of such transfer.

THE JUDICIARY

The Supreme Court of the United States

salaries and expenses

For an additional amount for ''Salaries and Expenses'', $500,000, to remain available until September 30, 2020, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

Courts Of Appeals, District Courts, And Other Judicial Services

salaries and expenses

For an additional amount for ''Salaries and Expenses'', $6,000,000 to remain available until September 30, 2020, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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DEFENDER SERVICES

For an additional amount for ''Defender Services'', $1,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DISTRICT OF COLUMBIA

FEDERAL FUNDS

FEDERAL PAYMENT FOR EMERGENCY PLANNING AND SECURITY COSTS IN THE DISTRICT OF COLUMBIA

For an additional amount for the ''Federal Payment for Emergency Planning and Security Costs in the District of Columbia'' for the Federal payment of necessary expenses, as determined by the Mayor of the District of Columbia in written consultation with the elected county or city officials of surrounding jurisdictions, $11,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amounts are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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INDEPENDENT AGENCIES

ELECTION ASSISTANCE COMMISSIONS

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $5,000,000, to assist States with contingency planning, preparation, and resilience of elections for Federal office: *Provided,* That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ELECTION ADMINISTRATION GRANTS

For an additional amount for payments by the Election Assistance Commission to States for contingency planning, preparation, and resilience of elections for Federal office, $4,000,000,000 to remain available until September 30, 2021: *Provided*, That under this heading the term ''State'' means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands: *Provided further,* That the amount of the payments made to a State under this heading shall be consistent with section 103 of the Help America Vote Act of 2002 (52 U.S.C. 20903): *Provided further*, That for the purposes of the preceding proviso, each reference to ''$5,000,000'' in sec-

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tion 103 shall be deemed to refer to ''$7,500,000'': *Provided further*, That not less than 50 percent of the amount of the payment made to a State under this heading shall be allocated in cash or in kind to the units of local government which are responsible for the administration of elections for Federal office in the State: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL COMMUNICATIONS COMMISSION

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $200,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus by providing to health care providers telecommunications services, information services, and devices necessary to enable the provision of telehealth services during an emergency period, as defined in section 1135(g)(1) of the Social Security Act (42 U.S.C. 1320b–5(g)(1)): *Provided*, That the Federal Communications Commission may rely on the rules of the Commission under part 54 of title 47, Code of Federal Regulations, in administering such amount if the Commission determines that such administration is in the public interest

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and upon the advance notification of the Committees on Appropriations of the House of Representatives and the Senate: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

[EMERGENCY CONNECTIVITY FUND]

[For an additional amount for the ''Emergency Connectivity Fund'', as authorized under title II of division U of the Take Responsibility for Workers and Families Act, for the provision of Wi-fi hotspots and connected devices to schools and libraries, $2,000,000,000, to remain available until September 30, 2021: Provided , That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.]

[EMERGENCY BROADBAND CONNECTIVITY FUND]

[For an additional amount for the ''Emergency Broadband Connectivity Fund'', as authorized under title III of division U of the Take Responsibility for Workers and Families Act, for the provision of Wi-fi hotspots and connected devices to schools and libraries, $1,000,000,000, to remain available until September 30, 2021: Provided , That such amount is designated by the

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Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.]

GENERAL SERVICES ADMINISTRATION

REAL PROPERTY ACTIVITIES

FEDERAL BUILDINGS FUND

BUILDING OPERATIONS

For an additional amount, to be deposited in the ''Federal Buildings Fund'', $275,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus: *Provided*, That such funds may be used to reimburse costs incurred for the purposes provided under this heading: *Provided further*, That amounts made available under this heading shall be in addition to any other amounts available for such purposes: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF PERSONNEL MANAGEMENT

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $12,100,000, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SMALL BUSINESS ADMINISTRATION

BUSINESS STABILIZATION LOAN PROGRAMS

For an additional amount for the cost of direct loans authorized under section 8 of the COVID–19 Relief for Small Businesses Act of 2020, such sums as may be necessary to make up to $100,000,000,000 in direct loans through September 30, 2022, to remain available until expended, and for an additional amount for the cost of guaranteed loans authorized under section 9 of the COVID–19 Relief for Small Businesses Act of 2020, $100,000,000,000, to remain available until expended: *Provided*, That, notwithstanding any other provision of law, no amounts made available under this heading shall be available for transfer to another budget account: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ECONOMIC INJURY GRANTS

For an additional amount for the cost of providing economic recovery grants for small businesses impacted by coronavirus as authorized by section 2 of the COVID–19 Relief for Small Businesses Act of 2020,

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$100,000,000,000, to remain available until September 30, 2021: *Provided*, That the Administrator shall notify a grant applicant whether their application has been approved within 14 days of the grant being submitted: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DISASTER LOANS PROGRAM ACCOUNT

For an additional amount for the ''Disaster Loans Program Account'' for the cost of direct loans authorized by section 7(b) of the Small Business Act, $25,739,000,000, to remain available until expended: *Provided*, That up to $739,000,000 may be transferred to and merged with ''Small Business Administration—Salaries and Expenses'': *Provided further*, That for purposes of section 7(b)(2)(D) of the Small Business Act, coronavirus shall be deemed to be a disaster and amounts available under ''Disaster Loans Program Account'' for the cost of direct loans in any fiscal year may be used to make economic injury disaster loans under such section in response to the coronavirus: *Provided further*, That none of the funds provided under this heading in this Act may be used for indirect administrative expenses: *Provided further*, That such amount is designated by the Congress as being

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for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985: *Provided further*, That amounts repurposed under this heading that were previously designated by the Congress as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SMALL BUSINESS DEBT RELIEF

For an additional amount for the cost of loan debt relief as authorized by section 3 of the COVID–19 Relief for Small Businesses Act of 2020, $16,800,000,000 to remain available until September 30, 2021: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

BUSINESS LOANS PROGRAM ACCOUNT

For an additional amount for ''Business Loans Program Account'', for the cost of direct loans and loan guarantees, such sums as may be necessary for the period of fiscal years 2020 and 2021, of which $10,200,000, to remain available until expended shall be for the cost of direct

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loans, such sums as may be necessary for the period of fiscal years 2020 and 2021, to remain available until expended, shall be for the cost of guaranteed loans, including loan modifications authorized by sections 4, 5, 6, and 7 of the COVID–19 Relief for Small Businesses Act of 2020, and for the cost of guaranteed loans under section 503 of the Small Business Investment Act of 1958 and section 7(a) of the Small Business Act for the period of fiscal years 2020 through 2021: *Provided*, That for the period of fiscal years 2020 through 2021, commitments for general business loans authorized under section 7(a) of the Small Business Act shall not exceed $75,000,000,000: *Provided further*, That amounts provide in this paragraph for the cost of guaranteed loans under section 7(a) of the Small Business Act are in addition to amounts otherwise available for the same purposes: *Provided further*, That notwithstanding any other provision of law, no amounts made available under this heading shall be available for transfer to another budget account: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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NEW MARKETS VENTURE CAPITAL PROGRAM

For an additional amount for the ''New Markets Venture Capital Program'' for the costs of grants and guaranteed loans authorized under the part B of the Small Business Investment Act of 1958, such sums as may be necessary, of which [$2,000,000,000] shall be for grants authorized under section 358 of the Small Business Investment Act of 1958 and such sums as may be necessary to guarantee $10,000,000,000 in debentures, to remain available until expended: *Provided*, That notwithstanding any other provision of law, no amounts made available under this heading shall be available for transfer to another budget account: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INTERMEDIARY LENDING PROGRAM

For an additional amount for the cost of the ''Intermediary Lending Program'' as authorized by section 16 of the COVID–19 Relief for Small Businesses Act of 2020, $50,000,000, to remain available until September 30, 2021: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pur-

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suant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ENTREPRENEURIAL DEVELOPMENT PROGRAMS

For an additional amount for ''Entrepreneurial Development Programs'' for grants to small business development centers, women's business centers, and chapters of the service corps of retired executives, as authorized under section 14 of the COVID–19 Relief for Small Businesses Act of 2020, $240,000,000, to remain available until September 30, 2021, of which $190,000,000 shall be for grants to small business development centers and $50,000,000 shall for grants to women's business centers and chapters of the service corps of retired executives: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $805,000,000, to remain available until September 30, 2021, to carry out the requirements of the COVID–19 Relief for Small Businesses Act of 2020, of which $80,000,000 shall be for marketing, management, and technical assistance under section 7(m) of the Small Business Act (15 U.S.C. 636(m)(4)) by intermediaries

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that make microloans under the microloan program, and of which $25,000,000 shall be for resources and services in languages other than English, as authorized in section 18 of the COVID–19 Relief for Small Businesses Act of 2020: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATIVE PROVISION—SMALL BUSINESS ADMINISTRATION

SEC. 10502. Notwithstanding section 7(b)(2)(D) of the Small Business Act, the Small Business Administration shall issue a disaster declaration for each State and territory for coronavirus.

UNITED STATES POSTAL SERVICE

PAYMENT TO POSTAL SERVICE FUND

For payment to the ''Postal Service Fund'', for revenue forgone due to the coronavirus pandemic, $20,000,000,000, to remain available until September 30, 2022: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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GENERAL PROVISION—THIS TITLE

SEC. 10503. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

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TITLE VI

DEPARTMENT OF HOMELAND SECURITY

MANAGEMENT DIRECTORATE

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $178,000,000, for the purchase of personal protective equipment and related supplies for components of the Department of Homeland Security to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

TRANSPORTATION AND SECURITY ADMINISTRATION

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $100,000,000, to prevent, prepare for, and respond to coronavirus; of which $54,000,000 is for enhanced sanitation at airport security checkpoints; of which $26,000,000 is for overtime and travel costs for Transportation Security Officers; and of which $20,000,000 is for the purchase of explosive trace detection swabs: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COAST GUARD

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $141,000,000, to prevent, prepare for, and respond to coronavirus through activation of Coast Guard Reserve personnel under section 12302 of title 10, United States Code and for purchases to increase the capability and capacity of information technology systems and infrastructure to support telework and remote access: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CYBERSECURITY AND INFRASTRUCTURE SECURITY AGENCY

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $14,400,000, to prevent, prepare for, and respond to coronavirus through interagency critical infrastructure coordination and related activities: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL EMERGENCY MANAGEMENT AGENCY

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $45,000,000, for facilities and information technology to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL ASSISTANCE

For an additional amount for ''Federal Assistance'', $200,000,000, for the emergency food and shelter program under title III of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11331 et seq.): *Provided*, That notwithstanding sections 315 and 316(b) of such Act, funds made available under this section shall be disbursed by the Emergency Food and Shelter Program National Board not later than 30 days after the date on which such funds become available: *Provided further*, That such funds may be used to reimburse jurisdictions or local recipient organizations for costs incurred in providing services on or after January 1, 2020: *Provided further*, That such amount is designated by the Congress as being for an

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emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

For an additional amount for ''Federal Assistance'', to supplement funds otherwise available for the ''Assistance to Firefighters Grants'' $100,000,000, to remain available until September 30, 2021, for the purchase of personal protective equipment and related supplies to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985

DISASTER RELIEF FUND

For an additional amount for ''Disaster Relief Fund'', $2,000,000,000, to remain available until expended: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—THIS TITLE

SEC. 10601. Notwithstanding any other provision of law, funds made available under each heading in this title, except for ''Federal Emergency Management Agency—

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Disaster Relief Fund'', shall only be used for the purposes specifically described under that heading.

SEC. 10602. (a) Assistance provided under the emergency declaration issued by the President on March 13, 2020, pursuant to section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121–5207), and under any subsequent major declaration under section 401 of such Act that supersedes such emergency declaration, shall be at a 100 percent Federal cost share.

(b) Amounts repurposed under this section that were previously designated by the Congress, respectively, as an emergency requirement or as being for disaster relief pursuant to the Balanced Budget and Emergency Deficit Control Act are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 or as being for disaster relief pursuant to section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10603. Notwithstanding any other provision of law, any amounts appropriated for ''Department of Homeland Security—Federal Emergency Management Agency—Disaster Relief Fund'' in this Act are available only for the purposes for which they were appropriated.

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SEC. 10604. (a) For calendar year 2020 and calendar year 2021, any provision of law limiting the aggregate amount of premium pay or overtime payable on a biweekly or calendar year basis, or establishing an aggregate limitation on pay, shall not apply to any premium pay or overtime that is funded, either directly or through reimbursement, by the ''Federal Emergency Management Agency—Disaster Relief Fund'' related to an emergency or major disaster declared in calendar year 2020.

(b) Pay exempted from otherwise applicable limits under this section shall not cause the aggregate pay for the calendar year to exceed the rate of basic pay payable for a position at level II of the Executive Schedule under section 5313 of title 5, United States Code.

(c) Notwithstanding any other provisions of law, an Executive agency shall not be liable for damages, fees, interests, or costs of any kind as a result of any delay occurring prior to the date of enactment of this Act in payments made pursuant to this section.

(d) This section shall take effect as if enacted on December 31, 2019.

(e) Amounts repurposed under this section that were previously designated by the Congress, respectively, as an emergency requirement or as being for disaster relief pursuant to the Balanced Budget and Emergency Deficit

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Control Act are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 or as being for disaster relief pursuant to section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10605. The Secretary of Homeland Security, under the authority granted under section 205(b) of the REAL ID Act of 2005 (Public Law 109–13; 49 U.S.C. 30301 note) shall extend the deadline by which States are required to meet the driver license and identification card issuance requirements under section 202(a)(1) of such Act until not earlier than September 30, 2021.

SEC. 10606. (a) For the emergency declared on March 13, 2020, by the President under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191) the President may provide assistance for —

(1) activities, costs, and purchases of State and local jurisdictions including—

(A) activities eligible for assistance under sections 301, 415, 416, and 426 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5141, 5182, 5183, 5189d);

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(B) backfill costs for first responders and other essential employees who are ill or quarantined;

(C) increased operating costs for essential government services due to such emergency, including costs for implementing continuity plans;

(D) costs of providing guidance and information to the public and for call centers to disseminate such guidance and information;

(E) costs associated with establishing virtual services;

(F) costs for establishing and operating remote test sites;

(G) training provided specifically in anticipation of or in response to the event on which such emergency declaration is predicated;

(H) personal protective equipment and other critical supplies for first responders; and

(I) public health and medical supplies; and

(2) activities and costs of nonprofit organizations including—

(A) operating and equipment costs for blood donation activities, including personnel costs; and

(B) establishing and operating public call centers in support of government operations, including personnel costs.

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(b) The activities specified in subsection (a) may also be eligible for assistance under any major disaster declared by the President under section 401 of such Act that supersedes the emergency declaration described in such subsection.

(c) Nothing in this section shall be construed to make ineligible any assistance that would otherwise be eligible under section 502 of such Act.

SEC. 10607. (a) During the public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) with respect to the COVID–19 pandemic, the Secretary of Homeland Security, Secretary of State, Attorney General or Secretary of Labor, as appropriate, shall temporarily suspend or modify any procedural requirement with which an applicant, petitioner, or other person or entity must otherwise comply under the immigration laws, as defined in section 101(a)(17) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(17)), or any regulation pertaining thereto, when necessary to—

(1) promote government efficiency;

(2) ensure the timely and fair adjudication of applications or petitions;

(3) prevent hardship to applicants, petitioners, beneficiaries, or other persons or entities, including

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by granting automatic or other extensions or renewals when necessary to protect individuals from lapses in status or work authorization; or

(4) protect the public interest.

(b) Notwithstanding any other provision law, the requirements of chapter 5 of title 5, U.S. Code (commonly known as the Administrative Procedure Act), or any other law relating to rulemaking, information collection or publication in the Federal Register shall not apply to any action taken under the authority of this section.

(c) Notwithstanding any other provision of law, with respect to any alien whose nonimmigrant status, status under section 244 of the Immigration and Nationality Act (8 U.S.C. 1254a), or employment authorization has expired within the 30 days preceding the date of the enactment of this act, or will expire not later than one year after such date, the Secretary of Homeland Security shall automatically extend such status or work authorization for the same time period as the alien's prior status or work authorization.

(d) The amounts made available by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985

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SEC. 10608. (a) Amounts provided for ''Coast Guard—Operations and Support'' for fiscal year 2020 may, in addition to amounts otherwise available for such purposes, be available for pay and benefits of Coast Guard Yard and Vessel Documentation personnel, Non-Appropriated Funds personnel, and for Morale, Welfare and Recreation Programs.

(b) Any amounts repurposed under subsection (a) that were previously designated by the Congress as an emergency requirement or as being for Overseas Contingency Operations/Global War on Terrorism pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 or as for Overseas Contingency Operations/Global War on Terrorism pursuant to section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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TITLE VII—INTERIOR, ENVIRONMENT, AND RELATED AGENCIES

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

OPERATION OF INDIAN PROGRAMS

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''Operation of Indian Programs'', $453,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including to support public safety and justice programs, welfare and social service programs (including assistance to individuals), and for aid to Tribal governments: *Provided*, That of such sums, funds may be used for executive direction to carry out cleaning of facilities, to purchase personal protective equipment, and to obtain information technology: *Provided further*, That the limitation on welfare assistance funds included in the matter preceding the first proviso under this heading in the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) shall not apply to amounts provided for such programs in this paragraph: *Provided further*, That assistance received hereunder shall not be included in the calculation of funds received by those Tribal governments who participate in the ''Small and Needy'' program: *Provided further*, That amounts provided under this heading in this Act may

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be made available for distribution through Tribal priority allocations for Tribal response and capacity building activities related to the purposes identified under this heading in this Act: *Provided further*, That such amounts, if transferred to Tribes and Tribal organizations under the Indian Self-Determination and Education Assistance Act: (1) will be transferred on a one-time basis, (2) are non-recurring funds that are not part of the amount required by 25 U.S.C. 5325, and (3) may only be used for the purposes identified under this heading in this Act, notwithstanding any other provision of law: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

BUREAU OF INDIAN EDUCATION

OPERATION OF INDIAN EDUCATION PROGRAMS

For an additional amount for ''Operation of Indian Education Programs'', $69,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including, in addition to amounts otherwise available, support for Tribally-Controlled Colleges and Universities, salaries, transportation, and information technology: *Provided*, That of the amounts provided in this paragraph, not less than $20,000,000 shall

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be for Tribally-Controlled Colleges and Universities: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL OFFICES

OFFICE OF THE SECRETARY

DEPARTMENTAL OPERATIONS

(INCLUDING TRANSFERS OF FUNDS)

For an additional amount for ''Departmental Operations'' for necessary expenses to prevent, preapre for, and respond to coronavirus, $158,400,000, to remain available until September 30, 2021: *Provided*, That the amounts made available in this paragraph shall be used to absorb increased operational costs associated with the coronavirus outbreak including but not limited to: purchase of equipment and supplies to disinfect and clean buildings and public areas, support law enforcement and emergency management operations, biosurveillance of wildlife and environmental persistence studies, employee overtime and special pay expenses, and for other response, mitigation, or recovery activities associated with the coronavirus outbreak: *Provided further*, That the amounts made available by this paragraph may be transferred between the Office of the Secretary and any Department of the Interior com-

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ponent bureau or office that received funding in division D of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94): *Provided further*, That concurrent with any such transfer the Secretary shall notify the House and Senate Committees on Appropriations in writing and provide a detailed description of and justification for each transfer: *Provided further*, That as soon as practicable after the date of enactment of this Act, the Secretary shall transfer $1,000,000 to the Office of the Inspector General, ''Salaries and Expenses'' account for oversight activities related to the implementation of programs, activities, or projects funded herein: *Provided further*, That expenditure of amounts made available herein may be made through direct expenditure or cooperative agreement: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INSULAR AFFAIRS

For an additional amount for ''Assistance to Territories'', $55,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, domestically or internationally, for territorial assistance, specifically for general technical assistance: *Provided*, That such amount is designated by the Congress

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as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ENVIRONMENTAL PROTECTION AGENCY

SCIENCE AND TECHNOLOGY

For an additional amount for ''Science and Technology'', $2,250,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, of which $750,000 shall be for necessary expenses for cleaning and disinfecting equipment or facilities of, or for use by, the Environmental Protection Agency, and $1,500,000 shall be for research on methods to reduce the risks from environmental transmission of coronavirus via contaminated surfaces or materials: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ENVIRONMENTAL PROGRAMS AND MANAGEMENT

For an additional amount for ''Environmental Programs and Management'', $3,910,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, of which $2,410,000 shall be for necessary expenses for cleaning and disinfecting equipment or facilities of, or for use by, the Environmental Pro-

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tection Agency, and operational continuity of Environmental Protection Agency programs and related activities, and $1,500,000 shall be for expediting registration and other actions related to pesticides to address coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

BUILDINGS AND FACILITIES

For an additional amount for ''Buildings and Facilities'', $300,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such funds shall be for necessary expenses for cleaning and disinfecting equipment or facilities of, or for use by, the Environmental Protection Agency: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HAZARDOUS SUBSTANCE SUPERFUND

For an additional amount for ''Hazardous Substance Superfund'', $770,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such funds shall be for necessary expenses for cleaning and disinfecting equipment

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or facilities of, or for use by, the Environmental Protection Agency: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

FOREST AND RANGELAND RESEARCH

For an additional amount for ''Forest and Rangeland Research'', $3,000,000, to remain available until September 30, 2021, for the reestablishment of abandoned or failed experiments associated with coronavirus restrictions: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL FOREST SYSTEM

For an additional amount for''National Forest System'', $33,800,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for personal protective equipment, for cleaning and disinfecting public recreation amenities, and for necessary expenses related to cybersecurity, the provision of telework ready equipment, and Information Technology help desk personnel: *Provided*, That such

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amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CAPITAL IMPROVEMENT AND MAINTENANCE

For an additional amount for ''Capital Improvement and Maintenance'', $26,800,000, to remain available until September 30, 2021, for necessary expenses related to cybersecurity, the provision of telework ready equipment, and Information Technology help desk personnel, and for the cleaning, disinfecting, and janitorial services to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

WILDLAND FIRE MANAGEMENT

For an additional amount for ''Wildland Fire Management'' to supplement amounts otherwise available for Preparedness, $7,000,000, to remain available until September 30, 2021, for personal protective equipment and necessary expenses of first responders to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDIAN HEALTH SERVICE

INDIAN HEALTH SERVICES

For an additional amount for ''Indian Health Services'', $1,032,000,000, to remain available until September 30, 2021, for preparedness, response, surveillance, and health service activities for coronavirus, including for public health support, electronic health record modernization, telehealth and other IT upgrades, Purchased/Referred care, Catastrophic Health Emergency Fund, community health representatives, Urban Indian Organizations, Tribal Epidemiology Centers, and other activities to protect the safety of patients and staff: *Provided*, That none of the funds appropriated by this Act to the Indian Health Service for the Electronic Health Record system shall be made available for obligation to execute a Request for Proposal for selection of core components appropriate to support the initial capacity of the system unless the Committees on Appropriations of the House of Representatives and the Senate have been briefed 90 days in advance of such execution of a Request for Proposal: *Provided further*, That of the amount provided in this para-

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graph, not less than $450,000,000 shall be distributed through Tribal shares and contracts with Urban Indian Organizations: *Provided further*, That any amounts provided in this paragraph not allocated pursuant to the preceding proviso shall be allocated at the discretion of the Director of the Indian Health Service: *Provided further*, That such amounts may be used to supplement amounts otherwise available under ''Indian Health Facilities'': *Provided further*, That such amounts, if transferred to Tribes and Tribal organizations under the Indian Self-Determination and Education Assistance Act, will be transferred on a one-time basis and that these non-recurring funds are not part of the amount required by 25 U.S.C. 5325, and that such amounts may only be used for the purposes identified under this heading notwithstanding any other provision of law: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

TOXIC SUBSTANCES AND ENVIRONMENTAL PUBLIC HEALTH

For an additional amount for ''Toxic Substances and Environmental Public Health'', $12,500,000, to remain available until September 30, 2021, to monitor, prevent, prepare for, and respond to coronavirus and other emerging infectious diseases, domestically or internationally; of which $7,500,000 shall be for necessary expenses of the Geospatial Research, Analysis and Services Program (GRASP) to support spatial analysis and GIS mapping of infectious disease hot spots, including cruise ships; and $5,000,000 shall be for necessary expenses for awards for Pediatric Environmental Health Specialties Units and state health departments to provide guidance and outreach on safe practices for home, school, and daycare facilities disinfection for facilities that have experienced or want to prevent coronavirus and other emerging infectious disease cases: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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INSTITUTE OF AMERICAN INDIAN AND ALASKA NATIVE CULTURE

PAYMENT TO THE INSTITUTE

For an additional amount for ''Payment to the Institute'', $78,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SMITHSONIAN INSTITUTION

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $7,500,000, to remain available until September 30, 2021, for cleaning, security, information technology, and staff overtime, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

OPERATIONS AND MAINTENANCE

For an additional amount for ''Operations and Maintenance'', $35,000,000, to remain available until Sep-

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tember 30, 2021, for operations and maintenance requirements related to the consequences of coronavirus: *Provided*, That notwithstanding the provisions of 20 U.S.C. 76h et seq., funds provided in this Act shall be made available to cover operating expenses required to ensure the continuity of the John F. Kennedy Center for the Performing Arts and its affiliates, including for employee compensation and benefits, grants, contracts, payments for rent or utilities, fees for artists or performers, information technology, and other administrative expenses: *Provided further*, That no later than October 31, 2020, the Board of Trustees of the Center shall submit a report to the Committees on Appropriations of the House of Representatives and Senate that includes a detailed explanation of the distribution of the funds provided herein: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

NATIONAL ENDOWMENT FOR THE ARTS

GRANTS AND ADMINISTRATION

For an additional amount for ''Grants and Administration'', $300,000,000, to remain available until Sep-

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tember 30, 2021, for grants to respond to the impacts of coronavirus: *Provided*, That such funds are available under the same terms and conditions as grant funding appropriated to this heading in P.L. 116–94: *Provided further*, That 40 percent of such funds shall be distributed to State arts agencies and regional arts organizations and 60 percent of such funds shall be for direct grants: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985:

NATIONAL ENDOWMENT FOR THE HUMANITIES

GRANTS AND ADMINISTRATION

For an additional amount for ''Grants and Administration'', $300,000,000, to remain available until September 30, 2021, for grants to respond to the impacts of coronavirus: *Provided*, That such funds are available under the same terms and conditions as grant funding appropriated to this heading in Public Law 116–94: *Provided further*, That 40 percent of such funds shall be distributed to state humanities councils and 60 percent of such funds shall be for direct grants: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS

SEC. 10701. Notwithstanding any other provision of law, funds made available under the heading ''National Foundation on the Arts and the Humanities—National Endowment for the Arts—Grants and Administration'' for each of fiscal years 2019 and 2020 for grants for the purposes described in section 5(c) of the National Foundation on the Arts and Humanities Act of 1965 (20 U.S.C. 954(c)) may also be used by the recipients of such grants for purposes of the general operations of such recipients and the matching requirements under subsections (e), (g)(4)(A), and (p)(3) of section 5 of the National Foundation on the Arts and Humanities Act of 1965 (20 U.S.C. 954) may be waived with respect to such grants.

SEC. 10702. Notwithstanding any other provision of law, funds made available under the heading ''National Foundation on the Arts and the Humanities—National Endowment for the Humanities—Grants and Administration'' for each of fiscal years 2019 and 2020 for grants for the purposes described in section 7(c) and 7(h)(1) of the National Foundation on the Arts and Humanities Act of 1965 may also be used by the recipients of such grants for purposes of the general operations of such recipients

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and the matching requirements under subsection (h)(2)(A) of section 7 of the National Foundation on the Arts and Humanities Act of 1965 may be waived with respect to such grants.

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TITLE VIII—DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

For an additional amount for ''Training and Employment Services'', $960,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus through activities under the Workforce Innovation and Opportunity Act (referred to in this Act as ''WIOA'') as follows:

(1) $212,000,000 for grants to States for adult employment and training activities, including supportive services and needs-related payments;

(2) $227,000,000 for grants to States for youth activities, including supportive services;

(3) $261,000,000 for grants to States for dislocated worker employment and training activities, including supportive services and needs-related payments;

(4) $250,000,000 for the Dislocated Worker National Reserve, of which $150,000,000 shall be for the Strengthening Community College Training Grant program as outlined under the heading

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''Training and Employment Services'' in paragraph (2)(A)(ii) of title I of division A of Public Law 116–94 to assist community colleges in meeting the educational and training needs of their communities as a result of coronavirus;

(5) $10,000,000 for Migrant and Seasonal Farmworkers, including for emergency supportive services to farmworkers, of which $500,000 shall be available for the collection and dissemination of electronic and printed materials related to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

JOB CORPS

For an additional amount for ''Job Corps'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for student services: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

For an additional amount for ''State Unemployment and Insurance and Employment Service Operations'', $150,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus through grants to States in accordance with section 6 of the Wagner-Peyser Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

For an additional amount for ''Community Service Employment for Older Americans'', $120,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That funds made available under this heading in this Act may, in accordance with section 517(c) of the Older Americans Act of 1965, be recaptured and reobligated: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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PROGRAM ADMINISTRATION

For an additional amount for ''Program Administration'', $15,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including for the administration, oversight, and coordination of unemployment insurance activities related thereto: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

EMPLOYEE BENEFITS SECURITY ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for ''Employee Benefits Security Administration'', $3,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including for the administration, oversight, and coordination of worker protection activities related thereto: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

WAGE AND HOUR DIVISION

SALARIES AND EXPENSES

For an additional amount for ''Wage and Hour Division'', $6,500,000, to remain available until September

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30, 2020, to prevent, prepare for, and respond to coronavirus, including for the administration, oversight, and coordination of worker protection activities related thereto: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for ''Occupational Safety and Health Administration'', $30,000,000, to remain available until September 30, 2021, for worker protection activities to prevent, prepare for, and respond to coronavirus: *Provided*, That of that amount, $10,000,000 shall be available for Susan Harwood training grants: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL MANAGEMENT

OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

For an additional amount for ''Office of Inspector General'', $1,500,000, to remain available until September 30, 2022, for oversight of activities supported with funds

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appropriated to the Department of Labor: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

VETERANS EMPLOYMENT AND TRAINING

For an additional amount for ''Veterans Employment and Training,'' $15,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for programs to assist homeless veterans and veterans at risk of homelessness: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH RESOURCES AND SERVICES ADMINISTRATION

PRIMARY HEALTH CARE

For an additional amount for ''Primary Health Care'', $1,300,000,000, to remain available until September 30, 2021, for necessary expenses to prevent, prepare for, and respond to coronavirus, for grants and cooperative agreements under the Health Centers Program, as defined by section 330 of the Public Health Service Act,

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and for eligible entities under the Native Hawaiian Health Care Improvement Act, including maintenance of current health care center capacity and staffing levels: *Provided*, That sections 330(r)(2)(B), 330(e)(6)(A)(iii), and 330(e)(6)(B)(iii) shall not apply to funds provided under this heading in this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RYAN WHITE HIV/AIDS PROGRAM

For an additional amount for ''Ryan White HIV/AIDS Program'', $90,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That awards from funds provided under this heading in this Act shall be through modifications to existing contracts and supplements to existing grants and cooperative agreements under parts A , B, C, D, F, and section 2692(a) of title XXVI of the Public Health Service Act: *Provided further*, That such supplements shall be awarded using a data-driven methodology determined by the Secretary of Health and Human Services: *Provided further*, That sections 2604(c), 2612(b), and 2651(c) of the Public Health Service Act shall not apply to funds provided under this heading in

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this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HEALTH CARE SYSTEMS

For an additional amount for ''Health Care Systems'', $5,000,000, to remain available until September 30, 2021 to prevent, prepare for, and respond to coronavirus, for activities authorized under sections 1271 and 1273 of the Public Health Service Act to improve the capacity of poison control centers to respond to increased calls and communications: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RURAL HEALTH

For an additional amount for ''Rural Health'', $460,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus, including telephonic and virtual care for the underinsured, and for continuation and expansion of telehealth and rural health activities under sections 330A and 330I of the Public Health Service Act and section 711 of the Social Security Act: *Provided*, That of the amount provided under this heading in this Act, not less than $15,000,000 shall be

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allocated to tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CENTERS FOR DISEASE CONTROL AND PREVENTION

CDC–WIDE ACTIVITIES AND PROGRAM SUPPORT

For an additional amount for ''CDC–Wide Activities and Program Support'', $5,500,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That not less than $2,000,000,000 of the amount provided shall be for grants to or cooperative agreements with States, localities, territories, tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes, for such purposes including to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities: *Provided further*, That every grantee that received a Public Health Emergency Preparedness grant for fiscal year 2019 shall receive not less than 100 percent of that grant level from funds provided in the first proviso under this heading in this Act, and not less than $125,000,000 of such funds

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shall be allocated to tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes: *Provided further*, That the Director of the Centers for Disease Control and Prevention (''CDC'') may satisfy the funding thresholds outlined in the preceding two provisos by making awards through other grant or cooperative agreement mechanisms: *Provided further*, That of the amount provided under this heading in this Act, not less than $1,000,000,000 shall be for global disease detection and emergency response: *Provided further*, That of the amount provided under this heading in this Act, $500,000,000 shall be for public health data surveillance and analytics infrastructure modernization: *Provided further*, That funds appropriated under this heading in this Act may be used for grants for the rent, lease, purchase, acquisition, construction, alteration, or renovation of non-Federally owned facilities to improve preparedness and response capability at the State and local level: *Provided further*, That funds may be used for purchase and insurance of official motor vehicles in foreign countries: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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NATIONAL INSTITUTES OF HEALTH

NATIONAL HEART, LUNG, AND BLOOD INSTITUTE

For an additional amount for ''National Heart, Lung, and Blood Institute'', $103,400,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES

For an additional amount for ''National Institute of Allergy and Infectious Diseases'', $550,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH SCIENCES

For an additional amount for ''National Institute of Environmental Health Sciences'', $10,000,000, to remain available until September 30, 2024, for worker-based

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training to prevent and reduce exposure of hospital employees, emergency first responders, and other workers who are at risk of exposure to coronavirus through their work duties: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL INSTITUTE OF BIOMEDICAL IMAGING AND BIOENGINEERING

For an additional amount for ''National Institute of Biomedical Imaging and Bioengineering'', $60,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL LIBRARY OF MEDICINE

For an additional amount for ''National Library of Medicine'', $10,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL CENTER FOR ADVANCING TRANSLATIONAL SCIENCES

For an additional amount for ''National Center for Advancing Translational Sciences'', $36,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF THE DIRECTOR

For an additional amount for ''Office of the Director'', $30,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That the funds provided under this heading in this Act shall be available for the Common Fund established under section 402A(c)(1) of the Public Health Service Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION

HEALTH SURVEILLANCE AND PROGRAM SUPPORT

For an additional amount for ''Health Surveillance and Program Support'', $435,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, for program support and cross-cutting activities that supplement activities funded under the headings ''Mental Health'', ''Substance Abuse Treatment'', and ''Substance Abuse Prevention'' in carrying out titles III, V, and XIX of the Public Health Service Act (''PHS Act''): *Provided*, That $200,000,000 of the funds made available under this heading in this Act shall be for grants to communities and community organizations who meet criteria for Certified Community Behavioral Health Clinics pursuant to section 223(a) of Public Law 113–93: *Provided further*, That $60,000,000 of the funds made available under this heading in this Act shall be for services to the homeless population: *Provided further*, That $10,000,000 of the funds made available under this heading in this Act shall be for the National Child Traumatic Stress Network: *Provided further*, That not less than $50,000,000 of the funds made available under this heading in this Act shall be for suicide prevention programs: *Provided further*, That not less than $100,000,000

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of the amount made available under this heading in this Act is available for State Emergency Response Grants authorized under section 501(o) of the PHS Act: *Provided further*, That not less than $15,000,000 of the amount made available under this heading in this Act shall be allocated to tribes, tribal organizations, urban Indian health organizations, or health or behavioral health service providers to tribes: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

AGENCY FOR HEALTHCARE RESEARCH AND QUALITY

For an additional amount for ''Healthcare Research and Quality'', $80,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, to carry out titles III and IX of the Public Health Service Act, part A of title XI of the Social Security Act, and section 1013 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003: *Provided*, That section 947(c) of the Public Health Service Act shall not apply to funds made available under this heading in this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the

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Balanced Budget and Emergency Deficit Control Act of 1985.

CENTERS FOR MEDICARE & MEDICAID SERVICES

PROGRAM MANAGEMENT

For an additional amount for ''Program Management'', $550,000,000, to remain available until September 30, 2022 to prevent, prepare for, and respond to coronavirus, of which $100,000,000 shall be for necessary expenses of the survey and certification program, prioritizing nursing home facilities in localities with community transmission of coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATION FOR CHILDREN AND FAMILIES

LOW INCOME HOME ENERGY ASSISTANCE

For an additional amount for ''Low Income Home Energy Assistance'', $1,400,000,000, to remain available until September 30, 2021, for making payments under subsection (b) of section 2602 of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.): *Provided*, That of the amount provided under this heading in this Act, $700,000,000 shall be allocated as though the total appropriation for such payments for fiscal year 2020

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was less than $1,975,000,000: *Provided further*, That section 2607(b)(2)(B) of such Act (42 U.S.C. 8626(b)(2)(B)) shall not apply to funds made available under this heading in this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PAYMENTS TO STATES FOR THE CHILD CARE AND DEVELOPMENT BLOCK GRANT

For an additional amount for ''Payments to States for the Child Care and Development Block Grant'', $4,000,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for Federal administrative expenses, which shall be used to supplement, not supplant State, Territory, and Tribal general revenue funds for child care assistance for low-income families without regard to requirements in section 658E(c)(3)(D), section 658E(c)(3)(E), section 658G(a), or section 658G(c) of the Child Care and Development Block Grant Act (''CCDBG Act''): *Provided*, That funds made available under this heading in this Act may also be used for costs of waiving family copayments and covering costs typically paid through family copayments, continued payments and assistance to child care providers in cases of decreased enrollment, child absences, or pro-

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vider closures related to coronavirus, and to ensure child care providers are able to remain open or reopen as appropriate and applicable: *Provided further*, That States, Territories, and Tribes are encouraged to place conditions on payments to child care providers that ensure that child care providers use a portion of funds received to continue to pay the salaries and wages of staff: *Provided further*, That such funds may be used for mobilizing emergency child care services, for providing temporary assistance to eligible child care providers to support costs associated with coronavirus, and for supporting child care resource and referral services: *Provided further*, That States, Territories, and Tribes are authorized to use funds appropriated under this heading to provide child care assistance to health care sector employees, emergency responders, sanitation workers, and other workers deemed essential during the response to coronavirus by public officials, without regard to the income eligibility requirements of section 658P(4) of the CCDBG Act: *Provided further*, That the Secretary shall remind States that CCDBG State plans do not need to be amended prior to utilizing existing authorities in the CCDBG Act for the purposes provided herein: *Provided further*, That funds appropriated under this heading in this Act shall be available to eligible child care providers under section 658P(6) of the CCDBG Act,

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even if such providers were not receiving CCDBG assistance prior to the public health emergency as a result of the coronavirus, for the purposes of cleaning and sanitation, and other activities necessary to maintain or resume the operation of programs: *Provided further*, That obligations incurred for the purposes provided herein prior to the date of enactment of this Act may be charged to funds appropriated under this heading in this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CHILDREN AND FAMILIES SERVICES PROGRAMS

For an additional amount for ''Children and Families Services Programs'', $4,302,000,000, to remain available until September 30, 2021, which shall be used as follows:

(1) $1,000,000,000 for making payments under the Head Start Act to be allocated in an amount that bears the same ratio to such portion as the number of enrolled children served by the agency involved bears to the number of enrolled children by all Head Start agencies: *Provided*, That none of the funds appropriated in this paragraph shall be included in the calculation of the ''base grant'' in subsequent fiscal years, as such term is defined in sec-

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tions 640(a)(7)(A), 641A(h)(1)(B), or 645(d)(3) of the Head Start Act: *Provided further*, That funds appropriated in this paragraph are not subject to the allocation requirements of section 640(a) of the Head Start Act and in addition to allowable uses of fund in 45 CFR 1301–1305, shall be allowable for developing and implementing procedures and systems to improve the coordination, preparedness and response efforts with State, local, tribal, an territorial public health departments, and other relevant agencies; cost of meals and snacks not reimbursed by the Secretary of Agriculture; mental health services and supports; mental health crisis response and intervention services; training and professional development for staff on infectious disease management; purchasing necessary supplies and contracted services to sanitize and clean facilities and vehicles, if applicable; and other costs that are necessary to maintain and resume the operation of programs, such as substitute staff, technology infrastructure, or other emergency assistance; *Provided further*, That up to $600,000,000 shall be available for the purpose of operating supplemental summer programs through non-competitive grant supplements to existing grantees determined to be most ready to op-

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erate those programs by the Office of Head Start: *Provided further*, That not more than $15,000,000 shall be available for Federal administrative expenses and shall remain available through September 30, 2021: *Provided further*, That obligations incurred for the purposes provided herein prior to the date of enactment of this subdivision may be charged to funds appropriated under this heading.

(2) $2,500,000,000 for activities to carry out the Community Services Block Grant Act: *Provided*, That of the amount made available in this paragraph in this Act, $50,000,000 shall be available for Statewide activities in accordance with section 675C(b)(1) of such Act: *Provided further*, That of the amount made available in this paragraph in this Act, $25,000,000 shall be available for grants to support the procurement and distribution of diapers through non-profit organizations: *Provided further*, That of the amount made available in this paragraph in this Act, $25,000,000 shall be available for administrative expenses in accordance with section 675C(b)(2) of such Act: *Provided further*, That each State, territory, or tribe shall allocate not less than xx percent of its formula award to non-profit organizations: *Provided further*, That for services furnished

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under such Act during fiscal years 2020 and 2021, States may apply the last sentence of section 673(2) of such Act by substituting ''200 percent'' for ''125 percent''.

(3) $2,000,000, for the National Domestic Violence Hotline as authorized by Section 303(b) of the Family Violence Prevention and Services Act: *Provided*, That the Secretary may use amounts made available in the preceding proviso for providing hotline services remotely.

(4) $100,000,000 for Family Violence Prevention and Services formula grants as authorized by Section 303(a) of the Family Violence and Prevention and Services Act; *Provided*, That the Secretary may use amounts made available in the preceding proviso for providing temporary housing and in-person assistance to victims of family, domestic, and dating violence: *Provided further*, That for funds obligated during the period of any public health emergency declared under section 319 of the Public Health Service Act with respect to coronavirus, the Secretary may waive such statutory and regulatory program requirements as the Secretary determines appropriate to respond to the public health emer-

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gency, including the matching funds requirement in section 306(c)(4) of such Act.

(5) $100,000,000 for carrying out activities under the Runaway and Homeless Youth Act: *Provided*, That amounts made available in the preceding proviso shall be used to supplement, not supplant, existing funds and shall be available without regard to matching requirements.

(6) $1,500,000,000 for necessary expenses for grants for assisting low-income households, as defined by the grantee, in paying their water and wastewater utility costs: *Provided*, That eligible grantees shall be those identified in section 2003 of the Social Security Act, and funds appropriated in this paragraph shall be allocated among such entities proportionately to the size of the allotment to each such entity under such section;

Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATION FOR COMMUNITY LIVING

AGING AND DISABILITY SERVICES PROGRAMS

For an additional amount for ''Aging and Disability Services Programs'', $1,205,000,000, to remain available

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until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the amount made available under this heading in this Act, $1,070,000,000 shall be for activities authorized under the Older Americans Act of 1965 (''OAA''), including $200,000,000 for supportive services under part B of title III; $720,000,000 for nutrition services under subparts 1 and 2 of part C of title III; $30,000,000 for nutrition services under title VI; $100,000,000 for support services for family caregivers under part E of title III; and $20,000,000 for elder rights protection activities, including the long-term ombudsman program under title VII of such Act: *Provided further*, That of the amount made available under this heading in this Act, $50,000,000 shall be for aging and disability resource centers authorized in sections 202(b) and 411 of the OAA: *Provided further*, That of the amount made available under this heading in this Act, $85,000,000 shall be available for centers for independent living that have received grants funded under part C of chapter I of title VII of the Rehabilitation Act of 1973: *Provided further*, That to facilitate State use of funds provided under this heading in this Act, matching requirements under sections 304(d)(1)(D) and 373(g)(2) of the OAA shall not apply to funds made available under this heading: *Provided further*, That the transfer authority

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under section 308(b)(4)(A) of the OAA shall apply to funds made available under this heading in this Act by substituting ''100 percent'' for ''40 percent'': *Provided further*, That the State Long-Term Care Ombudsman shall have continuing direct access (or other access through the use of technology) to residents of long-term care facilities, during any portion of the public health emergency relating to coronavirus as of the date of enactment of this Act and ending on September 30, 2020, to provide services described in section 712(a)(3)(B) of the OAA: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF THE SECRETARY

PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND

For an additional amount for ''Public Health and Social Services Emergency Fund'', $6,077,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally, including the development of necessary countermeasures and vaccines, prioritizing platform-based technologies with U.S.-based manufacturing capabilities, the purchase of vaccines, therapeutics, diagnostics, and

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necessary medical supplies, as well as medical surge capacity, workforce modernization, enhancements to the U.S. Commissioned Corps, telehealth access and infrastructure, initial advanced manufacturing, and related administrative activities: *Provided*, That no less than $1,000,000,000 shall be dedicated to the development, translation and demonstration at scale of innovations in manufacturing platforms to support vitally necessary medical countermeasures to support a reliable U.S.-sourced supply chain of: (a) vaccines, (b) therapeutics, (c) small molecule APIs (active pharmaceutical ingredients), including construction costs: *Provided further*, That the Secretary of Health and Human Services shall purchase vaccines developed using funds made available under this heading in this Act to respond to an outbreak or pandemic related to coronavirus in quantities determined by the Secretary to be adequate to address the public health need: *Provided further*, That products purchased by the Federal government with funds made available under this heading, including vaccines, therapeutics, and diagnostics, shall be purchased in accordance with Federal Acquisition Regulation guidance on fair and reasonable pricing: *Provided further*, That the Secretary may take such measures authorized under current law to ensure that vaccines, therapeutics, and diagnostics developed from funds provided in

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this Act will be affordable in the commercial market *Provided further*, That in carrying out the preceding proviso, the Secretary shall not take actions that delay the development of such products: Provided further, That products purchased with funds appropriated in this paragraph may, at the discretion of the Secretary of Health and Human Services, be deposited in the Strategic National Stockpile under section 319F–2 of the Public Health Service Act (''PHS Act''): *Provided further*, That funds appropriated under this heading in this Act may be transferred to, and merged with, the fund authorized by section 319F–4, the Covered Countermeasure Process Fund, of the PHS Act: *Provided further*, That funds appropriated under this heading in this Act may be used for grants for the construction, alteration, or renovation of non-Federally owned facilities to improve preparedness and response capability at the State and local level: *Provided further*, That funds appropriated under this heading in this Act may be used for the construction, alteration, or renovation of non-Federally owned facilities for the production of vaccines, therapeutics, and diagnostics where the Secretary determines that such a contract is necessary to secure sufficient amounts of such supplies: *Provided further*, That of the amount provided under this heading in this Act, $1,635,000,000 shall be for expenses necessary to carry

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out section 319F–2(a) of the PHS Act: *Provided further*, That of the amount provided under this heading in this Act, not less than $500,000,000 shall be available to the Biomedical Advanced Research and Development Authority for acquisition, construction, or renovation of privately owned U.S.-based next generation manufacturing facilities: *Provided further*, That not later than seven days after the date of enactment of this Act, and weekly thereafter until [insert end date], the Secretary shall report to the Committees on Appropriations of the House of Representatives and the Senate on the current inventory of personal protective equipment in the Strategic National Stockpile, including the numbers of face shields, gloves, goggles and glasses, gowns, head covers, masks, and respirators, as well as deployment of personal protective equipment during the previous week, reported by state and other jurisdiction: *Provided further*, That after the date that a report is required to be submitted pursuant to the preceding proviso, amounts made available for ''Department of Health and Human Services—Office of the Secretary—General Departmental Management'' in Public Law 116–94 for salaries and expenses of the Immediate Office of the Secretary shall be reduced by $250,000 for each day that such report has not been submitted: *Provided further*, That such amount is designated by the Congress as being

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for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

For an additional amount for ''Public Health and Social Services Emergency Fund'', $100,000,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus, to provide grants to public entities, not-for-profit entities, and Medicare and Medicaid enrolled suppliers and institutional providers, including for-profit entities to reimburse for health care related expenses or lost revenues directly attributable to the public health emergency resulting from the coronavirus: *Provided*, That grants shall be awarded in coordination with the Administrator of the Centers for Medicare & Medicaid Services: Provided further, That funds under this paragraph shall not be used to provide grants to reimburse for health care related expenses or lost revenues that have been reimbursed or are eligible for reimbursement from other sources: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

For an additional amount for ''Public Health and Social Services Emergency Fund'', $4,500,000,000, to remain available until September 30, 2022, to prevent, pre-

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pare for, and respond to coronavirus, to reimburse the Department of Veterans Affairs for expenses incurred by the Veterans Affairs health care system to provide medical care to civilians: *Provided*, That funds provided under this paragraph shall be made available only if the Secretary of Health and Human Services certifies to the Committees on Appropriations of the House of Representatives and the Senate that such funds are necessary to reimburse the Department of Veterans Affairs for expenses incurred to provide health care to civilians: *Provided further*, That the Secretary shall notify the Committees on Appropriations of the House of Representatives and the Senate prior to such certification: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF EDUCATION

STATE FISCAL STABILIZATION FUND

For an additional amount for ''State Fiscal Stabilization Fund'', $30,000,000,000, to remain available until September 30, 2022, to prevent, prepare for, and respond to coronavirus: *Provided*, That the Secretary of Education (referred to under this heading as ''Secretary'') shall make grants to the Governor of each State for support of elementary, secondary, and postsecondary education and, as

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applicable, early childhood education programs and services: *Provided further*, That of the amount made available, the Secretary shall first allocate up to one-half of 1 percent to the outlying areas and one-half of 1 percent to the Bureau of Indian Education (BIE) for activities consistent with this heading under such terms and conditions as the Secretary may determine: *Provided further*, That of the amount made available, the Secretary shall allocate 1 percent of funds to provide grants to States with the highest coronavirus burden to support activities under this heading: *Provided further*, That the Secretary shall issue a notice inviting applications not later than 30 days of enactment of this Act and approve or deny applications not later than 30 days after receipt: *Provided further*, That the Secretary may reserve up to $30,000,000 for administration and oversight of the activities under this heading: *Provided further*, That the Secretary shall allocate 61 percent of the remaining funds made available to carry out this heading to the States on the basis of their relative population of individuals aged 5 through 24 and allocate 39 percent on the basis of their relative number of children counted under section 1124(c) of the Elementary and Secondary Education Act of 1965 (referred to under this heading as ''ESEA'') as State grants: *Provided further*, That State grants shall support statewide elementary, sec-

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ondary, and postsecondary activities; subgrants to local educational agencies; and, subgrants to public institutions of higher education: *Provided further*, That States shall allocate not less than 30 percent of the funds received under the sixth proviso as subgrants to local educational agencies on the basis of their relative number of children counted under section 1124(c) of the ESEA: *Provided further*, That States shall allocate not less than 30 percent of the funds received under the sixth proviso as subgrants to public institutions of higher education on the basis of the relative share of full-time equivalent students who received Pell Grants at the institution in the previous award year and of the total enrollment of full-time equivalent students at the institution in the previous award year: *Provided further*, That the Governor shall return to the Secretary any funds received that the Governor does not award to local educational agencies and public institutions of higher education or otherwise commit within two years of receiving such funds, and the Secretary shall reallocate such funds to the remaining States in accordance with the sixth proviso: *Provided further*, That Governors shall use State grants to maintain or restore State fiscal support for elementary, secondary and postsecondary education: *Provided further*, That funds for local educational agencies may be used for any activity authorized by the ESEA, the

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Individuals with Disabilities Education Act, the McKinney-Vento Homeless Assistance Act (Title VII, Subpart B), the Adult Education and Family Literacy Act or the Carl D. Perkins Career and Technical Education Act of 2006 (''the Perkins Act''): *Provided further*, That a State or local educational agency receiving funds under this heading may use the funds for activities coordinated with State, local, tribal, and territorial public health departments to detect, prevent, or mitigate the spread of infectious disease or otherwise respond to coronavirus; support online learning by purchasing educational technology and internet access for students, which may include assistive technology or adaptive equipment, that aids in regular and substantive educational interactions between students and their classroom instructor; provide ongoing professional development to staff in how to effectively provide quality online academic instruction; provide assistance for children and families to promote equitable participation in quality online learning; plan and implement activities related to summer learning, including providing classroom instruction or quality online learning during the summer months; plan for and coordinate during long-term closures, provide technology for quality online learning to all students, and how to support the needs of low-income students, racial and ethnic minorities, students with disabil-

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ities, English learners, students experiencing homelessness, and children in foster care, including how to address learning gaps that are created or exacerbated due to long-term closures; and other activities that are necessary to maintain the operation of and continuity of services in local educational agencies, including maintaining employment of existing personnel: *Provided further*, That a public institution of higher education that receives funds under this heading shall use funds for education and general expenditures and grants to students for expenses directly related to coronavirus and the disruption of campus operations (which may include emergency financial aid to students for food, housing, technology, health care, and child care costs that shall not be required to be repaid by such students) or for the acquisition of technology and services directly related to the need for distance learning and the training of faculty and staff to use such technology and services (which shall not include paying contractors a portion of tuition revenue or for pre-enrollment recruitment activities): *Provided further*, That priority shall be given to under-resourced institutions, institutions with high burden due to the coronavirus, and institutions who do not possess distance education capabilities at the time of enactment of this Act: *Provided further*, That an institution of higher education may not use funds received under this

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heading to increase its endowment or provide funding for capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship: *Provided further*, That funds may be used to support hourly workers, such as education support professionals, classified school employees, and adjunct and contingent faculty: *Provided further*, That a Governor of a State desiring to receive an allocation under this heading shall submit an application at such time, in such manner, and containing such information as the Secretary may reasonably require: *Provided further*, That a State's application shall include assurances that the State will maintain support for elementary and secondary education in fiscal year 2020, fiscal year 2021, and fiscal year 2022 at least at the level of such support that is the average of such State's support for elementary and secondary education in the 3 fiscal years preceding the date of enactment of this Act: *Provided further*, That a State's application shall include assurances that the State will maintain State support for higher education (not including support for capital projects or for research and development or tuition and fees paid by students) in fiscal year 2020, fiscal year 2021, and fiscal year 2022 at least at the level of such support that is the average of such State's support for higher education (which shall include State and local gov-

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ernment funding to institutions of higher education and state need-based financial aid) in the 3 fiscal years preceding the date of enactment of this Act: *Provided further*, That in such application, the Governor shall provide baseline data that demonstrates the State's current status in each of the areas described in such assurances in the preceding provisos: *Provided further*, That a State's application shall include assurances that the State will not construe any provisions under this heading as displacing any otherwise applicable provision of any collective-bargaining agreement between an eligible entity and a labor organization as defined by section 2(5) of the National Labor Relations Act (29 U.S.C. 152(5)) or analogous State law: *Provided further*, That a State's application shall include assurances that the State shall maintain the wages, benefits, and other terms and conditions of employment set forth in any collective-bargaining agreement between the eligible entity and a labor organization, as defined in the preceding proviso: *Provided further*, That a State receiving funds under this heading shall submit a report to the Secretary, at such time and in such manner as the Secretary may require, that describes the use of funds provided under this heading: *Provided further*, That no recipient of funds under this heading shall use funds to provide financial assistance to students to attend private elementary or

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secondary schools, unless such funds are used to provide special education and related services to children with disabilities, as authorized by the Individuals with Disabilities Education Act: *Provided further*, That the terms ''elementary education'' and ''secondary education'' have the meaning given such terms under State law: *Provided further*, That the term ''institution of higher education'' has the meaning given such term in section 101 of the Higher Education Act of 1965: *Provided further*, That the term ''fiscal year'' shall have the meaning given such term under State law: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SAFE SCHOOLS AND CITIZENSHIP EDUCATION

For an additional amount for ''Safe Schools and Citizenship Education'', to supplement funds otherwise available for the ''Project School Emergency Response to Violence program'', $200,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including to help elementary, secondary and postsecondary schools clean and disinfect affected schools, and assist in counseling and distance learning and associated costs: *Provided*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GALLAUDET UNIVERSITY

For an additional amount for ''Gallaudet University'', $7,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including to help defray the expenses (which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance learning, faculty and staff trainings, and payroll) directly caused by coronavirus and to enable grants to students for expenses directly related to coronavirus and the disruption of university operations (which may include food, housing, transportation, technology, health care, and child care): *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

STUDENT AID ADMINISTRATION

For an additional amount for ''Student Aid Administration'', $75,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus in carrying out part D of title I, and subparts 1, 3, 9 and 10 of part A, and parts B, C, D, and E of title IV of the HEA, and subpart 1 of part A of title VII

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of the Public Health Service Act to support essential services directly related to coronavirus: *Provided*, That not later than 30 days after the date of enactment of this Act, the Secretary shall, using outbound communications, provide all Federal student loan borrowers a notice of their options to lower or delay payments as a result of the coronavirus by enrolling in income-driven repayment, deferment, or forbearance, and including a brief description of such options: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HIGHER EDUCATION

For an additional amount for ''Higher Education'', $9,500,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including under parts A and B of title III, part A of title V, subpart 4 of part A of title VII, and part B of title VII of the Higher Education Act, which may be used to defray expenses (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll) incurred by institutions of higher education and for grants to students for any component

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of the student's cost of attendance (as defined under section 472 of the Higher Education Act), including food, housing, course materials, technology, health care, and child care as follows:

(1) $1,500,000,000 for parts A and B of title III, part A of title V, and subpart 4 of part A of title VII to address needs directly related to coronavirus: *Provided*, That the Secretary of Education shall allow institutions to use prior awards under the authorities covered by the preceding proviso to prevent, prepare for, and respond to coronavirus;

(2) $8,000,000,000 for part B of title VII of the Higher Education Act for institutions of higher education (as defined in section 101 or 102(c) of the Higher Education Act) to address needs directly related to coronavirus: *Provided*, That such funds shall be available to the Secretary only for payments to help defray the expenses incurred by such institutions of higher education that were forced to close campuses or alter delivery of instruction as a result of coronavirus: *Provided further*, That any non-profit, private institution of higher education that is not otherwise eligible for a grant of at least $1,000,000, shall be eligible to receive an amount equal to which-

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ever is lesser of the total loss of revenue and increased costs associated with the coronavirus or $1,000,000: *Provided further*, That, notwithstanding sections 484 and 741(d)(1) of the Higher Education Act, funds may be used to make payments to such institutions to provide emergency grants to students who attend such institutions for academic years beginning on or after July 1, 2019:

Provided further, That such payments shall be made in accordance with criteria established by the Secretary and made publicly available without regard to section 437 of the General Education Provisions Act, section 553 of title 5, United States Code, or part B of title VII of the HEA: *Provided further*, That institutions receiving funds under the heading State Fiscal Stabilization Fund (not including amounts provided through state-based financial aid) shall not be eligible for additional funding for part B of title VII under this heading: *Provided further*, That such payments shall not be used to increase endowments or provide funding for capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship: *Provided further*, That such amounts is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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HOWARD UNIVERSITY

For an additional amount for ''Howard University'', $13,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including to help defray the expenses (which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance learning, faculty and staff trainings, and payroll) directly caused by coronavirus and to enable grants to students for expenses directly related to coronavirus and the disruption of university operations (which may include food, housing, transportation, technology, health care, and child care): *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL MANAGEMENT

PROGRAM ADMINISTRATION

For an additional amount for ''Program Administration'', $10,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus: *Provided*, That such funds shall only be used to support network bandwidth and capacity for telework for Departmental staff and the cleaning of facilities as a result of coronavirus: *Provided further*, That such amount

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is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF THE INSPECTOR GENERAL

For an additional amount for the ''Office of Inspector General'', $11,000,000, to remain available until September 30, 2022, to prevent, prepare for, and respond to coronavirus, including for salaries and expenses necessary for oversight and audit of programs, grants, and projects funded in this Act to respond to coronavirus *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RELATED AGENCIES

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

For an additional amount for the ''Corporation for National and Community Service'', $250,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATIVE PROVISION—CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

SEC. 10801. (a)(1) The remaining unobligated balances of funds as of September 30, 2020, from amounts provided to ''Corporation for National and Community Service—Operating Expenses'' in title IV of Division A of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94), are hereby permanently rescinded.

(2) In addition to any amounts otherwise provided, there is hereby appropriated on September 30, 2020, for an additional amount for fiscal year 2020, an amount equal to the unobligated balances rescinded pursuant to paragraph (1): *Provided*, That amounts made available pursuant to this paragraph shall remain available until September 30, 2021, and shall be available for the same purposes and under the same authorities that they were originally made available in Public Law 116–94.

(b)(1) The remaining unobligated balances of funds as of September 30, 2020, from amounts provided to ''Corporation for National and Community Service—Salaries and Expenses'' in title IV of Division A of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94), are hereby permanently rescinded.

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(2) In addition to any amounts otherwise provided, there is hereby appropriated on September 30, 2020, for an additional amount for fiscal year 2020, an amount equal to the unobligated balances rescinded pursuant to paragraph (1): *Provided*, That amounts made available pursuant to this paragraph shall remain available until September 30, 2021, and shall be available for the same purposes and under the same authorities that they were originally made available in Public Law 116–94.

(c)(1) The remaining unobligated balances of funds as of September 30, 2020, from amounts provided to ''Corporation for National and Community Service—Office of Inspector General'' in title IV of Division A of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94), are hereby permanently rescinded.

(2) In addition to any amounts otherwise provided, there is hereby appropriated on September 30, 2020, for an additional amount for fiscal year 2020, an amount equal to the unobligated balances rescinded pursuant to paragraph (1): *Provided*, That amounts made available pursuant to this paragraph shall remain available until September 30, 2021, and shall be available for the same purposes and under the same authorities that they were originally made available in Public Law 116–94.

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CORPORATION FOR PUBLIC BROADCASTING

For an additional amount for ''Corporation for Public Broadcasting'', $300,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including for fiscal stabilization grants to public telecommunications entities, with no deduction for administrative or other costs of the Corporation, to maintain programming and services and preserve small and rural stations threatened by declines in non-Federal revenues, of which $50,000,000 shall be used to support the public television system: *Provided* , That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

For an additional amount for ''Institute of Museum and Library Services'', $500,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including grants to States, museums, territories and tribes to expand digital network access, purchase tablets and other internet-enabled devices, for operational expenses, and provide technical support services: *Provided*, That any matching funds requirements for States, museums, or tribes are waived: *Provided further*, That such amount is designated by the Congress as

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being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RAILROAD RETIREMENT BOARD

LIMITATION ON ADMINISTRATION

For an additional amount for ''Limitation on Administration'', $10,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including the purchase of information technology equipment to improve the mobility of the workforce, and to provide for additional hiring or overtime hours as needed to administer the Railroad Unemployment Insurance Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SOCIAL SECURITY ADMINISTRATION

LIMITATION ON ADMINISTRATIVE EXPENSES

For an additional amount for ''Limitation on Administrative Expenses'', $510,000,000, to remain available until September 30, 2021, for necessary expenses to prevent, prepare for, and respond to coronavirus, including paying the salaries and benefits of employees affected as a result of office closures, telework, phone and communication services for employees, overtime costs, and sup-

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plies, and for resources necessary for processing disability and retirement workloads and backlogs, of which the amount made available under this heading in this Act, $210,000,000 shall be for the purposes of issuing emergency assistance payments: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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SEC. 10802. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

SEC. 10803. (a) Funds appropriated in this title may be made available to restore amounts, either directly or through reimbursement, for obligations incurred by agencies of the Department of Health and Human Services to prevent, prepare for, and respond to coronavirus, domestically or internationally, prior to the date of enactment of this Act. This subsection shall not apply to obligations incurred by the Infectious Diseases Rapid Response Reserve Fund.

(b) Grants or cooperative agreements with States, localities, territories, tribes, tribal organizations, urban In-

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dian health organizations, or health service providers to tribes, under this title, to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities to prevent, prepare for, and respond to coronavirus shall include amounts to reimburse costs for these purposes incurred between January 20, 2020, and the date of enactment of this Act.

SEC. 10804. Funds appropriated by this title may be used by the Secretary of the Health and Human Services to appoint, without regard to the provisions of sections 3309 through 3319 of title 5 of the United States Code, candidates needed for positions to perform critical work relating to coronavirus for which—

(1) public notice has been given; and

(2) the Secretary has determined that such a public health threat exists.

SEC. 10805. Funds made available by this title may be used to enter into contracts with individuals for the provision of personal services (as described in section 104 of part 37 of title 48, Code of Federal Regulations (48 CFR 37.104)) to support the prevention of, preparation for, or response to coronavirus, domestically and internationally, subject to prior notification to the Committees on Appropriations of the House of Representatives and the

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Senate: Provided, That such individuals may not be deemed employees of the United States for the purpose of any law administered by the Office of Personnel Management: Provided further, That the authority made available pursuant to this section shall expire on September 30, 2024.

SEC. 10806. Of the funds appropriated by this title under the heading ''Public Health and Social Services Emergency Fund'', $4,000,000 shall be transferred to, and merged with, funds made available under the heading ''Office of the Secretary, Office of Inspector General'', and shall remain available until expended, for oversight of activities supported with funds appropriated to the Department of Health and Human Services in this Act: Provided, That the Inspector General of the Department of Health and Human Services shall consult with the Committees on Appropriations of the House of Representatives and the Senate prior to obligating such funds: Provided further, That the transfer authority provided by this section is in addition to any other transfer authority provided by law.

SEC. 10807. Of the funds provided under the heading ''CDC–Wide Activities and Program Support'', $1,000,000,000, to remain available until expended, shall be available to the Director of the CDC for deposit in the Infectious Diseases Rapid Response Reserve Fund estab-

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lished by section 231 of division B of Public Law 115–245.

SEC. 10808. (a) PREMIUM PAY AUTHORITY.—If services performed by an employee of the Department of Health and Human Services during fiscal year 2020 are determined by the head of the agency to be primarily related to preparation, prevention, or response to SARS–CoV–2 or another coronavirus with pandemic potential, any premium pay for such services shall be disregarded in calculating the aggregate of such employee's basic pay and premium pay for purposes of a limitation under section 5547(a) of title 5, United States Code, or under any other provision of law, whether such employee's pay is paid on a biweekly or calendar year basis.

(b) OVERTIME AUTHORITY.—Any overtime pay for such services shall be disregarded in calculating any annual limit on the amount of overtime pay payable in a calendar or fiscal year.

(c) APPLICABILITY OF AGGREGATE LIMITATION ON PAY.—With regard to such services, any pay that is disregarded under either subsection (a) or (b) shall be disregarded in calculating such employee's aggregate pay for purposes of the limitation in section 5307 of such title 5.

(d) LIMITATION OF PAY AUTHORITY.—

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(1) Pay that is disregarded under subsection (a) or (b) shall not cause the aggregate of the employee's basic pay and premium pay for the applicable calendar year to exceed the rate of basic pay payable for a position at level II of the Executive Schedule under section 5313 of title 5, United States Code, as in effect at the end of such calendar year.

(2) For purposes of applying this subsection to an employee who would otherwise be subject to the premium pay limits established under section 5547 of title 5, United States Code, ''premium pay'' means the premium pay paid under the provisions of law cited in section 5547(a).

(3) For purposes of applying this subsection to an employee under a premium pay limit established under an authority other than section 5547 of title 5, United States Code, the agency responsible for administering such limit shall determine what payments are considered premium pay.

(e) EFFECTIVE DATE.—This section shall take effect as if enacted on February 2, 2020.

(f) TREATMENT OF ADDITIONAL PAY.—If application of this section results in the payment of additional premium pay to a covered employee of a type that

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is normally creditable as basic pay for retirement or any other purpose, that additional pay shall not—

(1) be considered to be basic pay of the covered employee for any purpose; or

(2) be used in computing a lump-sum payment to the covered employee for accumulated and accrued annual leave under section 5551 or section 5552 of title 5, United States Code.

SEC. 10809. (a) Funds appropriated for ''Department of Health and Human Services—Centers for Disease Control and Prevention—CDC–Wide Activities and Program Support'' in title III of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116 - 123) shall be paid to ''Department of Homeland Security—Countering Weapons of Mass Destruction Office—Federal Assistance'' for costs incurred under other transaction authority and related to screening for coronavirus, domestically or internationally, including costs incurred prior to the enactment of such Act.

(b) The amounts repurposed under subsection (a) that were previously designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Con-

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gress as an emergency requirement pursuant to such section of such Act.

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TITLE IX—LEGISLATIVE BRANCH

SENATE

CONTINGENT EXPENSES OF THE SENATE

SERGEANT AT ARMS AND DOORKEEPER OF THE SENATE

For an additional amount for ''Sergeant at Arms and Doorkeeper of the Senate'', $1,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MISCELLANEOUS ITEMS

For an additional amount for ''Miscellaneous Items'', $9,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOUSE OF REPRESENTATIVES

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $25,000,000, to remain available until September 30, 2021, except that $5,000,000 shall remain available until expended, for necessary expenses of the House of

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Representatives to prevent, prepare for, and respond to coronavirus, to be allocated in accordance with a spend plan submitted to the Committee on Appropriations of the House of Representatives by the Chief Administrative Officer and approved by such Committee: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

JOINT ITEMS

OFFICE OF THE ATTENDING PHYSICIAN

For an additional amount for ''Office of the Attending Physician'', $400,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CAPITOL POLICE

SALARIES

For an additional amount for ''Salaries'', $12,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That amounts provided in this paragraph may be transferred between Capitol Police ''Salaries'' and

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''General Expenses'' for the purposes provided herein without the approval requirement of section 1001 of the Legislative Branch Appropriations Act, 2014 (2 U.S.C. 1907a): *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ARCHITECT OF THE CAPITOL

Capital Construction and Operations

For an additional amount for ''Capital Construction and Operations'', $25,000,000, to remain available until September 30, 2021, for necessary expenses of the Architect of the Capitol to prevent, prepare for, and respond to coronavirus, including the purchase and distribution of cleaning and sanitation products throughout all facilities and grounds under the care of the Architect of the Capitol, wherever located, including any related services and operational costs: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

LIBRARY OF CONGRESS

Salaries and Expenses

For an additional amount for ''Salaries and Expenses'', $700,000, to remain available until September

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30, 2020, to be made available to the Little Scholars Child Development Center, subject to approval by the Committees on Appropriations of the Senate and House of Representatives, and the Senate Committee on Rules and Administration, and the Committee on House Administration: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GOVERNMENT ACCOUNTABILITY OFFICE

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $20,000,000, to remain available until expended, for audits and investigations relating to coronavirus: *Provided*, That, not later than 90 days after the date of enactment of this Act, the Government Accountability Office shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spend plan specifying funding estimates and a timeline for such audits and investigations: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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GENERAL PROVISIONS—THIS TITLE

SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES AND EXPENSES OF SENATE EMPLOYEE CHILD CARE CENTER

SEC. 10901. The Secretary of the Senate shall reimburse the Senate Employee Child Care Center for personnel costs incurred starting on April 1, 2020, for employees of such Center who have been ordered to cease working due to measures taken in the Capitol complex to combat coronavirus, not to exceed $84,000 per month, from amounts in the appropriations account ''MISCELLANEOUS ITEMS'' within the contingent fund of the Senate.

SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES AND EXPENSES OF LITTLE SCHOLARS CHILD DEVELOPMENT CENTER

SEC. 10902. The Library of Congress shall reimburse Little Scholars Child Development Center for salaries for employees incurred from April 1, 2020, to September 30, 2020, for employees of such Center who have been ordered to cease working due to measures taken in the Capitol complex to combat coronavirus, not to exceed $113,000 per month, from amounts in the appropriations account ''Library of Congress—Salaries and Expenses''.

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SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES AND EXPENSES OF HOUSE OF REPRESENTATIVES CHILD CARE CENTER

SEC. 10903. (a) AUTHORIZING USE OF REVOLVING FUND OR APPROPRIATED FUNDS.—Section 312(d)(3)(A) of the Legislative Branch Appropriations Act, 1992 (2 U.S.C. 2062(d)(3)(A)) is amended—

(1) in subparagraph (A), by striking the period at the end and inserting the following: ", and, at the option of the Chief Administrative Officer during an emergency situation, the payment of the salary of other employees of the Center."; and

(2) by adding at the end the following new subparagraph:

"(C) During an emergency situation, the payment of such other expenses for activities carried out under this section as the Chief Administrative Officer determines appropriate.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to fiscal year 2020 and each succeeding fiscal year.

PAYMENTS TO ENSURE CONTINUING AVAILABILITY OF GOODS AND SERVICES DURING THE CORONAVIRUS EMERGENCY

SEC. 10904. (a) AUTHORIZATION TO MAKE PAYMENTS.—Notwithstanding any other provision of law and

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subject to subsection (b), during an emergency situation, the Chief Administrative Officer of the House of Representatives may make payments under contracts with vendors providing goods and services to the House in amounts and under terms and conditions other than those provided under the contract in order to ensure that those goods and services remain available to the House throughout the duration of the emergency.

(b) CONDITIONS.—

(1) APPROVAL REQUIRED.—The Chief Administrative Officer may not make payments under the authority of subsection (a) without the approval of the Committee on House Administration of the House of Representatives.

(2) AVAILABILITY OF APPROPRIATIONS.—The authority of the Chief Administrative Officer to make payments under the authority of subsection (a) is subject to the availability of appropriations to make such payments.

(c) APPLICABILITY.—This section shall apply with respect to fiscal year 2020 and each succeeding fiscal year.

AUTHORIZING PAYMENTS UNDER SERVICE CONTRACTS DURING THE CORONAVIRUS EMERGENCY

SEC. 10905. (a) AUTHORIZING PAYMENTS.—Notwithstanding section 3324(a) of title 31, United States Code, or any other provision of law and subject to sub-

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section (b), if the employees of a contractor with a service contract with the Architect of the Capitol are furloughed or otherwise unable to work during closures, stop work orders, or reductions in service arising from or related to the impacts of coronavirus, the Architect of the Capitol may continue to make the payments provided for under the contract for the weekly salaries and benefits of such employees for not more than 16 weeks.

(b) AVAILABILITY OF APPROPRIATIONS.—The authority of the Architect of the Capitol to make payments under the authority of subsection (a) is subject to the availability of appropriations to make such payments.

(c) REGULATIONS.—The Architect of the Capitol shall promulgate such regulations as may be necessary to carry out this section.

MASS MAILINGS AS FRANKED MAIL

SEC. 10906. (a) WAIVER OF RESTRICTIONS TO RESPOND TO THREATS TO LIFE SAFETY.—(1) Section 3210(a)(6)(D) of title 39, United States Code, is amended by striking the period at the end of the first sentence and inserting the following: ‘‘, and in the case of the Commission, to waive this paragraph in the case of mailings sent in response to or to address threats to life safety.’’.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to mailings sent on or after the date of the enactment of this Act.

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TECHNICAL CORRECTION

SEC. 10907. In the matter preceding the first proviso under the heading ''Library of Congress—Salaries and Expenses'' in division E of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94), strike ''$504,164,000'' and insert ''$510,164,000''.

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TITLE X

MILITARY CONSTRUCTION, VETERANS AFFAIRS, AND RELATED AGENCIES

DEPARTMENT OF VETERANS AFFAIRS

VETERANS BENEFITS ADMINISTRATION

GENERAL OPERATING EXPENSES, VETERANS BENEFITS ADMINISTRATION

For an additional amount for ''General Operating Expenses, Veterans Benefits Administration'', $13,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

VETERANS HEALTH ADMINISTRATION

MEDICAL SERVICES

For an additional amount for ''Medical Services'', $14,432,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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MEDICAL COMMUNITY CARE

For an additional amount for ''Medical Community Care'', $2,100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MEDICAL SUPPORT AND COMPLIANCE

For an additional amount for ''Medical Support and Compliance'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MEDICAL FACILITIES

For an additional amount for ''Medical Facilities'', $605,613,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to sec-

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tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL ADMINISTRATION

GENERAL ADMINISTRATION

For an additional amount for ''General Administration'', $6,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INFORMATION TECHNOLOGY SYSTEMS

For an additional amount for ''Information Technology Systems'', $3,000,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF INSPECTOR GENERAL

For an additional amount for ''Office of Inspector General'', $14,300,000, to remain available until September 30, 2022, for oversight of activities funded by this title and administered by the Department of Veterans Af-

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fairs: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ARMED FORCES RETIREMENT HOME

TRUST FUND

For an additional amount for ''Armed Forces Retirement Home Trust Fund'', $2,800,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, to be paid from funds available in the Armed Forces Retirement Home Trust Fund: *Provided*, That of the amounts made available under this heading from funds available in the Armed Forces Retirement Home Trust Fund, $2,800,000 shall be paid from the general fund of the Treasury to the Trust Fund: *Provided further*, That the Chief Executive Officer of the Armed Forces Retirement Home shall submit to the Committees on Appropriations of the House of Representatives and the Senate monthly reports detailing obligations, expenditures, and planned activities: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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TITLE XI—DEPARTMENT OF STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS

DEPARTMENT OF STATE

ADMINISTRATION OF FOREIGN AFFAIRS

DIPLOMATIC PROGRAMS

For an additional amount for ''Diplomatic Programs'', $315,000,000, to remain available until September 30, 2022, for necessary expenses to prevent, prepare for, and respond to coronavirus, including for evacuation expenses, emergency preparedness, and maintaining consular operations: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

FUNDS APPROPRIATED TO THE PRESIDENT

OPERATING EXPENSES

For an additional amount for ''Operating Expenses'', $95,000,000, to remain available until September 30, 2022, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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BILATERAL ECONOMIC ASSISTANCE

FUNDS APPROPRIATED TO THE PRESIDENT

INTERNATIONAL DISASTER ASSISTANCE

For an additional amount for ''International Disaster Assistance'', $300,000,000, to remain available until expended, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF STATE

MIGRATION AND REFUGEE ASSISTANCE

For an additional amount for ''Migration and Refugee Assistance'', $300,000,000, to remain available until expended, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INDEPENDENT AGENCIES

PEACE CORPS

For an additional amount for ''Peace Corps'', $90,000,000, to remain available until September 30,

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2022, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS — THIS TITLE

(INCLUDING TRANSFER OF FUNDS)

SEC. 11101. The authorities and limitations of section 402 of the Coronavirus Preparedness and Response Supplemental Appropriations Act (division A of Public Law 116–123) shall apply to funds appropriated by this title as follows:

(1) subsections (a), (d), (e) and (f) shall apply to funds under the heading ''Diplomatic Programs''; and

(2) subsections (c), (d), (e), and (f) shall apply to funds under the heading ''International Disaster Assistance''.

SEC. 11102. Funds appropriated by this title under the headings ''Diplomatic Programs'', ''Operating Expenses'', and ''Peace Corps'' may be used to reimburse such accounts administered by the Department of State, the United States Agency for International Development, and the Peace Corps for obligations incurred to prevent,

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prepare for, and respond to coronavirus prior to the date of enactment of this Act.

SEC. 11103. Section 7064(a) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (division G of Public Law 116–94), is amended by striking ''$100,000,000'' and inserting in lieu thereof ''$110,000,000'' , and by adding before the period at the end the following '': *Provided*, That no amounts may be used that were designated by the Congress for Overseas Contingency Operations/Global War on Terrorism pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985''.

SEC. 11104. The reporting requirements of section 406(b) of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (division A of Public Law 116–123) shall apply to funds appropriated by this title: *Provided*, That the requirement to jointly submit such reports shall not apply to the Director of the Peace Corps: *Provided further*, That reports required by such section may be consolidated and shall include information on all funds made available to such executive agency to prevent, prepare for, and respond to coronavirus.

SEC. 11105. Notwithstanding any other provision of law, and in addition to leave authorized under any other

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provision of law, the Secretary of State, the Administrator of the United States Agency for International Development, or the head of another Federal agency with employees under Chief of Mission Authority, may, in order to prevent, prepare for, and respond to coronavirus, provide additional paid leave to address employee hardships resulting from coronavirus: *Provided*, That this authority shall apply to leave taken since January 29, 2020, and may be provided abroad and domestically: *Provided further*, That the head of such agency shall consult with the Committee on Appropriations and the Committee on Foreign Affairs of the House of Representatives and the Committee on Appropriations and the Committee on Foreign Relations of the Senate prior to the initial implementation of such authority: *Provided further*, That the authority made available pursuant to this section shall expire on September 30, 2022.

SEC. 11106. The Secretary of State, to prevent, prepare for, and respond to coronavirus, may exercise the authorities of section 3(j) of the State Department Basic Authorities Act of 1956 (22 U.S.C. 2670(j)) to provide medical services or related support for private United States citizens, nationals, and permanent resident aliens abroad, or third country nationals connected to United States persons or the diplomatic or development missions of the

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United States abroad who are unable to obtain such services or support otherwise: *Provided*, That such assistance shall be provided on a reimbursable basis to the extent feasible: *Provided further*, That such reimbursements may be credited to the applicable Department of State appropriation, to remain available until expended: *Provided further*, That the Secretary shall prioritize providing medical services or related support to individuals eligible for the health program under section 904 of the Foreign Service Act of 1980 (22 U.S.C. 4084): *Provided further*, That the authority made available pursuant to this section shall expire on September 30, 2022.

SEC. 11107. Notwithstanding section 6(b) of the Department of State Authorities Act of 2006 (Public Law 109–472), during fiscal years 2020 and 2021, passport and immigrant visa surcharges collected in any fiscal year pursuant to the fourth paragraph under the heading ''Diplomatic and Consular Programs'' in title IV of the Consolidated Appropriations Act, 2005 (division B of Public Law 108–447 (8 U.S.C. 1714)) may be obligated and expended on the costs of providing consular services: *Provided*, That such funds should be prioritized for American citizen services.

SEC. 11108. The Secretary of State is authorized to enter into contracts with individuals for the provision of

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personal services (as described in section 104 of part 37 of title 48, Code of Federal Regulations and including pursuant to section 904 of the Foreign Service Act of 1980 (22 U.S.C. 4084)) to prevent, prepare for, and respond to coronavirus, within the United States, subject to prior consultation with, and the regular notification procedures of, the Committee on Appropriations and the Committee on Foreign Affairs of the House of Representatives and the Committee on Appropriations and the Committee on Foreign Relations of the Senate: *Provided*, That such individuals may not be deemed employees of the United States for the purpose of any law administered by the Office of Personnel Management: *Provided further*, That not later than 15 days after utilizing this authority, the Secretary of State shall provide a report to such committees on the overall staffing needs for the Office of Medical Services: *Provided further*, That the authority made available pursuant to this section shall expire on September 30, 2022.

SEC. 11109. The matter under the heading ''Emergencies in the Diplomatic and Consular Service'' in title I of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (division G of Public Law 116–94) is amended by striking ''$1,000,000'' and inserting in lieu thereof ''$5,000,000''.

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SEC. 11110. The first proviso under the heading ''Millennium Challenge Corporation'' in title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (division G of Public Law 116–94) is amended by striking ''$105,000,000'' and inserting in lieu thereof ''$107,000,000''.

SEC. 11111. Notwithstanding any other provision of law, any oath of office required by law may, in particular circumstances that could otherwise pose health risks, be administered remotely, subject to appropriate verification: *Provided*, That prior to exercising the authority of this section, the Secretary of State shall submit a report to the Committee on Appropriations and the Committee on Foreign Relations of the Senate and the Committee on Appropriations and the Committee on Foreign Affairs of the House of Representatives describing the process and procedures for administering such oaths, including appropriate verification: *Provided further*, That the authority made available pursuant to this section shall expire on September 30, 2021.

SEC. 11112. (a) PURPOSES.—For purposes of strengthening the ability of foreign countries to prevent, prepare for, and respond to coronavirus and to the adverse economic impacts of coronavirus, in a manner that would protect the United States from the spread of coronavirus

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and mitigate an international economic crisis resulting from coronavirus that may pose a significant risk to the economy of the United States, each paragraph of subsection (b) shall take effect upon enactment of this Act.

(b) CORONAVIRUS RESPONSES.—

(1) INTERNATIONAL DEVELOPMENT ASSOCIATION REPLENISHMENT.—The International Development Association Act (22 U.S.C. 284 et seq.) is amended by adding at the end the following new section:

"SEC. 31 NINETEENTH REPLENISHMENT.

''(a) IN GENERAL.—The United States Governor of the International Development Association is authorized to contribute on behalf of the United States $3,004,200,000 to the nineteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.

''(b) AUTHORIZATION OF APPROPRIATIONS.—In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $3,004,200,000 for payment by the Secretary of the Treasury.''.

(2) INTERNATIONAL FINANCE CORPORATION AUTHORIZATION.—The International Finance Cor-

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poration Act (22 U.S.C. 282 et seq.) is amended by adding at the end the following new section:

"SEC. 18 CAPITAL INCREASES AND AMENDMENT TO THE ARTICLES OF AGREEMENT.

"(a) VOTES AUTHORIZED.—The United States Governor of the Corporation is authorized to vote in favor of—

"(1) a resolution to increase the authorized capital stock of the Corporation by 16,999,998 shares, to implement the conversion of a portion of the retained earnings of the Corporation into paid-in capital, which will result in the United States being issued an additional 3,771,899 shares of capital stock, without any cash contribution;

"(2) a resolution to increase the authorized capital stock of the Corporation on a general basis by 4,579,995 shares; and

"(3) a resolution to increase the authorized capital stock of the Corporation on a selective basis by 919,998 shares.

"(b) AMENDMENT OF THE ARTICLES .—The United States Governor of the Corporation is authorized to agree to and accept an amendment to article II, section 2(c)(ii) of the Articles of Agreement of the Corporation that would increase the vote by which the Board of Governors of the Corporation may increase the capital stock of the Corpora-

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tion from a four-fifths majority to an eighty-five percent majority.''.

(3) AFRICAN DEVELOPMENT BANK.—The African Development Bank Act (22 U.S.C. 290i et seq.) is amended by adding at the end the following new section:

''SEC. 1345 SEVENTH CAPITAL INCREASE.

''(a) SUBSCRIPTION AUTHORIZED.—

''(1) IN GENERAL.—The United States Governor of the Bank may subscribe on behalf of the United States to 532,023 additional shares of the capital stock of the Bank.

''(2) LIMITATION.—Any subscription by the United States to the capital stock of the Bank shall be effective only to such extent and in such amounts as are provided in advance in appropriations Acts.

''(b) AUTHORIZATIONS OF APPROPRIATIONS.—

''(1) IN GENERAL.—In order to pay for the increase in the United States subscription to the Bank under subsection (a), there are authorized to be appropriated, without fiscal year limitation, $7,286,587,008 for payment by the Secretary of the Treasury.

''(2) SHARE TYPES.—Of the amount authorized to be appropriated under paragraph (1)—

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''(A) $437,190,016 shall be for paid in shares of the Bank; and

''(B) $6,849,396,992 shall be for callable shares of the Bank.''.

(4) AFRICAN DEVELOPMENT FUND.—The African Development Fund Act (22 U.S.C. 290g et seq.) is amended by adding at the end the following new section:

''SEC. 226 FIFTEENTH REPLENISHMENT.

''(a) IN GENERAL.—The United States Governor of the Fund is authorized to contribute on behalf of the United States $513,900,000 to the fifteenth replenishment of the resources of the Fund, subject to obtaining the necessary appropriations.

''(b) AUTHORIZATION OF APPROPRIATIONS.—In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $513,900,000 for payment by the Secretary of the Treasury.''.

(5) INTERNATIONAL MONETARY FUND AUTHORIZATION FOR NEW ARRANGEMENTS TO BORROW.—

(A) IN GENERAL.—Section 17 of the Bretton Woods Agreements Act (22 U.S.C. 286e–2) is amended—

(i) in subsection (a)—

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(I) by redesignating paragraphs (3), (4), and (5) as paragraphs (4), (5), and (6), respectively;

(II) by inserting after paragraph (2) the following new paragraph:

''(3) In order to carry out the purposes of a one-time decision of the Executive Directors of the International Monetary Fund (the Fund) to expand the resources of the New Arrangements to Borrow, established pursuant to the decision of January 27, 1997, referred to in paragraph (1), the Secretary of the Treasury is authorized to make loans, in an amount not to exceed the dollar equivalent of 28,202,470,000 of Special Drawing Rights, in addition to any amounts previously authorized under this section, except that prior to activation of the New Arrangements to Borrow, the Secretary of the Treasury shall report to Congress whether supplementary resources are needed to forestall or cope with an impairment of the international monetary system and whether the Fund has fully explored other means of funding to the Fund.''; and

(III) in paragraph (5), as so redesignated, by striking ''paragraph (3)'' and inserting ''paragraph (4)''.

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(ii) in paragraph (6), as so redesignated, by striking ''December 16, 2022'' and inserting ''December 31, 2025''; and

(iii) in subsection (e)(1) by striking ''(a)(2),'' each place such term appears and inserting ''(a)(2), (a)(3)''.

(c) The amounts provided by the amendments made by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

TECHNICAL CORRECTIONS

SEC. 11113. (a) ENVIRONMENT COOPERATION COMMISSIONS; NORTH AMERICAN DEVELOPMENT BANK.—Section 601 of the United States-Mexico-Canada Agreement Implementation Act (Public Law 116–113; 134 Stat. 78) is amended by inserting '', other than sections 532 and 533 of such Act and part 2 of subtitle D of title V of such Act (as amended by section 831 of this Act),'' before ''is repealed''.

(b) PROTECTIVE ORDERS.—Section 422 of the United States-Mexico-Canada Agreement Implementation Act (134 Stat. 64) is amended in subsection (a)(2)(A) by striking ''all that follows through ', the administering authority' '' and inserting ''all that follows through 'Agreement, the administering authority' ''.

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(c) DISPUTE SETTLEMENT.—Subsection (j) of section 504 of the United States-Mexico-Canada Agreement Implementation Act (134 Stat. 76) is amended in the item proposed to be inserted into the table of contents of such Act relating to section 414 by striking ''determination'' and inserting ''determinations''.

(d) EFFETIVE DATE.—Each amendment made by this section shall take effect as if included in the enactment of the United States-Mexico-Canada Agreement Implementation Act.

(e) NORTH AMERICAN DEVELOPMENT BANK: LIMITATION ON CALLABLE CAPITAL SUBSCRIPTIONS.—The Secretary of the Treasury may subscribe without fiscal year limitation to the callable capital portion of the United States share of capital stock of the North American Development Bank in an amount not to exceed $1,020,000,000. The authority in the preceding sentence shall be in addition to any other authority provided by previous Acts.

(f) The amounts provided by the amendments made by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 11114. Notwithstanding any other provision of law, funds made available under each heading in this title

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shall only be used for the purposes specifically described under that heading.

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TITLE XII

TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $1,753,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including necessary expenses for operating costs and capital outlays: *Provided*, That such amounts are in addition to any other amounts made available for this purpose: *Provided further*, That obligations of amounts under this heading in this Act shall not be subject to the limitation on obligations under the heading ''Office of the Secretary—Working Capital Fund'' in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94): *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PAYMENT TO AIR CARRIERS

In addition to funds made available to the ''Payment to Air Carriers'' program in Public Law 116–94 to carry

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out the essential air service program under sections 41731 through 41742 of title 49, United States Code, $100,000,000, to be derived from the general fund and made available to the Essential Air Service and Rural Improvement Fund, to remain available until expended: *Provided*, That in determining between or among carriers competing to provide service to a community, the Secretary may consider the relative subsidy requirements of the carriers: *Provided further*, That basic essential air service minimum requirements shall not include the 15-passenger capacity requirement under section 41732(b)(3) of such title: *Provided further*, That none of the funds in this Act or any other Act shall be used to enter into a new contract with a community located less than 40 miles from the nearest small hub airport before the Secretary has negotiated with the community over a local cost share: *Provided further*, That amounts authorized to be distributed for the essential air service program under section 41742(b) of title 49, United States Code, shall be made available from amounts otherwise provided to the Administrator of the Federal Aviation Administration: *Provided further*, That the Administrator may reimburse such amounts from fees credited to the account established under section 45303 of such title: *Provided further*, That such amount is designated by the Congress as being for

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an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF AIRLINE INDUSTRY FINANCIAL OVERSIGHT

For the necessary expenses of the Office of Airline Industry Financial Oversight, as authorized in [section [301] of title [III of division R]] of teh Take Responsibility for Workers and Families Act, $3,000,000: Provided, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

AIRLINE ASSISTANCE TO RECYCLE AND SAVE PROGRAM

For the necessary expenses of the Airline Assistance to Recycle and Save Program, as authorized in [section 702 of title VII of division R] of the Take Responsibility for Workers and Families Act, $1,000,000,000 to remain available until expended: Provided, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PANDEMIC RELIEF FOR AVIATION WORKERS

For necessary expenses for providing pandemic relief for aviation workers, $40,000,000,000, to remain available until September 30, 2021 of which $37,000,000,000 shall

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be for the purposes authorized in [section [101(a)(1)(A)] of title [I] of division R] of the Take Responsibility for Workers and Families Act, and $3,000,000,000, shall be for the purposes authorized in [section [101(a)(1)(B)] of title [I] of division R] of the Take Responsibility for Workers and Families Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

In addition, for the cost of making direct loans and loan guarantees in accordance with the terms and conditions in [sections [101–103 and 105] of title [I] of division R] of the Take Responsibility for Workers and Families Act, such sums as may be necessary to remain available until September 30, 2021: *Provided*, That such costs, including the cost of modifying such loans, shall be defined by section 502 of the Congressional Budget Act of 1974: *Provided further*, That subject to section 502 of the Congressional Budget Act of 1974, during fiscal years 2020 and 2021, the aggregate sum of the principle for direct loans and guaranteed loans shall not exceed $21,000,000,000: *Provided further*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL AVIATION ADMINISTRATION

OPERATIONS

(AIRPORT AND AIRWAY TRUST FUND)

Of the amounts made available from the Airport and Airway Trust Fund for ''Federal Aviation Administration—Operations'' in title XI of subdivision 1 of division B of the Bipartisan Budget Act of 2018 (Public Law 115–123), not more than $25,000,000 may be used to prevent, prepare for, and respond to coronavirus: *Provided*, That amounts repurposed under this heading in this Act that were previously designated by the Congress as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GRANTS-IN-AID FOR AIRPORTS

For an additional amount for ''Grants-In-Aid for Airports'', to enable the Secretary of Transportation to make grants in accordance with the terms and conditions in section 401 of title IV division R of the Take Responsibility for Workers and Families Act, $10,000,000,000, to remain available until expended: *Provided*, That amounts

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made available under this heading in this Act shall be derived from the general fund: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RESEARCH, ENGINEERING, AND DEVELOPMENT

For an additional amount for ''Research, Engineering, and Development'', as authorized in ⟦section 705 of title VII of division R⟧ of the Take Responsibility for Workers and Families Act, $100,000,000, to remain available until expended: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

MOTOR CARRIER SAFETY OPERATIONS AND PROGRAMS

Of prior year unobligated contract authority and liquidating cash provided for Motor Carrier Safety in the Transportation Equity Act for the 21st Century (Public Law 105–178), SAFETEA–LU (Public Law 109–59), or any other Act, in addition to amounts already appropriated in fiscal year 2020 for ''Motor Carrier Safety Operations and Programs'' $150,000 in additional obligation limitation is provided and repurposed for obligations in-

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curred to support activities to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL RAILROAD ADMINISTRATION

SAFETY AND OPERATIONS

For an additional amount for ''Safety and Operations'', $250,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NORTHEAST CORRIDOR GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''Northeast Corridor Grants to the National Railroad Passenger Corporation'', $492,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including to enable the Secretary of Transportation to make or amend existing grants to the National Railroad Passenger Corporation for activities associated with the Northeast Corridor as authorized by section 11101(a) of

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the Fixing America's Surface Transportation Act (division A of Public Law 114–94): *Provided*, That amounts made available under this heading in this Act may be transferred to and merged with ''National Network Grants to the National Railroad Passenger Corporation'' to prevent, prepare for, and respond to coronavirus: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL NETWORK GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''National Network Grants to the National Railroad Passenger Corporation'', $526,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including to enable the Secretary of Transportation to make or amend existing grants to the National Railroad Passenger Corporation for activities associated with the National Network as authorized by section 11101(b) of the Fixing America's Surface Transportation Act (division A of Public Law 114–94): *Provided*, That a State shall not be required to pay the National Railroad Passenger Corporation more than 80 percent of the amount paid in

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fiscal year 2019 under section 209 of the Passenger Rail Investment and Improvement Act of 2008 (Public Law 110–432) and that not less than $239,000,000 of the amounts made available under this heading in this Act shall be made available for use in lieu of any increase in a State's payment: *Provided further*, That amounts made available under this heading in this Act may be transferred to and merged with the ''Northeast Corridor Grants to the National Railroad Passenger Corporation'' to prevent, prepare for, and respond to coronavirus: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL TRANSIT ADMINISTRATION

TRANSIT INFRASTRUCTURE GRANTS

For an additional amount for ''Transit Infrastructure Grants'' $25,000,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That the Secretary of Transportation shall provide funds appropriated under this heading in this Act as if such funds were provided under section 5307 of title 49, United States Code, and apportion such funds in accordance with section 5336 of such title (other than subsections (h)(1) and (h)(4)), sections 5311, 5337,

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and 5340 of title 49, United States Code, and apportion such funds in accordance with such sections, except that funds apportioned under section 5337 shall be added to funds apportioned under section 5307 for administration under section 5307: *Provided further*, That the Secretary shall allocate the amounts provided in the preceding proviso under sections 5307, 5311, 5337, and 5340 of title 49, United States Code, among such sections in the same ratio as funds were provided in the fiscal year 2020 apportionments: *Provided further*, That funds apportioned under this heading shall be apportioned not later than 7 days after the date of enactment of this Act: *Provided further*, That funds shall be apportioned using the fiscal year 2020 apportionment formulas: *Provided further*, That not more than three-quarters of 1 percent of the funds for transit infrastructure grants shall be available for administrative expenses and ongoing program management oversight as authorized under sections 5334 and 5338(f)(2) of title 49, United States Code, and shall be in addition to any other appropriations for such purpose: *Provided further*, That notwithstanding subsection (a)(1) or (b) of section 5307 of title 49, United States Code, funds provided under this heading are available for the operating expenses of transit agencies related to the response to a public health emergency as described in section 319 of the

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Public Health Service Act, including, beginning on January 31, 2020, reimbursement for operating costs to maintain service and lost revenue due to the public health emergency, the purchase of personal protective equipment, and paying the administrative leave of operations personnel due to reductions in service: *Provided further*, That such operating expenses are not required to be included in a transportation improvement program, long-range transportation, statewide transportation plan, or a statewide transportation improvement program: *Provided further*, That the Secretary shall not waive the requirements of section 5333 of title 49, United States Code, for funds appropriated under this heading or for funds previously made available under section 5307 of title 49, United States Code, or sections 5311, 5337, or 5340 of such title as a result of the coronavirus: *Provided further*, That unless otherwise specified, applicable requirements under chapter 53 of title 49, United States Code, shall apply to funding made available under this heading, except that the Federal share of the costs for which any grant is made under this heading shall be, at the option of the recipient, up to 100 percent: *Provided further*, That the amount made available under this heading shall be derived from the general fund and shall not be subject to any limitation on obligations for transit programs set forth in any Act:

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Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MARITIME ADMINISTRATION

OPERATIONS AND TRAINING

For an additional amount for ''Operations and Training'', $3,134,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the amounts made available under this heading in this Act, $1,000,000 shall be for the operations of the United States Merchant Marine Academy: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

For an additional amount for ''Office of Inspector General'', $5,000,000, to remain available through September 30, 2021: *Provided*, That the amount made available under this heading in this Act shall be for necessary expenses of the Office of Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended: *Provided further*, That the amounts made avail-

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able under this heading in this Act shall be used to conduct audits and investigations of activities carried out with amounts made available in this Act to the Department of Transportation to prevent, prepare for, and respond to coronavirus: *Provided further*, That the Inspector General shall have all the necessary authority, in carrying out the duties specified in the Inspector General Act, as amended (5 U.S.C. App 3), to investigate allegations of fraud, including false statements to the Government (18 U.S.C. 1001), by any person or entity that is subject to regulation by the Department of Transportation: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—DEPARTMENT OF TRANSPORTATION

SEC. 11201. For amounts made available by this Act under the headings ''Northeast Corridor Grants to the National Railroad Passenger Corporation'' and ''National Network Grants to the National Railroad Passenger Corporation'', the Secretary of Transportation may not waive the requirements under section 24312 of title 49, United States Code, and section 24305(f) of title 49, United States Code: *Provided*, That for amounts made available

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by this Act under such headings the Secretary shall require the National Railroad Passenger Corporation to comply with the Railway Retirement Act of 1974 (45 U.S.C. 231 et seq.), the Railway Labor Act (45 U.S.C. 151 et seq.), and the Railroad Unemployment Insurance Act (45 U.S.C. 351 et seq.): *Provided further*, That not later than 7 days after the date of enactment of this Act and each subsequent 7 days thereafter, the Secretary shall notify the House and Senate Committees on Appropriations, the Committee on Transportation and Infrastructure of the House of Representatives, and the Committee on Commerce, Science, and Transportation of the Senate of any National Railroad Passenger Corporation employee furloughs as a result of efforts to prevent, prepare for, and respond to coronavirus: *Provided further*, That in the event of any National Railroad Passenger Corporation employee furloughs as a result of efforts to prevent, prepare for, and respond to coronavirus, the Secretary shall require the National Railroad Passenger Corporation to provide such employees the opportunity to be recalled to their previously held positions as intercity passenger rail service is restored to March 1, 2020 levels and not later than the date on which intercity passenger rail service has been fully restored to March 1, 2020 levels.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

MANAGEMENT AND ADMINISTRATION

ADMINISTRATIVE SUPPORT OFFICES

For an additional amount for ''Administrative Support Offices'', $10,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PROGRAM OFFICES

For an additional amount for ''Program Offices'', $10,000,000, to remain available until September 30, 2030, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the sums appropriated under this heading in this Act—

(1) $2,500,000 shall be available for the Office of Public and Indian Housing;

(2) $5,000,000 shall be available for the Office of Community Planning and Development; and

(3) $2,500,000 shall be available for the Office of Housing:

Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant

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to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PUBLIC AND INDIAN HOUSING

TENANT-BASED RENTAL ASSISTANCE

For an additional amount for ''Tenant-Based Rental Assistance'', $1,500,000,000, to remain available until expended, to provide additional funds for public housing agencies to maintain operations and take other necessary actions to prevent, prepare for, and respond to coronavirus: *Provided*, That of the amounts made available under this heading in this Act, $1,000,000,000 shall be available for additional administrative and other expenses of public housing agencies in administering their section 8 programs, including Mainstream vouchers, in response to coronavirus: *Provided further*, That such other expenses shall be new eligible activities to be defined by the Secretary and shall be activities to support or maintain the health and safety of assisted individuals and families, and costs related to retention and support of current participating landlords: *Provided further*, That amounts made available under paragraph (3) of this heading in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) may be used for the other expenses as described in the preceding proviso in addition to their other available uses: *Provided further*, That of the

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amounts made available under this heading in this Act, $500,000,000 shall be available for adjustments in the calendar year 2020 section 8 renewal funding allocations, including Mainstream vouchers, for public housing agencies that experience a significant increase in voucher per-unit costs due to extraordinary circumstances or that, despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding: *Provided further*, That the Secretary shall allocate amounts provided in the preceding proviso based on need, as determined by the Secretary: *Provided further*, That for any amounts provided under this heading in prior Acts for tenant-based rental assistance contracts, including necessary administrative expenses, under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013) that remain available for this purpose after funding renewals and administrative expenses, the Secretary shall award no less than 50 percent of the remaining amounts for the same purpose within 60 days of enactment of this Act: *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of the amounts made available under this heading and the same

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heading of Public Law 116–94 (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the safe and effective administration of these funds to prevent, prepare for, and respond to coronavirus: *Provided further*, That the Secretary shall notify the public through the Federal Register or other appropriate means to ensure the most expeditious allocation of this funding of any such waiver or alternative requirement in order for such waiver or alternative requirement to take effect, and that such public notice may be provided at a minimum on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*, That any such waivers or alternative requirements shall remain in effect for the time and duration specified by the Secretary in such public notice and may be extended if necessary upon additional notice by the Secretary: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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PUBLIC HOUSING OPERATING FUND

For an additional amount for ''Public Housing Operating Fund'' for 2020 payments to public housing agencies for the operation and management of public housing, as authorized by section 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(e)), $720,000,000, to remain available until September 30, 2021: *Provided*, That such amount shall be combined with the amount appropriated for the same purpose under the same heading of Public Law 116–94, and distributed to all public housing agencies pursuant to the Operating Fund formula at part 990 of title 24, Code of Federal Regulations: *Provided further*, That for the period from the enactment of this Act through December 31, 2020, such combined total amount may be used for eligible activities under subsections (d)(1) and (e)(1) of such section 9 and for other expenses to prevent, prepare for, and respond to coronavirus, including activities to support or maintain the health and safety of assisted individuals and families, and activities to support education and child care for impacted families: *Provided further*, That amounts made available under the headings ''Public Housing Operating Fund'' and ''Public Housing Capital Fund'' in prior Acts, except for any set-asides listed under such headings, may be used for all of the purposes described in the preceding proviso: *Provided further*,

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That the expanded uses and funding flexibilities described in the previous two provisos shall be available to all public housing agencies through December 31, 2020, except that the Secretary may extend the period under which such flexibilities shall be available in additional 12 month increments upon a finding that individuals and families assisted by the public housing program continue to require expanded services due to the coronavirus pandemic: *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of such combined total amount of funds made available under the headings ''Public Housing Operating Fund'' and ''Public Housing Capital Fund'' in prior Acts (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the safe and effective administration of these funds to prevent, prepare for, and respond to coronavirus: *Provided further*, That the Secretary shall notify the public through the Federal Register or other appropriate means to ensure the most expeditious allocation of this funding of any such waiver or alternative requirement in order for such waiver or alternative requirement to take effect, and that such public no-

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tice may be provided at a minimum on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*, That any such waivers or alternative requirements shall remain in effect for the time and duration specified by the Secretary in such public notice and may be extended if necessary upon additional notice by the Secretary: *Provided further*, That amounts repurposed under this heading that were previously designated by the Congress as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIVE AMERICAN PROGRAMS

For an additional amount for ''Native American Programs'', $350,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, of which—

(1) $250,000,000 shall be for the Native American Housing Block Grants program, as authorized

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under title I of the Native American Housing Assistance and Self-Determination Act of 1996 (''NAHASDA'') (25 U.S.C. 4111 et seq.): *Provided*, That amounts made available in this paragraph shall be distributed according to the same funding formula used in fiscal year 2020: *Provided further*, That such amounts may be used to cover the cost of and reimbursement of allowable costs to prevent, prepare for, and respond to coronavirus incurred by a recipient regardless of the date on which such costs were incurred: *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of amounts made available in this paragraph and in paragraph (1) under this heading in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary to expedite or facilitate the use of such amounts, including to prevent, prepare for, and respond to coronavirus: *Provided further*, That any such waivers shall apply retroactively

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to activities to prevent, prepare for, and respond to coronavirus carried out with any amounts described in the preceding proviso; and

(2) $100,000,000 shall be for grants to Indian tribes for carrying out the Indian Community Development Block Grant program, as authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) with respect to Indian tribes for use to respond to emergencies that constitute imminent threats to health and safety: *Provided*, That, notwithstanding section 106(a)(1) of such Act, the Secretary shall prioritize, without competition, allocations of such amounts for activities and projects to prevent, prepare for, and respond to coronavirus: *Provided further*, That not to exceed 20 percent of any grant made with amounts made available in this paragraph shall be expended for planning and management development and administration: *Provided further*, That such amounts may be used to cover the cost of and reimbursement of allowable costs to prevent, prepare for, and respond to coronavirus incurred by a recipient regardless of the date on which such costs were incurred: *Provided further*, That, notwithstanding section 105(a)(8) of the Housing and Community De-

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velopment Act of 1974 (42 U.S.C. 5301 et seq.), there shall be no percent limitation on the use of amounts for public services activities to prevent, prepare for, and respond to coronavirus: *Provided further*, That the preceding proviso shall apply to all such activities funded with amounts made available in this paragraph and in paragraph (4) under this heading in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94): *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of amounts made available in this paragraph and in paragraph (4) under this heading in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary to expedite or facilitate the use of such amounts, including to prevent, prepare for, and respond to coronavirus: *Provided further*, That any such waivers shall apply retroactively to activities to prevent, prepare for, and respond to coronavirus car-

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ried out with any amounts described in the preceding proviso:

Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COMMUNITY PLANNING AND DEVELOPMENT

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

For an additional amount for carrying out the ''Housing Opportunities for Persons with AIDS'' program, as authorized by the AIDS Housing Opportunity Act (42 U.S.C. 12901 et seq.), $130,000,000, to remain available until September 30, 2021, except that amounts allocated pursuant to section 854(c)(5) of such Act shall remain available until September 30, 2022, to provide additional funds to maintain operations and for rental assistance, supportive services, and other necessary actions, in order to prevent, prepare for, and respond to the coronavirus: *Provided*, That not less than $100,000,000 of the amount provided under this heading in this Act shall be allocated pursuant to the formula in section 854 of such Act using the same data elements as utilized pursuant to that same formula in fiscal year 2020: *Provided further*, That up to $20,000,000 of the amount provided under this heading in this Act shall be to provide an addi-

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tional one-time, non-renewable award to grantees currently administering existing contracts for permanent supportive housing that initially were funded under section 854(c)(5) of such Act from funds made available under this heading in fiscal year 2010 and prior years: *Provided further*, That such awards shall be made proportionally to their existing grants: *Provided further*, That, notwithstanding section 858(b)(3)(B) of such Act (42 U.S.C. 12907(b)(3)(B)), housing payment assistance for rent, mortgage, or utilities payments may be provided for a period of up to 24 months: *Provided further*, That such awards are not required to be spent on permanent supportive housing: *Provided further*, That, to protect persons who are living with HIV/AIDS, such amounts provided under this heading in this Act may be used to self-isolate, quarantine, or to provide other coronavirus infection control services as recommended by the Centers for Disease Control and Prevention for household members not living with HIV/AIDS: *Provided further*, That such amounts may be used to provide relocation services, including to provide lodging at hotels, motels, or other locations in order to satisfy the objectives of the preceding proviso: *Provided further*, That, notwithstanding section 856(g) of such Act (42 U.S.C. 12905(g)), a grantee may use up to 6 percent of its award under this Act for administrative

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purposes, and a project sponsor may use up to 10 percent of its sub-award under this Act for administrative purposes: *Provided further*, That such amounts provided under this heading in this Act may be used to reimburse allowable costs consistent with the purposes of this heading incurred by a grantee or project sponsor regardless of the date on which such costs were incurred: *Provided further*, That any regulatory waivers the Secretary may issue may be deemed to be effective as of the date a grantee began preparing for coronavirus: *Provided further*, That any additional activities or authorities authorized under this heading in this Act may also apply at the discretion and upon notice of the Secretary to all amounts made available under this same heading in Public Law 116–94 if such amounts are used by grantees for the purposes described under this heading: *Provided further*, That up to 2 percent of amounts made available under this heading in this Act may be used, without competition, to increase prior awards made to existing technical assistance providers to provide an immediate increase in capacity building and technical assistance available to grantees under this heading and under the same heading in prior Acts: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant

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to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COMMUNITY DEVELOPMENT FUND

For an additional amount for ''Community Development Fund'', $15,000,000,000, for assistance under the community development block grant program under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) to prevent, prepare for, and respond to coronavirus, to remain available until September 30, 2022: *Provided*, That up to $8,000,000,000 of the amount made available under this heading shall be distributed pursuant to section 106 of such Act (42 U.S.C. 5306) to grantees that received allocations pursuant to that same formula in fiscal year 2020, and that such allocations shall be made within 30 days of enactment of this Act: *Provided further*, That, in addition to amounts allocated pursuant to the preceding proviso, an additional $5,000,000,000 shall be allocated directly to States to prevent, prepare for, and respond to coronavirus within the State, including activities within entitlement and non-entitlement communities, based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions, and other factors, as determined by the Secretary, using best available data and that

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such allocations shall be made within 45 days of enactment of this Act: *Provided further*, That any remaining amounts shall be distributed directly to the State or unit of general local government, at the discretion of the Secretary, according to a formula based on factors to be determined by the Secretary, prioritizing risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions resulting from coronavirus: *Provided further*, That such allocations may be made on a rolling basis as additional needs develop and data becomes available: *Provided further*, That the Secretary shall make all such allocations based on the best available data at the time of allocation: *Provided further*, That amounts made available in the preceding provisos may be used to reimburse allowable costs consistent with the purposes of this heading in this Act incurred by a State or locality regardless of the date on which such costs were incurred: *Provided further*, That section 116(b) of such Act (42 U.S.C. 5316(b)) and any implementing regulations, which require grantees to submit their final statements of activities no later than August 16 of a given fiscal year, shall not apply to final statements submitted in accordance with sections 104(a)(2) and (a)(3) of such Act (42 U.S.C. 5304(a)(2) and (a)(3)) and comprehensive housing affordability strat-

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egies submitted in accordance with section 105 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12705) for fiscal years 2019 and 2020: *Provided further*, That such final statements and comprehensive housing affordability strategies shall instead be submitted not later than August 16, 2021: *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of amounts made available under this heading and for fiscal years 2019 and 2020 (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), if the Secretary finds that good cause exists for the waiver or alternative requirement and such waiver or alternative requirement would not be inconsistent with the overall purpose of title I of the Housing and Community Development Act of 1974 , including for the purposes of addressing the impact of coronavirus: *Provided further*, That any such waiver or alternative requirement shall not take effect before the expiration of the 5-day period that begins on the date on which the Secretary notifies the public through the Federal Register or other appropriate means, including by means of the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*,

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That of the amounts made available under this heading, up to $10,000,000 shall be made available for capacity building and technical assistance to support the use of such amounts to expedite or facilitate infectious disease response: *Provided further*, That, notwithstanding sections 104(a)(2), (a)(3), and (c) of the Housing and Community Development Act of 1974 (42 U.S.C. 5304(a)(2), (a)(3), and (c)) and section 105 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12705), a grantee may not be required to amend its statement of activities in order to engage in activities to prevent, prepare, and respond to coronavirus or the economic and housing disruption caused by such virus, but shall make public a report within 180 days of the end of the crisis which fully accounts for those activities: *Provided further*, That a grantee may not be required to hold in-person public hearings in connection with citizen participation plan, but shall provide citizens with notice and a reasonable opportunity to comment of no less than 15 days: *Provided further*, That such procedures shall apply to grants from amounts made available under this heading and for fiscal years 2019 and 2020: *Provided further*, That, during the period that national or local health authorities recommend social distancing and limiting public gatherings for public health reasons, a grantee may carry out virtual public

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hearings to fulfill applicable public hearing requirements for all grants from funds made available under this heading in this and prior Acts: *Provided further*, That any such virtual hearings shall provide reasonable notification and access for citizens in accordance with the grantee's certifications, timely responses from local officials to all citizen questions and issues, and public access to all questions and responses: *Provided further*, That, notwithstanding subsection 105(a)(8) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)(8)), there shall be no percent limitation for the use of funds for public services activities to prevent, prepare, and respond to coronavirus or the economic and housing disruption caused by it: *Provided further*, That the preceding proviso shall apply to all such activities carried out with grants of funds made available under this heading and for fiscal years 2019 and 2020: *Provided further*, That the Secretary shall ensure there are adequate procedures in place to prevent any duplication of benefits as defined by section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5155) and act in accordance with section 1210 of the Disaster Recovery Reform Act of 2018 (division D of Public Law 115–254; 132 Stat. 3442) and section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5115):

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Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOMELESS ASSISTANCE GRANTS

For an additional amount for ''Homeless Assistance Grants'', $5,000,000,000, to remain available until September 30, 2022, for the Emergency Solutions Grants program as authorized under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371 et seq.), as amended, to prevent, prepare for, and respond to coronavirus among individuals and families who are homeless, receiving homeless assistance, or at risk of homelessness and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts created by coronavirus: *Provided*, That up to $1,500,000,000 of the amount appropriated under this heading in this Act shall be distributed pursuant to 24 CFR 576.3 to grantees that received allocations pursuant to that same formula in fiscal year 2020, and that such allocations shall be made within 30 days of enactment of this Act: *Provided further*, That, in addition to amounts allocated in the preceding proviso, an additional $1,500,000,000 shall be allocated directly to a State or unit of general local government by a formula to be devel-

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oped by the Secretary and that such allocations shall be made within 45 days of enactment of this Act: *Provided further*, That such formula shall allocate such amounts for the benefit of unsheltered homeless, sheltered homeless, and those at risk of homelessness to geographical areas with the greatest need based on the risk of increasing transmission of coronavirus, rising rates of sheltered and unsheltered homelessness, and disruptions to economic and housing markets and other factors, as determined by the Secretary: *Provided further*, That not less than every 60 days thereafter, the Secretary shall allocate a minimum of an additional $500,000,000: *Provided further*, That amounts in the preceding proviso shall be allocated by a formula to be developed by the Secretary which takes into consideration the factors contained in the third proviso under this heading, in addition to the best available data on the number of coronavirus cases and disruptions in economic and housing markets, and other factors as determined by the Secretary: *Provided further*, That such amounts may be used to reimburse allowable costs consistent with the purposes of this heading incurred by a State or locality regardless of the date on which such costs were incurred: *Provided further*, That individuals and families who are very low-income (as such term is defined in section 3(b) of the United States Housing Act of 1937

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(42 U.S.C. 1437a(b)) shall be considered ''at risk of homelessness'' and eligible for homelessness prevention assistance if they meet the criteria in subparagraphs (B) and (C) of section 401(1) of the McKinney-Vento Homeless Act (42 U.S.C. 11360(1)(B) and (C)): *Provided further*, That any individuals and families who are low-income (as such term is defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)) shall be eligible for rental assistance: *Provided further*, That recipients may deviate from applicable procurement standards when procuring goods and services consistent with the purposes of this heading: *Provided further*, That a recipient may use up to 10 percent of its allocation for administrative purposes: *Provided further*, That the use of such amounts shall not be subject to the consultation, citizen participation, or match requirements that otherwise apply to the Emergency Solutions Grants program, except that a recipient must publish how it has and will utilize its allocation at a minimum on the Internet at the appropriate Government web site or through other electronic media: *Provided further*, That the spending cap established pursuant to section 415(b) of the McKinney-Vento Homeless Act (42 U.S.C. 11374) shall not apply to such amounts: *Provided further*, That such amounts may be used to provide temporary emergency shelters (through leasing of existing

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property, temporary structures, or other means) for the purposes described under this heading, and that such temporary emergency shelters shall not be subject to the minimum periods of use required by section 416(c)(1) of such Act (42 U.S.C. 11375(c)(1)): *Provided further*, That Federal habitability and environmental review standards and requirements shall not apply to the use of such amounts for those temporary emergency shelters that have been determined by Federal, State, or local health officials to be necessary to prevent and mitigate the spread of coronavirus: *Provided further*, That such amounts may be used for training on infectious disease prevention and mitigation and to provide hazard pay, including for time worked prior to enactment of this Act, for staff working directly to prevent and mitigate the spread of coronavirus among persons who are homeless or at risk of homelessness, and that such activities shall not be considered administrative costs for purposes of the 10 percent cap: *Provided further*, That in administering the amounts made available under this heading in this Act, the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation (except for any requirements related to fair housing, nondiscrimination, labor standards, and the environment) that the Secretary administers in connection with the obligation or use by the

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recipient of these amounts, if the Secretary finds that good cause exists for the waiver or alternative requirement and such waiver or alternative requirement is consistent with the purposes described under this heading: *Provided further*, That any such waivers shall be deemed to be effective as of the date a State or unit of local government began preparing for coronavirus and shall apply to the use of amounts provided under this heading and amounts provided under the same heading in fiscal year 2020 used by recipients for the purposes described under this heading: *Provided further*, That the Secretary shall notify the public through the Federal Register or other appropriate means, 5 days before the effective date, of any such waiver or alternative requirement, and that such public notice may be provided on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*, That up to 1 percent of amounts made available under this heading in this Act may be used to increase prior awards made to existing technical assistance providers with experience in providing health care services in order to provide an immediate increase in capacity building and technical assistance to recipients of the Emergency Solutions Grants program under this heading and under the same heading in fiscal years 2018, 2019 and 2020: *Provided further*,

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That none of the funds provided under this heading may be used to require people experiencing homelessness to receive treatment or perform any other prerequisite activities as a condition for receiving shelter, housing, or other services: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

EMERGENCY RENTAL ASSISTANCE

For and additional amount for ''Emergency Rental Assistance'', as authorized in section 105 of title I of division I of the Take Responsibility for Workers and Families Act, $100,000,000,000, to remain available until expended: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOUSING ASSISTANCE FUND

For an additional amount for the ''Housing Assistance Fund'', as authorized in section 108 of title I of division I of the Take Responsibility for Workers and Families Act, $35,000,000,000, to remain available until expended: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to sec-

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tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOUSING PROGRAMS

ASSISTED HOUSING STABILITY

For an additional amount for assistance to owners or sponsors of properties receiving project-based assistance pursuant to section 202 of the Housing Act of 1959 (12 U.S.C. 17012), section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), or section 8 of the United States Housing Act of 1937, as amended, (42 U.S.C. 1437f), $1,100,000,000, to remain available until expended, unless otherwise specified: *Provided*, That such amounts shall be used to prevent, prepare for, and respond to coronavirus: *Provided further*, That of the amounts made available under this heading in this Act:

(1) $1,000,000,000 shall be for ''Project-Based Rental Assistance'' to supplement funds already available for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act (42

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U.S.C. 11401), for renewal of section 8 contracts for units in projects that are subject to approved plans of action under the Emergency Low Income Housing Preservation Act of 1987 or the Low-Income Housing Preservation and Resident Homeownership Act of 1990, and for administrative and other expenses associated with project-based activities and assistance funded under this paragraph;

(2) $75,000,000, to remain available until September 30, 2022, shall be for ''Housing for the Elderly'' to supplement funds already available for project rental assistance for the elderly under section 202(c)(2) of such Housing Act of 1959, including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, for senior preservation rental assistance contracts, including renewals, as authorized by section 811(e) of the American Housing and Economic Opportunity Act of 2000, as amended, and for supportive services associated with the housing for the elderly as authorized by such section 202: *Provided further*, That funds made available under this paragraph shall be used to provide emergency assistance for continuation of contracts for project rental assistance and amendment to such

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contracts, supportive services, existing service coordinators, one-time grants to hire additional service coordinators, other staffing, rent supports, and emergency preparedness relating to coronavirus; and

(3) $25,000,000, to remain available until September 30, 2023, shall be for ''Housing for Persons with Disabilities'' to supplement funds already available for project rental assistance for supportive housing for persons with disabilities under section 811(d)(2) of such Cranston-Gonzalez National Affordable Housing Act, for project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86–372; 73 Stat. 667), including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, for project rental assistance to State housing finance agencies and other appropriate entities as authorized under section 811(b)(3) of the Cranston-Gonzalez National Housing Act, and for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act:

Provided further, That for the purposes of addressing the impact of coronavirus, the Secretary may waive, or specify alternative requirements for, any provision of any statute

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or regulation that the Secretary administers in connection with the use of amounts made available under this heading in this Act (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment) upon a finding by the Secretary that any such waivers or alternative requirements are necessary to expedite or facilitate the use of such amounts: *Provided further*, That the Secretary shall notify the public through the Federal Register or other appropriate means of any such waiver or alternative requirement in order for such waiver or alternative requirement to take effect, and that such public notice may be provided at minimum on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*, That up to 1 percent of the amounts provided under paragraphs (1), (2) and (3) may be used to make new awards or increase prior awards made to existing technical assistance providers, without competition, to provide an immediate increase in capacity building and technical assistance available to recipients of amounts identified in the preceding proviso, to remain available until September 30, 2024: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the

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Balanced Budget and Emergency Deficit Control Act of 1985.

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING ACTIVITIES

For an additional amount for ''Fair Housing Activities'', $7,000,000, to remain available until September 30, 2021, for contracts, grants, and other assistance, as authorized by title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, and section 561 of the Housing and Community Development Act of 1987, to prevent, prepare for, and respond to coronavirus, of which $4,000,000 shall be for the Fair Housing Assistance Program Partnership for Special Enforcement grants to address fair housing issues relating to coronavirus, and $3,000,000 shall be for the Fair Housing Initiatives Program for education and outreach activities under such section 561 to educate the public about fair housing issues related to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF INSPECTOR GENERAL

For an additional amount for ''Office of Inspector General'', $5,000,000, to remain available until September

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30, 2021: *Provided*, That the amount made available under this heading in this Act shall be for necessary salaries and expenses of the Office of Inspector General in carrying out the Inspector General Act of 1978 and to conduct audits and investigations of activities carried out with amounts made available in this Act to the Department of Housing and Urban Development to prevent, prepare for, and respond to coronavirus: *Provided further*, That the Inspector General shall have independent authority over all personnel issues within this office: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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TITLE XIII

GENERAL PROVISIONS—THIS DIVISION

SEC. 11301. Not later than 30 days after the date of enactment of this Act, the head of each executive agency that receives funding in this Act, or that received funding in the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (division A of Public Law 116–123) or the Second Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (division A of Public Law 116–127), shall provide a report detailing the anticipated uses of all such funding to the Committees on Appropriations of the House of Representatives and the Senate: *Provided*, That each report shall include estimated personnel and administrative costs, as well as the total amount of funding apportioned, allotted, obligated, and expended, to date: *Provided further*, That each such report shall be updated and submitted to such Committees every 60 days until all funds are expended or expire: *Provided further*, That reports submitted pursuant to this section shall satisfy the requirements of section 1701 of division A of Public Law 116–127.

SEC. 11302. Each amount appropriated or made available by this Act is in addition to amounts otherwise appropriated for the fiscal year involved.

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SEC. 11303. In this Act, the term ''coronavirus'' means SARS–CoV–2 or another coronavirus with pandemic potential.

SEC. 11304. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 11305. Unless otherwise provided for by this Act, the additional amounts appropriated by this Act to appropriations accounts shall be available under the authorities and conditions applicable to such appropriations accounts for fiscal year 2020.

SEC. 11306. Each amount designated in this Act by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be available (or rescinded or transferred, if applicable) only if the President subsequently so designates all such amounts and transmits such designations to the Congress.

SEC. 11307. Any amount appropriated by this Act, designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 and subsequently so designated by the President, and transferred pursuant to transfer authorities provided by this Act shall retain such designation.

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SEC. 11308. Notwithstanding any other provision of law, and subject to the availability of appropriations, funds made available by this Act or any other Act may be used to modify the terms and conditions of a contract, or other agreement, without consideration, to authorize a federal agency to reimburse at contract billing rates not to exceed an average of 40 hours per week any contractor paid leave, including sick leave, the contractor provides to its employees to ensure the effective response to the declared national emergency for the coronavirus pandemic event. Such authority shall apply only to a contractor whose employees cannot perform work on a federally-owned or leased facility or site due to federal government directed closures or other restrictions, and who cannot telework because their job duties cannot be performed remotely during the declared national emergency for the coronavirus pandemic event. This authority also shall apply to subcontractors. The amounts made available by this section are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

This division may be cited as the ''Emergency Pension Plan Relief Act of 2020''.

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DIVISION B—EMERGENCY FAMILY AND MEDICAL LEAVE EXPANSION ACT

REFERENCES

SEC. 20001.

Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Family and Medical Leave Act of 1993 (29 U.S.C. 2601 et seq.), as amended by the Emergency Family and Medical Leave Expansion Act (Public Law 116–127).

EMPLOYER CLARIFICATION

SEC. 20002.

Section 101(4) is amended by adding at the end the following:

"(C) CLARIFICATION.—Subparagraph (A)(i) shall not apply with respect to a public agency described in subparagraph (A)(iii).".

EMERGENCY LEAVE EXTENSION

SEC. 20003.

Section 102(a)(1)(F) is amended by striking "December 31, 2020" and inserting "December 31, 2021".

EMERGENCY LEAVE DEFINITIONS

SEC. 20004.

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(a) ELIGIBLE EMPLOYEE.—Section 110(a)(1) is amended in subparagraph (A), by striking ''sections 101(2)(A) and 101(2)(B)(ii)'' and inserting ''section 101(2)''.

(b) EMPLOYER THRESHOLD.—Section 110(a)(1)(B) is amended by striking ''fewer than 500 employees'' and inserting ''1 or more employees''.

(c) PARENT.—Section 110(a)(1) is amended by adding at the end the following:

''(C) PARENT.—In lieu of the definition in section 101(7), the term 'parent', with respect to an employee, means any of the following:

''(i) A biological, foster, or adoptive parent of the employee.

''(ii) A stepparent of the employee.

''(iii) A parent-in-law of the employee.

''(iv) A parent of a domestic partner of the employee.

''(v) A legal guardian or other person who stood in loco parentis to an employee when the employee was a child.''.

(d) QUALIFYING NEED RELATED TO A PUBLIC HEALTH EMERGENCY.—Section 110(a)(2)(A) is amended to read as follows:

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"(A) QUALIFYING NEED RELATED TO A PUBLIC HEALTH EMERGENCY.—The term 'qualifying need related to a public health emergency', with respect to leave, means that the employee is unable to perform the functions of the position of such employee due to a need for leave for any of the following:

"(i) To comply with a recommendation or order by a public official having jurisdiction or a health care provider on the basis that the physical presence of the employee on the job would jeopardize the health of others because of—

"(I) the exposure of the employee to COVID–19; or

"(II) exhibition of symptoms of COVID–19 by the employee.

"(ii) To care for a family member of an eligible employee with respect to whom a public official having jurisdiction or a health care provider makes a determination that the presence of such family member in the community would jeopardize the health of other individuals in the community because of—

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"(I) the exposure of the family member to COVID–19; or

"(II) exhibition of symptoms of COVID–19 by the family member.

"(iii) To care for the son or daughter of such employee if the school or place of care has been closed, or the child care provider of such son or daughter is unavailable, due to a public health emergency.

"(iv) To care for a family member who meets criteria of 101(12)(B) or is a senior citizen, if the place of care for such family member is closed, or the direct care provider is unavailable, due to a public health emergency.".

(e) FAMILY MEMBER.—Section 110(a)(2) is amended by adding at the end the following:

"(E) FAMILY MEMBER.—The term 'family member', with respect to an employee, means any of the following:

"(i) A parent of the employee.

"(ii) A spouse of the employee.

"(iii) A sibling of the employee.

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''(iv) Next of kin of the employee or a person for whom the employee is next of kin.

''(v) A son or daughter of the employee.

''(vi) A grandparent or grandchild of the employee.

''(vii) An domestic partner of the employee.

''(F) DOMESTIC PARTNER.—

''(i) IN GENERAL.—The term 'domestic partner', with respect to an individual, means another individual with whom the individual is in a committed relationship.

''(ii) COMMITTED RELATIONSHIP DEFINED.—The term 'committed relationship' means a relationship between 2 individuals, each at least 18 years of age, in which each individual is the other individual's sole domestic partner and both individuals share responsibility for a significant measure of each other's common welfare. The term includes any such relationship between 2 individuals that is granted legal recognition by a State or political subdivi-

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sion of a State as a marriage or analogous relationship, including a civil union or domestic partnership.''.

REGULATORY AUTHORITIES

SEC. 20005.

(a) IN GENERAL.—Section 110(a) is amended by striking paragraph (3).

(b) FORCE OR EFFECT OF REGULATIONS.—Any regulation issued under section 110(a)(3), as in effect on the day before the date of the enactment of this Act, shall have no force or effect.

RELATIONSHIP TO PAID LEAVE

SEC. 20006.

Section 110(b) is amended—

(1) in paragraph (1)—

(A) in the header, by striking ''10 DAYS'' and inserting ''2 WORKWEEKS''; and

(B) in subparagraph (A), by striking ''10 days'' and inserting ''2 workweeks'';

(C) in subparagraph (B), by inserting, '', including leave provided under section 5102 of the Emergency Paid Sick Leave Act (Public Law 116–127),'' after ''medical or sick leave''; and

(D) by inserting at the end the following:

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''(C) EMPLOYER REQUIREMENT.—An employer may not require an employee to substitute any leave described in subparagraph (B) for leave under section 102(a)(1)(F).

''(D) RELATIONSHIP TO OTHER FAMILY AND MEDICAL LEAVE.—Leave taken under subparagraph (F) of section 102(a)(1) shall not count towards the 12 weeks of leave to which an employee is entitled under subparagraphs (A) through (E) of such section.''; and

(2) in paragraph (2)(A), by striking ''10 days'' and inserting ''2 workweeks''.

WAGE RATE

SEC. 20007.

Section 110(2)(B)(I) is amended to read as follows:

''(I) an amount that is not less than the greater of—

''(aa) the minimum wage rate in effect under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1));

''(bb) the minimum wage rate in effect for such employee in the applicable State or locality,

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whichever is greater, in which the employee is employed; or

''(cc) two thirds of an employee's regular rate of pay (as determined under section 7(e) of the Fair Labor Standards Act of 1938 (29 U.S.C. 207(e)); and''.

NOTICE

SEC. 20008.

Section 110(c) is amended by inserting ''or subsection (a)(2)(A)(iv)'' after ''for the purpose described in subsection (a)(2)(A)(iii)''.

CERTIFICATION

SEC. 20009.

Section 110 is amended by adding at the end the following:

''(e) CERTIFICATION.—

''(1) IN GENERAL.—An employer may require that a request for leave under section 102(a)(1)(F) be supported by documentation described in paragraph (2). An employer may not require such documentation before the date that is 3 weeks after the date on which the employee takes such leave.

''(2) SUFFICIENT CERTIFICATION.—The following documentation shall be sufficient certification:

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''(A) With respect to leave taken for the purposes described in clause (i) or (ii) of subsection (a)(2)(A)—

''(i) a recommendation or order from a public official having jurisdiction or a health care provider that the relevant individual has symptoms of COVID–19 or should be quarantined; or

''(ii) documentation or evidence that the relevant individual has been exposed to COVID–19.

''(B) With respect to leave taken for purposes described in clause (iii) or (iv) of such subsection, notice of closure or unavailability from the school, place of care, child care provider, or direct care provider of the family member.''.

AMENDMENTS TO THE EMERGENCY FAMILY AND MEDICAL LEAVE EXPANSION ACT

SEC. 20010.

The Emergency Family and Medical Leave Expansion Act (Public Law 116–127) is amended—

(1) in section 3103(b), by striking ''Employees'' and inserting, ''Notwithstanding section 102(a)(1)(A) of the Family and Medical Leave Act of 1993 (29 U.S.C. 2612(a)(1)(A)), employees''; and

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(2) by striking sections 3104 and 3105.

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DIVISION C—EMERGENCY PAID SICK LEAVE ACT AMENDMENTS

SEC. 30001. REFERENCES.

Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of division E of the Families First Coronavirus Response Act (Public Law 116–127).

SEC. 30002. PAID SICK TIME REQUIREMENT.

(a) USES.—Section 5102(a) is amended to read as follows:

''(a) IN GENERAL.—An employer shall provide to each employee employed by the employer paid sick time for any of the following uses:

''(1) To self-isolate because the employee is diagnosed with COVID–19.

''(2) To obtain a medical diagnosis or care if such employee is experiencing the symptoms of COVID–19.

''(3) To comply with a recommendation or order by a public official with jurisdiction or a health care provider on the basis that the physical presence of the employee on the job would jeopardize the health of others because of—

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"(A) the exposure of the employee to COVID–19; or

"(B) exhibition of symptoms of COVID–19 by the employee.

"(4) To care for or assist a family member of the employee—

"(A) who—

"(i) is self-isolating because such family member has been diagnosed with COVID–19; or

"(ii) is experiencing symptoms of COVID–19 and needs to obtain medical diagnosis or care.

"(B) with respect to whom a public official with jurisdiction or a health care provider makes a determination that the presence of the family member in the community would jeopardize the health of other individuals in the community because of—

"(i) the exposure of such family member to the COVID–19; or

"(ii) exhibition of symptoms of COVID–19 by such family member.

"(5) To care for the son or daughter of such employee if the school or place of care has been

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closed, or the child care provider of such son or daughter is unavailable, due to COVID–19.''.

(b) EMPLOYERS WITH EXISTING POLICIES.—Section 5102 by adding at the end the following:

''(f) EMPLOYERS WITH EXISTING POLICIES.—With respect to an employer that provides paid leave on the day before the date of enactment of this Act—

''(1) the paid sick time under this Act shall be made available to employees of the employer in addition to such paid leave; and

''(2) the employer may not change such paid leave on or after such date of enactment to avoid being subject to paragraph (1).''.

SEC. 30003. PROHIBITED ACTS.

Section 5104(1) is amended by striking ''and'' at the end and inserting ''or''.

SEC. 30004. SUNSET.

Section 5109 is amended by striking ''December 31, 2020'' and inserting ''December 31, 2021''.

SEC. 30005. DEFINITIONS.

(a) EMPLOYEE.—Section 5110(1)(A)(i) is amended by striking '' paragraph (5)(A)'' and inserting ''paragraph (2)(A)'';

(b) EMPLOYER.—Section 5110(2)(B) is amended—

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(1) by amending subclause (I) of clause (i) to read as follows:

"(I) means any person engaged in commerce or in any industry or activity affecting commerce that employs 1 or more employees;"; and

(2) by amending clause (ii) to read as follows:

"(ii) PUBLIC AGENCY AND NON-PROFIT ORGANIZATIONS.—For purposes of clause (i)(I), a public agency and a non-profit organization shall be considered to be a person engaged in commerce or in an industry or activity affecting commerce.".

(c) FMLA TERMS.—Section 5110(4) is amended to read as follows:

"(4) FMLA TERMS.—The terms 'health care provider', 'next of kin', 'son or daughter', and 'spouse' have the meanings given such terms in section 101 of the Family and Medical Leave Act of 1993 (29 U.S.C. 2611).".

(d) PAID SICK LEAVE.—Section 5110(5) is amended—

(1) in subparagraph (A)—

(A) in clause (i), by striking "section 2(a)" and inserting "section 5102(a)"; and

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(B) in clause (ii), by striking ''exceed'' and all that follows and inserting ''exceed $511 per day and $5,110 in the aggregate.'';

(2) in subparagraph (B)—

(A) by striking the following:

''(B) REQUIRED COMPENSATION.—

''(i) IN GENERAL.—Subject to subparagraph (A)(ii),''; and inserting the following:

''(B) REQUIRED COMPENSATION.—Subject to subparagraph (A)(ii),''; and

(B) by striking clause (ii); and

(3) in subparagraph (C), by striking '' section 2(a)'' and inserting ''section 5102(a)''.

(a) ADDITIONAL DEFINITIONS.—Section 5110 is amended by adding at the end the following:

''(6) DOMESTIC PARTNER.—

''(A) IN GENERAL.—The term 'domestic partner', with respect to an individual, means another individual with whom the individual is in a committed relationship.

''(B) COMMITTED RELATIONSHIP DEFINED.—The term 'committed relationship' means a relationship between 2 individuals, each at least 18 years of age, in which each in-

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dividual is the other individual's sole domestic partner and both individuals share responsibility for a significant measure of each other's common welfare. The term includes any such relationship between 2 individuals that is granted legal recognition by a State or political subdivision of a State as a marriage or analogous relationship, including a civil union or domestic partnership.

''(7) FAMILY MEMBER.—The term 'family member', with respect to an employee, means any of the following:

''(A) A parent of the employee.

''(B) A spouse of the employee.

''(C) A son or daughter of the employee.

''(D) A sibling of the employee;

''(E) A next of kin of the employee or a person for whom the employee is next of kin;

''(F) A grandparent or grandchild of the employee; or

''(G) A domestic partner of the employee.

''(8) FFCRA TERMS.—The terms 'child care provider' and 'school' have the meanings given such terms in section 110(a)(2) of the Family and Medical and Leave Act of 1993.

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''(9) PARENT.—The term 'parent', with respect to an employee, means any of the following:

''(A) A biological, foster, or adoptive parent of the employee.

''(B) A stepparent of the employee.

''(C) A parent-in-law of the employee.

''(D) A parent of a domestic partner of the employee.

''(E) A legal guardian or other person who stood in loco parentis to an employee when the employee was a child.''.

SEC. 30006. REGULATORY AUTHORITIES.

(a) IN GENERAL.—Division E is amended by striking section 5111.

(b) FORCE OR EFFECT OF REGULATIONS.—Any regulation issued under section 5111 of division E of the Families First Coronavirus Response Act (Public Law 116–127), as in effect on the day before the date of the enactment of this Act, shall have no force or effect.

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DIVISION D—COVID–19 WORKERS FIRST PROTECTION ACT OF 2020

SEC. 40001. SHORT TITLE.

This division may be cited as the ''COVID–19 Workers First Protection Act of 2020''.

SEC. 40002. EMERGENCY TEMPORARY AND PERMANENT STANDARDS.

(a) EMERGENCY TEMPORARY STANDARD.—

(1) IN GENERAL.—In consideration of the grave risk presented by COVID–19 and the need to strengthen protections for employees, pursuant to section 6(c)(1) of the Occupational Safety and Health Act of 1970 (29 U.S.C. 655(c)(1)) and notwithstanding the provisions of law and the Executive Order listed in paragraph (7), not later than 7 days after the date of enactment of this Act, the Secretary of Labor shall, in consultation with the Director of the Centers for Disease Control and Prevention, the Director of the National Institute for Occupational Safety and Health, the Commissioner of the Food and Drug Administration, and the persons described in paragraph (2), promulgate an emergency temporary standard to protect from occupational exposure to SARS–CoV–2—

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(A) employees of health care sector employers;

(B) employees of employers in the paramedic and emergency medical services, including such services provided by firefighters and other emergency responders; and

(C) employees in other sectors and occupations whom the Centers for Disease Control and Prevention or the Occupational Safety and Health Administration identifies as having elevated risk.

(2) CONSULTATION.—In developing the standard under this subsection, the Secretary shall consult with professional associations and representatives of the employees in the occupations and sectors described in subparagraphs (A) through (C) of paragraph (1) and the employers of such employees.

(3) ENFORCEMENT DISCRETION.—If the Secretary of Labor determines it is not feasible for an employer to comply with a requirement of the standard promulgated under this subsection (such as a shortage of the necessary personal protective equipment), the Secretary may exercise discretion in the enforcement of such requirement if the employer demonstrates that the employer—

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(A) is exercising due diligence to come into compliance with such requirement; and

(B) is implementing alternative methods and measures to protect employees.

(4) EXTENSION OF STANDARD.—Notwithstanding paragraphs (2) and (3) of section 6(c) of the Occupational Safety and Health Act of 1970 (29 U.S.C. 655(c)), the emergency temporary standard promulgated under this subsection shall be in effect until the date on which the final standard promulgated under subsection (b) is in effect.

(5) STATE PLAN ADOPTION.—With respect to a State with a State plan that has been approved by the Secretary of Labor under section 18 of the Occupational Safety and Health Act of 1970 (29 U.S.C. 667), not later than 14 days after the date of enactment of this Act, such State shall promulgate an emergency temporary standard that is at least as effective in protecting from occupational exposure to SARS–CoV–2 the employees in the occupations and sectors described in subparagraphs (A) through (C) of paragraph (1) as the emergency temporary standard promulgated under this subsection.

(6) EMPLOYER DEFINED.—For purposes of the standard promulgated under this subsection, the

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term ''employer'' under section 3 of the Occupational Safety and Health Act of 1970 (29 U.S.C. 652) includes any State or political subdivision of a State, except for those already subject to the jurisdiction of a State plan approved under Section 18(b) of the Occupational Safety and Health Act of 1970.

(7) INAPPLICABLE PROVISIONS OF LAW AND EXECUTIVE ORDER.—The requirements of chapter 6 of title V, United States Code (commonly referred to as the ''Regulatory Flexibility Act''), subchapter I of chapter 35 of title 44, United States Code (commonly referred to as the ''Paperwork Reduction Act''), and Executive Order 12866 (58 Fed. Reg. 190; relating to regulatory planning and review), as amended, shall not apply to the standard promulgated under this subsection.

(b) PERMANENT STANDARD.—Not later than 24 months after the date of enactment of this Act, the Secretary of Labor shall promulgate a final standard—

(1) to protect employees from occupational exposure to infectious pathogens, including novel pathogens; and

(2) that shall be effective and enforceable in the same manner and to the same extent as a standard

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promulgated under section 6(b) of the Occupational Safety and Health Act of 1970 (29 U.S.C. 655(b)).

(c) REQUIREMENTS.—Each standard promulgated under this section shall—

(1) require the employers of the employees in the occupations and sectors described in subparagraphs (A) through (C) of subsection (a)(1) to develop and implement a comprehensive infectious disease exposure control plan;

(2) provide no less protection for novel pathogens than precautions mandated by standards adopted by a State plan that has been approved by the Secretary of Labor under section 18 of the Occupational Safety and Health Act of 1970 (296 U.S.C. 667); and

(3) incorporate, as appropriate—

(A) guidelines issued by the Centers for Disease Control and Prevention, and the National Institute for Occupational Safety and Health, which are designed to prevent the transmission of infectious agents in healthcare settings; and

(B) relevant scientific research on novel pathogens.

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SEC. 40003. SURVEILLANCE, TRACKING, AND INVESTIGATION OF WORK-RELATED CASES OF COVID–19 AMONG HEALTH CARE WORKERS.

The Director of the Centers for Disease Control and Prevention, in conjunction with the Director of the National Institute for Occupational Safety and Health, shall—

(1) collect and analyze case reports and other data on COVID–19, to identify and evaluate the extent, nature, and source of COVID–19 among employees in the occupations and sectors described in subparagraphs (A) through (C) of section 2(a)(1);

(2) investigate, as appropriate, individual cases of COVID–19 among such employees to evaluate the source of exposure and adequacy of infection and exposure control programs and measures;

(3) provide regular periodic reports on COVID–19 disease among such employees to the public; and

(4) based on such reports and investigations make recommendations on needed actions or guidance to protect such employees from COVID–19.

DIVISION E—COVID–19 WORKFORCE EMERGENCY RESPONSE ACT OF 2020

SEC. 50001. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the .

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SEC. 50002. DEFINITIONS.

In this Act:

(1) CORONAVIRUS.—The term ''coronavirus'' means coronavirus as defined in section 506 of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116–123).

(2) COVID–19 NATIONAL EMERGENCY.—The term ''COVID–19 national emergency'' means the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) on March 13, 2020, with respect to the coronavirus.

(3) SECRETARY.—The term ''Secretary'' means the Secretary of Labor.

(4) WIOA TERMS.—Except as otherwise provided, the terms in this Act have the meanings given the terms in section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102).

SEC. 50003. WORKFORCE RESPONSE ACTIVITIES.

(a) IN GENERAL.—The purpose of this section is to provide the increased flexibility needed for State and local areas to provide continuity of services during the COVID–19 national emergency.

(b) ADMINISTRATIVE COSTS.—Notwithstanding section 128(b)(4) of the Workforce Innovation and Oppor-

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tunity Act (29 U.S.C. 3163(b)(4)), of the funds allocated to a local area, including a single State local area, under subtitle B of title I of such Act (29 U.S.C. 3151 et seq.) that remain unobligated for program year 2019, an amount up to 20 percent may be used for the administrative costs of carrying out local workforce investment activities under chapter 2 or chapter 3 of subtitle B of title I of such Act (29 U.S.C. 3151 et seq.), as long as any amount used under this subsection that exceeds the amount authorized for administrative costs under section 128(b)(4)(A) of such Act (29 U.S.C. 3163(b)(4)) is used to respond to the COVID–19 national emergency.

(c) RAPID RESPONSE ACTIVITIES.—

(1) STATEWIDE RAPID RESPONSE.—Of the reserved by a Governor under section 128(a) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3163(a)) for statewide activities that remain unobligated for program year 2019, such funds may be used for the statewide rapid response activities described in section 134(a)(2)(A) of such Act (29 U.S.C. 3174(a)(2)(A)) for responding to the COVID–19 national emergency.

(2) LOCAL BOARDS.—Of the funds reserved by a Governor under section 133(a)(2) of such Act (29 U.S.C. 3173(a)(2)) that remain unobligated for pro-

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gram year 2019, such funds may be distributed by the Governor not later than 30 days after the date of enactment of this Act to local boards most impacted by the coronavirus, at the determination of the Governor, for rapid response activities related to responding to the COVID–19 national emergency.

SEC. 50004. NATIONAL DISLOCATED WORKER GRANTS.

(a) IN GENERAL.—The Secretary shall award grants under section 170 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3225) for the purposes—

(1) described subsections (b)(1) and (d) of such section 170 related to the COVID–19 national emergency; and

(2) of responding to subsequent emergency or disasters or mass layoffs as described in section 170(a)(1) of such Act.

(b) COVID–19 NATIONAL EMERGENCY RESPONSE.—

(1) IN GENERAL.—Of funds made available under this section, national dislocated worker grants may be awarded by the Secretary as described in section 170 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3225) to respond to the COVID–19 national emergency.

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(2) USES OF FUNDS.—Any grant awarded under this section shall used for activities directly supporting the response to the COVID–19 national emergency, and recovery efforts related to such emergency, which shall include the following:

(A) TRAINING AND TEMPORARY EMPLOYMENT.—Training and temporary employment to respond to the COVID–19 national emergency, such as positions or assignments—

(i) delivering medicine, food, or other supplies to older individuals, individuals with disabilities, and other individuals with respiratory conditions and other chronic medical disorders;

(ii) helping set up quarantine areas and providing assistance to quarantined individuals, including transportation;

(iii) organizing and coordinating recovery, quarantine, or other related activities;

(iv) cleaning public buildings, public transportation facilities or equipment, or sanitizing quarantine or treatment areas after their use, or other related cleanup or sanitizing activities; and

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(v) in the sector directly responding to the COVID–19 national emergency such as childcare, health care, public service, and transportation.

(B) LAYOFF RESPONSE.—Activities responding to layoffs of 50 or more individuals laid off by one employer, or areas where there are significant layoffs that significantly increase unemployment in a given community, such as in the hospitality, transportation, manufacturing, and retail industry sectors or occupations.

(c) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to State or local areas most impacted by the COVID–19 national emergency as determined by the Secretary.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry this section $500,000,000 to be expended through fiscal year 2022.

SEC. 50005. STATE DISLOCATED WORKER GRANTS RESPONDING TO THE COVID–19 EMERGENCY.

(a) DISTRIBUTION OF FUNDS.—

(1) STATES.—From the amounts appropriated under subsection (d), the Secretary shall make allotments to States in accordance with section 132(b)(2) of the Workforce Innovation and Opportunity Act.

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(2) LOCAL AREAS.—Not later than 30 days after a State receives an allotment under paragraph (1), the State shall allocate such funds to local areas in accordance with section 133(b)(2)(B) of the Workforce Innovation and Opportunity Act.

(b) REQUIRED USES.—Each State and local area shall use the funds received under this section to engage in the dislocated worker response activities described in section 133(b)(2)(B) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3173(b)(2)(B)) to support layoff aversion and provide necessary supports to unemployed individuals and to employers facing layoffs due to the impacts of the COVID–19 national emergency.

(c) COVID–19 DISLOCATED WORKER EMERGENCY RESPONSE.—The dislocated worker response activities shall include the following:

(1) RAPID RESPONSE ACTIVITIES.—The State, in coordination with impacted local areas, shall carry out rapid response activities as described in section 134(a)(2)(A) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174) to engage with employers and employees where layoffs have occurred or are occurring as a result of the COVID–19 national emergency, such as short-time compensation programs.

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(2) DISLOCATED WORKER ACTIVITIES.—Coordinating projects for individuals impacted by mass layoffs as a result of the COVID–19 national emergency, including activities targeted at immediate reemployment, career navigation services, supportive services, provision of information on in-demand and declining industries, access to digital literacy skills training, and other layoff support or further layoff aversion strategies through adult employment and training activities.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the activities described in this section $2,000,000,000 to be expended through the end of fiscal year 2022.

SEC. 50006. YOUTH WORKFORCE INVESTMENT ACTIVITIES RESPONDING TO THE COVID–19 NATIONAL EMERGENCY.

(a) DISTRIBUTION OF FUNDS.—

(1) STATES.—From the amounts appropriated under subsection (d), the Secretary shall make allotments to States in accordance with section 127(b) of the Workforce Innovation and Opportunity Act.

(2) LOCAL AREAS.—Not later than 30 days after a State receives an allotment under paragraph (1), the State shall allocate such funds to local areas

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in accordance with section 128 of the Workforce Innovation and Opportunity Act.

(b) USES OF FUNDS.—

(1) IN GENERAL.—In using the funds received under this section, each State and local area shall prioritize providing summer and year-round employment for youth, especially for youth age 21 and under, who may be disproportionately impacted by diminished labor market opportunities for summer jobs or year round employment due to the economic impacts of the COVID–19 national emergency.

(2) YOUTH WORKFORCE INVESTMENT ACTIVITIES.—

(A) SUMMER EMPLOYMENT OPPORTUNITIES FOR AT-RISK YOUTH.—Of the funds received under this section, not less than 50 percent of funds shall be used to support summer youth employment for in-school and out-of-school youth with a priority for out-of-school youth and youth with multiple barriers to employment, and shall include support for employer partnerships for youth employment and subsidized youth employment.

(B) OTHER ACTIVITIES.—Any amounts not used to carry out the activities described in sub-

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paragraph (A) shall be used by State and local boards for purposes of—

(i) supporting in-school and out-of-school youth attach or reattach to education and career pathways

(ii) education and training activities to support credential attainment;

(iii) subsidized employment;

(iv) work-readiness training and educational programs aligned to career pathways;

(v)(I) engage or establish industry or sector partnerships to determine job needs for youth employment; and

(II) conducting outreach to youth and employers;

(vi) coaching and mentoring services for participating youth, including career exploration, career counseling, career planning, and college planning services for participating youth;

(vii) coaching and mentoring services for employers on how to successfully employ each participating youth in meaningful work;

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(viii) providing supportive services to youth to enable participation in the program, including follow-up services for not less than 12 months after the completion of participation, as appropriate;

(ix) coordinating activities under this section with State and local education agencies around academic calendars in response to the COVID–19 national emergency; and

(x) the activities described in section 129(b) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3164).

(c) GENERAL PROVISIONS.—

(1) LOCAL PLAN.—Activities carried out under this section shall not conflict with the local plan submitted by the local board under section 108 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3123), as determined by the Governor.

(2) EMPLOYER SHARE OF WAGES.—Any funds dedicated to youth placement in summer or year-round employment under this section shall require not less than 25 percent of the wages of each eligible youth participating in the program to be paid by the employer, except this requirement may be waived for

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not more than 10 percent of eligible youth participating in the program that have a barrier to employment, which may waived for employers facing financial hardship due to the COVID–19 national emergency.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the activities described in this section $1,500,000,000 to be expended through the end of fiscal year 2022.

SEC. 50007. ADULT EMPLOYMENT AND TRAINING ACTIVITIES RESPONDING TO THE COVID–19 NATIONAL EMERGENCY.

(a) DISTRIBUTION OF FUNDS.—

(1) STATES.—From the amounts appropriated under subsection (d), the Secretary shall make allotments to States in accordance with section 132(b)(1) of the Workforce Innovation and Opportunity Act.

(2) LOCAL AREAS.—Not later than 30 days after a State receives an allotment under paragraph (1), the State shall allocate such funds to local areas in accordance with section 128 of the Workforce Innovation and Opportunity Act.

(b) USES OF FUNDS.—

(1) IN GENERAL.—Each State and local area shall use the funds received under this section to en-

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gage in adult employment and training activities as described in section 134 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174) to provide necessary supports to workers underemployed or most at-risk of unemployment, and coordinate with employers facing economic hardship or employment challenges due to the economic impacts of the COVID–19 national emergency.

(2) COVID–19 ADULT EMPLOYMENT AND TRAINING ACTIVITIES.—

(A) PRIORITY.—In using funds received under this section, a State and local area shall prioritize training and employment and layoff aversion strategies and services for workers and employers facing economic hardships due to the COVID–19 national emergency, including supportive services and career planning by carrying out the activities described in subparagraphs (B) and (C).

(B) SERVICES TO EMPLOYERS IMPACTED BY THE COVID–19 NATIONAL EMERGENCY.—The activities described in this subparagraph are activities supporting employee retention strategies for employers facing economic hardship as a result of the COVID–19 national

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emergency, such as on-the-job training, customized training, and incumbent worker training, with funds used to reimburse employers for 50 percent of wages while incumbent workers are in training, and Short-Time Compensation programs.

(C) UNDEREMPLOYMENT AND EMPLOYMENT SUPPORTS.—The activities described in this subparagraph are activities supporting strategies to provide support to workers facing underemployment, individuals seeking work, or who are adversely impacted by economic changes within their communities due to the COVID–19 national emergency, including—

(i) work-based learning opportunities including internships, paid work experience opportunities, transitional employment, or apprenticeships;

(ii) career navigation supports to enable workers to find new potential pathways to in-demand careers and the necessary training to support those career pathways;

(iii) provision of virtual services and employment and training activities during

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the period of the COVID–19 national emergency; and

(iv) other services and activities as described under section 134 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174).

(c) LOCAL PLAN.—Activities carried out under this section shall not conflict with the local plan submitted by the local board under section 108 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3123), as determined by the Governor.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $1,000,000,000 to be expended through the end of fiscal year 2022.

SEC. 50008. EMPLOYMENT SERVICE COVID–19 NATIONAL EMERGENCY RESPONSE FUND.

(a) IN GENERAL.—From the funds appropriated under subsection (c), the Secretary make allotments to States in accordance with section 6 of the Wagner-Peyser Act (29 U.S.C. 49e)

(b) USES OF FUNDS.—Funds under this section will provide States additional supports for supporting employment service public employees in providing reemployment services for unemployed and underemployed workers em-

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ployers impacted by the COVID–19 national emergency, including those receiving unemployment insurance as a result of the emergency, providing for services such as reemployment services, job search assistance, job matching services based on experience of workers, and helping employers dealing with layoffs.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the activities described in this section $50,000,000 to be expended through the end of fiscal year 2022 and distributed as described in.

SEC. 50009. GENERAL PROVISION.

(a) SUPPLEMENT AND NOT SUPPLANT.—Any funds made available for this Act shall supplement and not supplant other State or local public funds expended for employment and training programs or other activities funded under the Workforce Innovation and Opportunity Act (29 U.S.C. 3164).

(b) EVALUATIONS.—All activities carried out under this Act shall be subject to—

(1) performance accountability as described in section 116 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3141); and

(2) rigorous evaluation of such program using research approaches appropriate to the level of de-

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velopment and maturity of the program, including random assignment or quasi-experimental impact evaluations, implementation evaluations, pre-experimental studies, and feasibility studies.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as necessary for Program Administration and Departmental Management of the Department of Labor to support the administration of the funds for this Act.

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DIVISION F—FAMILY SUPPORT PROVISIONS

SEC. 60001. CONTINUED SAFE OPERATION OF CHILD WELFARE PROGRAMS AND SUPPORT FOR OLDER FOSTER YOUTH.

(a) FUNDING INCREASES.—

(1) GENERAL PROGRAM.—The dollar amount specified in section 477(h)(1) of the Social Security Act for fiscal year 2020 is deemed to be $185,900,000.

(2) EDUCATION AND TRAINING VOUCHERS.—The dollar amount specified in section 477(h)(2) of such Act for fiscal year 2020 is deemed to be $78,000,000.

(b) PROGRAMMATIC FLEXIBILITY.—With respect to the period that begins on March 1, 2020, and ends with the close of calendar year 2020:

(1) ELIMINATION OF AGE LIMITATIONS ON ELIGIBILITY FOR ASSISTANCE.—Eligibility for services or assistance under a State program operated pursuant to section 477 of the Social Security Act shall be provided without regard to the age of the recipient.

(2) SUSPENSION OF WORK AND EDUCATION REQUIREMENTS UNDER THE EDUCATION AND TRAIN-

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ING VOUCHER PROGRAM.—Section 477(i)(3) of the Social Security Act shall be applied and administered without regard to any work or education requirement.

(3) AUTHORITY TO WAIVE LIMITATION ON PERCENTAGE OF FUNDS USED FOR HOUSING ASSISTANCE.—The Secretary of Health and Human Services (in this subsection referred to as the ''Secretary'') may apply and administer section 477 of the Social Security Act without regard to subsection (b)(3)(B) of such section.

(4) AUTHORITY TO WAIVE RULES CONFLICTING WITH NEEDED ASSISTANCE AND SERVICES.—The Secretary may waive any requirement imposed by or under part B or E of title IV of the Social Security Act (including any limitation on the ability of contractors pursuant to such part B or E to apply for no-cost contract extensions) that the Secretary deems to be in conflict with using funds made available pursuant to this section or other statutes for the provision of financial, education, work, housing, and other assistance and services needed in response to the public health emergency declared by the Secretary pursuant to section 319 of the Public Health Service Act on January 31, 2020, entitled ''Deter-

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mination that a Public Health Emergency Exists Nationwide as the Result of the 2019 Novel Coronavirus''.

(5) AUTHORITY OF STATES TO DETERMINE HOW DAILY ACTIVITIES MAY BE CONDUCTED REMOTELY.—The Secretary may allow a State to determine how daily activities under the State plan developed under part B of title IV of the Social Security Act and the State program funded under section 477 of such Act may be conducted through electronic means to comply with public health guidelines relating to social distancing, including conducting any required court proceedings pertaining to children in care. In making any such determination, the State shall work to ensure that the safety and health of each child in care remains paramount.

(6) COUNTING OF REMOTE CASEWORKER VISITS AS IN-PERSON VISITS.—In the case of a foster child who has attained 18 years of age and with respect to whom foster care maintenance payments are being made under a State plan approved under part E of title IV of the Social Security Act, caseworker contact with the child that includes visual and auditory contact and which is conducted solely by electronic means is deemed an in-person visit to the

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child by the caseworker for purposes of section 424(f)(1)(A) of such Act if the child is visited by the caseworker in person not less than once every 6 months while in such care.

(7) ELIMINATION OF EDUCATION AND EMPLOYMENT REQUIREMENTS FOR CERTAIN FOSTER YOUTH.—The Secretary may waive the applicability of subclauses (I) through (IV) of section 475(8)(B)(iv) of the Social Security Act.

(c) STATE DEFINED.—In subsection (a), the term ''State'' has the meaning given the term in section 1101(a) of the Social Security Act for purposes of title IV of the Social Security Act, and includes an Indian tribe, tribal organization, or tribal consortium with an application and plan approved under this section 477(j) of such Act for fiscal year 2020.

SEC. 60002. ALLOWING HOME VISITING PROGRAMS TO CONTINUE SERVING FAMILIES SAFELY.

(a) IN GENERAL.—For purposes of section 511 of the Social Security Act, during the period that begins on February 1, 2020, and ends with the close of calendar year 2020—

(1) a virtual home visit shall be considered a home visit;

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(2) funding for, and staffing levels of, a program conducted pursuant to such section shall not be reduced on account of reduced enrollment in the program; and

(3) funds provided for such a program may be used—

(A) to train home visitors in conducting a virtual home visit and in emergency preparedness and response planning for families served;

(B) for the acquisition by families enrolled in the program of such technological means as are needed to conduct and support a virtual home visit; and

(C) to provide emergency supplies (such as diapers, formula, non-perishable food, water, hand soap and hand sanitizer) to families served.

(b) VIRTUAL HOME VISIT DEFINED.—In subsection (a), the term ''virtual home visit'' means a visit that is conducted solely by electronic means.

(c) AUTHORITY TO DELAY DEADLINES.—

(1) IN GENERAL.—The Secretary of Health and Human Services may extend the deadline by which a requirement of section 511 of the Social Security

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Act must be met, by such period of time as the Secretary deems appropriate.

(2) GUIDANCE.—The Secretary shall provide to eligible entities funded under section 511 of the Social Security Act information on the parameters used in extending a deadline under paragraph (1) of this subsection.

SEC. 60003. EMERGENCY FLEXIBILITY FOR CHILD SUPPORT PROGRAMS.

(a) IN GENERAL.—With respect to the period that begins on March 1, 2020, and ends with the close of calendar year 2021:

(1) The Secretary of Health and Human Services (in this subsection referred to as the ''Secretary'') may increase any percentage in effect for purposes of section 455(a)(1) of the Social Security Act to not more than 100 percent.

(2) On application of an Indian tribe therefor, the Secretary may waive any matching funds requirement imposed on the tribe under section 455(f) of such Act.

(3) Paragraphs (2) and (8) of section 409(a) of such Act shall have no force or effect.

(4) The Secretary may exempt a State from any requirement of section 466 of such Act.

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(5) The Secretary may not impose a penalty or take any other adverse action against a State pursuant to section 452(g)(1) of such Act for failure to achieve a paternity establishment percentage of less than 90 percent.

(6) The Secretary may not find that the paternity establishment percentage for a State is not based on reliable data for purposes of section 452(g)(1) of such Act, and the Secretary may not determine that the data which a State submitted pursuant to section 452(a)(4)(C)(i) of such Act and which is used in determining a performance level is not complete or reliable for purposes of section 458(b)(5)(B) of such Act, on the basis of the failure of the State to submit OCSE Form 396 or 34 in a timely manner.

(7) The Secretary may not impose a penalty or take any other adverse action against a State for failure to comply with section 454A(g)(1)(A)(i) of such Act.

(8) The Secretary may not disapprove a State plan submitted pursuant to part D of title IV of such Act for failure of the plan to meet the requirement of section 454(1) of such Act, and may not impose a penalty or take any other adverse action

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against a State with such a plan that meets that requirement for failure to comply with that requirement.

(9) To the extent that a preceding provision of this section applies with respect to a provision of law applicable to a program operated by an Indian tribe or tribal organization (as defined in subsections (e) and (l) of section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), that preceding provision shall apply with respect to the Indian tribe or tribal organization.

(b) STATE DEFINED.—In subsection (a), the term ''State'' has the meaning given the term in section 1101(a) of the Social Security Act for purposes of title IV of such Act.

SEC. 60004. EMERGENCY FLEXIBILITY FOR STATE TANF PROGRAMS.

(a) STATE PROGRAMS.—Sections 407 and 408(a)(7) of the Social Security Act shall have no force or effect during the applicable period, and paragraphs (3), (9), (14), and (15) of section 409(a) of such Act shall not apply with respect to conduct engaged in during the period.

(b) TRIBAL PROGRAMS.—The minimum work participation requirements and time limits established under sec-

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tion 412(c) of the Social Security Act shall have no force or effect during the applicable period, and the penalties established under such section shall not apply with respect to conduct engaged in during the period.

(c) PENALTY FOR NONCOMPLIANCE.—

(1) IN GENERAL.—If the Secretary of Health and Human Services finds that a State or an Indian tribe has imposed a work requirement as a condition of receiving assistance, or a time limit on the provision of assistance, under a program funded under part A of title IV of the Social Security Act or any program funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i) of such Act) during the applicable period, or has imposed a penalty for failure to comply with a work requirement during the period, the Secretary shall reduce the grant payable to the State under section 403(a)(1) of such Act or the grant payable to the tribe under section 412(a)(1) of such Act, as the case may be, for fiscal year 2021 by an amount equal to 5 percent of the State or tribal family assistance grant, as the case may be.

(2) APPLICABILITY OF CERTAIN PROVISIONS.—For purposes of subsections (c) and (d) of section 409 of the Social Security Act, paragraph (1) of this

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subsection shall be considered to be included in section 409(a) of such Act.

(d) DEFINITIONS.—In this section:

(1) APPLICABLE PERIOD.—The term ''applicable period'' means the period that begins on March 1, 2020, and ends with the close of calendar year 2020.

(2) WORK REQUIREMENT.—The term ''work requirement'' means a requirement to engage in a work activity (as defined in section 407(d) of the Social Security Act).

(3) OTHER TERMS.—Each other term has the meaning given the term in section 419 of the Social Security Act.

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DIVISION G—HEALTH PROVISIONS

TITLE ____—CHILD CARE FOR ESSENTIAL WORKERS

SEC. 7___01. STATE FUNDING TO ENSURE THAT ESSENTIAL WORKERS CAN ACCESS CHILD CARE.

(a) INCREASE IN FUNDING.—

(1) IN GENERAL.—The amount specified in subsection (c) of section 2003 of the Social Security Act for purposes of subsections (a) and (b) of such section is deemed to be $2,550,000,000 for fiscal year 2020, of which $850,000,000 shall be obligated by States during calendar year 2020 in accordance with subsection (b) of this section.

(2) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $850,000,000 for fiscal year 2020 to carry out this section.

(b) RULES GOVERNING USE OF ADDITIONAL FUNDS.—

(1) IN GENERAL.—Funds are used in accordance with this subsection if—

(A) the funds are used for—

(i) child care services for a child of an essential worker; or

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(ii) daytime care services or other adult protective services for an individual who—

(I) is a dependent, or a member of the household of, an essential worker; and

(II) requires the services;

(B) the funds are provided to reimburse an essential worker for the cost of obtaining the services (including child care services obtained on or after the date the Secretary of Health and Human Services declared a public health emergency pursuant to section 319 of the Public Health Service Act on January 31, 2020, entitled ''Determination that a Public Health Emergency Exists Nationwide as the Result of the 2019 Novel Coronavirus''), to a provider of child care services, or to establish a temporary child care facility operated by a State or local government;

(C) eligibility for the funds or services, and the amount of funds or services provided, is not conditioned on a means test;

(D) the funds are used subject to the limitations in section 2005 of the Social Security

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Act, except that, for purposes of this subparagraph—

(i) paragraphs (3), (5), and (8) of section 2005(a) of such Act shall not apply; and

(ii)(I) the limitation in section 2005(a)(7) of such Act shall not apply with respect to any standard which the State involved determines would impede the ability of the State to provide emergency temporary care to a child, dependent, or household member referred to in subparagraph (A) of this paragraph; and

(II) if the State determines that such a standard would be so impeding, the State shall report the determination to the Secretary, separately from the annual report to the Secretary by the State;

(E) the funds are used to supplement, not supplant, State general revenue funds for child care assistance;

(F) the funds are not used for child care costs that are—

(i) covered by funds provided under the Child Care and Development Block

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Grant Act of 1990 or section 418 of the Social Security Act; or

(ii) reimbursable by the Federal Emergency Management Agency; and

(G) the funds are used in consultation with the lead agency for administration of the Child Care and Development Fund.

(2) ESSENTIAL WORKER DEFINED.—In paragraph (1), the term ''essential worker'' means—

(A) a health sector employee;

(B) an emergency response worker;

(C) a sanitation worker;

(D) a worker at a business which a State or local government official has determined must remain open to serve the public during the emergency referred to in paragraph (1)(B); and

(E) any other worker who cannot telework, and whom the State deems to be essential during the emergency referred to in paragraph (1)(B).

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DIVISION H—EMERGENCY CORONAVIRUS PANDEMIC UNEMPLOYMENT COMPENSATION ACT OF 2020

SEC. 80001. SHORT TITLE.

This division may be cited as the .

SEC. 80002. TABLE OF CONTENTS.

The table of contents for this division is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.

TITLE I—FEDERAL BENEFIT ENHANCEMENTS

Sec. 101. Emergency increase in unemployment compensation benefits.
Sec. 102. Temporary financing of short-time compensation payments in States with programs in law.
Sec. 103. Temporary financing of short-time compensation agreements.
Sec. 104. Emergency flexibility for short-time compensation.
Sec. 105. Grants for short-time compensation programs.
Sec. 106. Emergency extended benefit period for 2020.

TITLE II—EXPANDED ELIGIBILITY FOR UNEMPLOYMENT COMPENSATION

Sec. 201. Pandemic Self-Employment and Job Entrant Compensation.

TITLE III—RELIEF FOR GOVERNMENTAL AND NONPROFIT ENTITIES

Sec. 301. Emergency unemployment relief for governmental entities and nonprofit organizations.

TITLE IV—EMERGENCY ASSISTANCE FOR RAIL WORKERS

Sec. 401. Treatment of payments from the Railroad Unemployment Insurance Account.
Sec. 402. Waiver of the 7-day waiting period for benefits under the Railroad Unemployment Insurance Act.
Sec. 403. Enhanced benefits under the Railroad Unemployment Insurance Act.

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TITLE I—FEDERAL BENEFIT ENHANCEMENTS

SEC. 80101. EMERGENCY INCREASE IN UNEMPLOYMENT COMPENSATION BENEFITS.

(a) FEDERAL-STATE AGREEMENTS.—Any State which desires to do so may enter into and participate in an agreement under this section with the Secretary of Labor (hereinafter in this section referred to as the ''Secretary''). Any State which is a party to an agreement under this section may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—

(1) IN GENERAL.—Any agreement under this section shall provide the following:

(A) FEDERAL PANDEMIC UNEMPLOYMENT COMPENSATION.—The State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise entitled under the State law to receive regular compensation, as if such State law had been modified in a manner such that the amount of regular compensation (in-

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cluding dependents' allowances) payable for any week shall be equal to—

(i) the amount determined under the State law (before the application of this paragraph), plus

(ii) an additional amount of $600 (in this section referred to as ''Federal Pandemic Unemployment Compensation'').

(B) FEDERAL PANDEMIC SHORT-TIME COMPENSATION.—In the case of a State that provides under the State law for the payment of short-time compensation under a short-time compensation program (as defined in section 3306(v) of the Internal Revenue Code of 1986), the State agency of the State will make payments of compensation (as defined in subsection (h) of such section) to employees participating in such program in amounts and to the extent that they would be determined under such program if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise eligible under the program under the State law to receive such compensation, as if such State law had been modified in a manner such that

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the amount of compensation payable for any week shall be equal to the amount determined under the State law (before the application of this paragraph) plus $300 (in this section referred to as ''Federal Pandemic Short-Time Compensation'').

(2) ALLOWABLE METHODS OF PAYMENT.—Any Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation provided for in accordance with paragraph (1) shall be payable either—

(A) as an amount which is paid at the same time and in the same manner as any compensation otherwise payable for the week involved; or

(B) at the option of the State, by payments which are made separately from, but on the same weekly basis as, any compensation otherwise payable.

(c) NONREDUCTION RULE.—An agreement under this section shall not apply (or shall cease to apply) with respect to a State upon a determination by the Secretary that the method governing the computation of regular compensation under the State law of that State has been modified in a manner such that the maximum benefit enti-

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tlement and the average weekly benefit amount of regular compensation (or short-time compensation in the case of a State described in subsection (b)(1)(B)) which will be payable during the period of the agreement (determined disregarding any Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation) will be less than the maximum benefit entitlement and the average weekly benefit amount of regular compensation (or short-time compensation) which would otherwise have been payable during such period under the State law, as in effect on January 1, 2020.

(d) PAYMENTS TO STATES.—

(1) IN GENERAL.—

(A) FULL REIMBURSEMENT.—There shall be paid to each State which has entered into an agreement under this section an amount equal to 100 percent of—

(i) the total amount of Federal Pandemic Unemployment Compensation paid to individuals by the State pursuant to such agreement;

(ii) the total amount of Federal Pandemic Short-Time Compensation paid to individuals by the State pursuant to such agreement; and

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(iii) any additional administrative expenses incurred by the State by reason of such agreement (as determined by the Secretary).

(B) TERMS OF PAYMENTS.—Sums payable to any State by reason of such State's having an agreement under this section shall be payable, either in advance or by way of reimbursement (as determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this section for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(2) CERTIFICATIONS.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section.

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(3) APPROPRIATION.—There are appropriated from the general fund of the Treasury, without fiscal year limitation, such sums as may be necessary for purposes of this subsection.

(e) APPLICABILITY.—

(1) IN GENERAL.—An agreement entered into under this section shall apply to weeks of unemployment—

(A) beginning on or after March 13, 2020; and

(B) ending on or before January 1, 2021.

(2) TRANSITION RULE FOR INDIVIDUALS REMAINING ENTITLED TO REGULAR COMPENSATION AS OF JUNE 30, 2021.—In the case of any individual who, as of the date specified in paragraph (1)(B), has not yet exhausted all rights to regular compensation under the State law of a State with respect to a benefit year that began before such date (or short-time compensation in the case of a State described in subsection (b)(1)(B)), Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation (as the case may be) shall continue to be payable to such individual for any week beginning on or after such date for which the individual is otherwise eligible for regular

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compensation (or short-time compensation) with respect to such benefit year.

(3) TERMINATION.—Notwithstanding any other provision of this subsection, no Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation shall be payable for any week beginning after June 30, 2021.

(f) FRAUD AND OVERPAYMENTS.—

(1) IN GENERAL.—If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation to which such individual was not entitled, such individual—

(A) shall be ineligible for further Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation; and

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(B) shall be subject to prosecution under section 1001 of title 18, United States Code.

(2) REPAYMENT.—In the case of individuals who have received amounts of Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation to which they were not entitled, the State shall require such individuals to repay the amounts of such Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(A) the payment of such Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation was without fault on the part of any such individual; and

(B) such repayment would be contrary to equity and good conscience.

(3) RECOVERY BY STATE AGENCY.—

(A) IN GENERAL.—The State agency may recover the amount to be repaid, or any part thereof, by deductions from any Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation payable to such individual or from any unemployment

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compensation payable to such individual under any State or Federal unemployment compensation law administered by the State agency or under any other State or Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation to which they were not entitled, in accordance with the same procedures as apply to the recovery of overpayments of regular unemployment benefits paid by the State.

(B) OPPORTUNITY FOR HEARING.—No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(4) REVIEW.—Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensa-

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tion law, and only in that manner and to that extent.

(g) APPLICATION TO OTHER UNEMPLOYMENT BENEFITS.—

(1) IN GENERAL.—Each agreement under this section shall include provisions to provide that the purposes of the preceding provisions of this section shall be applied with respect to unemployment benefits described in subsection (i)(3) to the same extent and in the same manner as if those benefits were regular compensation.

(2) ELIGIBILITY AND TERMINATION RULES.—Federal Pandemic Unemployment Compensation—

(A) shall not be payable, pursuant to this subsection, with respect to any unemployment benefits described in subsection (i)(3) for any week beginning on or after the date specified in subsection (e)(1)(B), except in the case of an individual who was eligible to receive Federal Pandemic Unemployment Compensation in connection with any regular compensation or any unemployment benefits described in subsection (i)(3) for any period of unemployment ending before such date; and

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(B) shall in no event be payable for any week beginning after the date specified in subsection (e)(3).

(h) TREATMENT OF FEDERAL PANDEMIC UNEMPLOYMENT COMPENSATION AND FEDERAL PANDEMIC SHORT-TIME COMPENSATION PAYMENTS.—

(1) PAYMENT TO BE DISREGARDED FOR PURPOSES OF ALL FEDERAL AND FEDERALLY ASSISTED PROGRAMS.—A Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation payment shall not be regarded as income and shall not be regarded as a resource for the month of receipt and the following 9 months, for purposes of determining the eligibility of the recipient (or the recipient's spouse or family) for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

(i) DEFINITIONS.—For purposes of this section—

(1) the terms ''compensation'', ''regular compensation'', ''benefit year'', ''State'', ''State agency'', ''State law'', and ''week'' have the respective meanings given such terms under section 205 of the Fed-

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eral-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note);

(2) the term ''maximum benefit entitlement'' means the amount of regular compensation payable to an individual with respect to the individual's benefit year; and

(3) any reference to unemployment benefits described in this paragraph shall be considered to refer to—

(A) extended compensation (as defined by section 205 of the Federal-State Extended Unemployment Compensation Act of 1970); and

(B) unemployment compensation (as defined by section 85(b) of the Internal Revenue Code of 1986) provided under any program administered by a State under an agreement with the Secretary.

SEC. 80102. TEMPORARY FINANCING OF SHORT-TIME COMPENSATION PAYMENTS IN STATES WITH PROGRAMS IN LAW.

(a) PAYMENTS TO STATES.—

(1) IN GENERAL.—Subject to paragraph (3), there shall be paid to a State an amount equal to 100 percent of the amount of short-time compensation paid under a short-time compensation program

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(as defined in section 3306(v) of the Internal Revenue Code of 1986) under the provisions of the State law.

(2) TERMS OF PAYMENTS.—Payments made to a State under paragraph (1) shall be payable by way of reimbursement in such amounts as the Secretary estimates the State will be entitled to receive under this section for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(3) LIMITATIONS ON PAYMENTS.—

(A) GENERAL PAYMENT LIMITATIONS.—No payments shall be made to a State under this section for short-time compensation paid to an individual by the State during a benefit year in excess of 26 times the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for a week of total unemployment.

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(B) EMPLOYER LIMITATIONS.—No payments shall be made to a State under this section for benefits paid to an individual by the State under a short-time compensation program if such individual is employed by the participating employer on a seasonal, temporary, or intermittent basis.

(b) APPLICABILITY.—Payments to a State under subsection (a) shall be available for weeks of unemployment—

(1) beginning on or after March 13, 2020; and

(2) ending on or before December 31, 2020.

(c) NEW PROGRAMS.—Subject to paragraphs (1)(B) and (2) of subsection (b), if at any point after the date of the enactment of this Act the State enacts a State law providing for the payment of short-time compensation under a short-time compensation program that meets the definition of such a program under section 3306(v) of the Internal Revenue Code of 1986, the State shall be eligible for payments under this section after the effective date of such enactment.

(d) FUNDING AND CERTIFICATIONS.—

(1) FUNDING.—There are appropriated, out of moneys in the Treasury not otherwise appropriated,

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such sums as may be necessary for purposes of carrying out this section.

(2) CERTIFICATIONS.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section.

(e) DEFINITIONS.—In this section:

(1) SECRETARY.—The term ''Secretary'' means the Secretary of Labor.

(2) STATE; STATE AGENCY; STATE LAW.—The terms ''State'', ''State agency'', and ''State law'' have the meanings given those terms in section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

(f) TECHNICAL CORRECTION TO DEFINITION.—Section 3306(v)(6) of the Internal Revenue Code of 1986 (26 U.S.C. 3306) is amended by striking ''Workforce Investment Act of 1998'' and inserting ''Workforce Innovation and Opportunity Act''.

SEC. 80103. TEMPORARY FINANCING OF SHORT-TIME COMPENSATION AGREEMENTS.

(a) FEDERAL-STATE AGREEMENTS.—

(1) IN GENERAL.—Any State which desires to do so may enter into, and participate in, an agreement under this section with the Secretary provided

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that such State's law does not provide for the payment of short-time compensation under a short-time compensation program (as defined in section 3306(v) of the Internal Revenue Code of 1986).

(2) ABILITY TO TERMINATE.—Any State which is a party to an agreement under this section may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF FEDERAL-STATE AGREEMENT.—

(1) IN GENERAL.—Any agreement under this section shall provide that the State agency of the State will make payments of short-time compensation under a plan approved by the State. Such plan shall provide that payments are made in accordance with the requirements under section 3306(v) of the Internal Revenue Code of 1986.

(2) LIMITATIONS ON PLANS.—

(A) GENERAL PAYMENT LIMITATIONS.—A short-time compensation plan approved by a State shall not permit the payment of short-time compensation to an individual by the State during a benefit year in excess of 26 times the amount of regular compensation (including dependents' allowances) under the State law pay-

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able to such individual for a week of total unemployment.

(B) EMPLOYER LIMITATIONS.—A short-time compensation plan approved by a State shall not provide payments to an individual if such individual is employed by the participating employer on a seasonal, temporary, or intermittent basis.

(3) EMPLOYER PAYMENT OF COSTS.—Any short-time compensation plan entered into by an employer must provide that the employer will pay the State an amount equal to one-half of the amount of short-time compensation paid under such plan. Such amount shall be deposited in the State's unemployment fund and shall not be used for purposes of calculating an employer's contribution rate under section 3303(a)(1) of the Internal Revenue Code of 1986.

(c) PAYMENTS TO STATES.—

(1) IN GENERAL.—There shall be paid to each State with an agreement under this section an amount equal to—

(A) one-half of the amount of short-time compensation paid to individuals by the State pursuant to such agreement; and

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(B) any additional administrative expenses incurred by the State by reason of such agreement (as determined by the Secretary).

(2) TERMS OF PAYMENTS.—Payments made to a State under paragraph (1) shall be payable by way of reimbursement in such amounts as the Secretary estimates the State will be entitled to receive under this section for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(3) FUNDING.—There are appropriated, out of moneys in the Treasury not otherwise appropriated, such sums as may be necessary for purposes of carrying out this section.

(4) CERTIFICATIONS.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section.

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(d) APPLICABILITY.—An agreement entered into under this section shall apply to weeks of unemployment—

(1) beginning on or after March 13, 2020; and

(2) ending on or before December 31, 2020.

(e) SPECIAL RULE.—If a State has entered into an agreement under this section and subsequently enacts a State law providing for the payment of short-time compensation under a short-time compensation program that meets the definition of such a program under section 3306(v) of the Internal Revenue Code of 1986, the State—

(1) shall not be eligible for payments under this section for weeks of unemployment beginning after the effective date of such State law; and

(2) subject to paragraphs (1)(B) and (2) of section 2(b), shall be eligible to receive payments under section 2 after the effective date of such State law.

(f) DEFINITIONS.—In this section:

(1) SECRETARY.—The term ''Secretary'' means the Secretary of Labor.

(2) STATE; STATE AGENCY; STATE LAW.—The terms ''State'', ''State agency'', and ''State law'' have the meanings given those terms in section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

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SEC. 80104. EMERGENCY FLEXIBILITY FOR SHORT-TIME COMPENSATION.

Notwithstanding any other law, if a State modifies its unemployment compensation law and policies with respect to availability for work and work search test requirements for short-time compensation on an emergency temporary basis as needed to respond to the spread of COVID–19, such modifications shall be disregarded for the purposes of applying section 303 of the Social Security Act and section 3306(v)(5) of the Internal Revenue Code of 1986 to such State law.

SEC. 80105. GRANTS FOR SHORT-TIME COMPENSATION PROGRAMS.

(a) GRANTS.—

(1) FOR IMPLEMENTATION OR IMPROVED ADMINISTRATION.—The Secretary shall award grants to States that enact short-time compensation programs (as defined in subsection (i)(2)) for the purpose of implementation or improved administration of such programs.

(2) FOR PROMOTION AND ENROLLMENT.—The Secretary shall award grants to States that are eligible and submit plans for a grant under paragraph (1) for such States to promote and enroll employers in short-time compensation programs (as so defined).

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(3) ELIGIBILITY.—

(A) IN GENERAL.—The Secretary shall determine eligibility criteria for the grants under paragraphs (1) and (2).

(B) CLARIFICATION.—A State administering a short-time compensation program that does not meet the definition of a short-time compensation program under section 3306(v) of the Internal Revenue Code of 1986, and a State with an agreement under section 3, shall not be eligible to receive a grant under this section until such time as the State law of the State provides for payments under a short-time compensation program that meets such definition and such law.

(b) AMOUNT OF GRANTS.—

(1) IN GENERAL.—The maximum amount available for making grants to a State under paragraphs (1) and (2) shall be equal to the amount obtained by multiplying $100,000,000 (less the amount used by the Secretary under subsection (e)) by the same ratio as would apply under subsection (a)(2)(B) of section 903 of the Social Security Act (42 U.S.C. 1103) for purposes of determining such State's share of any excess amount (as described in sub-

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section (a)(1) of such section) that would have been subject to transfer to State accounts, as of October 1, 2019, under the provisions of subsection (a) of such section.

(2) AMOUNT AVAILABLE FOR DIFFERENT GRANTS.—Of the maximum incentive payment determined under paragraph (1) with respect to a State—

(A) one-third shall be available for a grant under subsection (a)(1); and

(B) two-thirds shall be available for a grant under subsection (a)(2).

(c) GRANT APPLICATION AND DISBURSAL.—

(1) APPLICATION.—Any State seeking a grant under paragraph (1) or (2) of subsection (a) shall submit an application to the Secretary at such time, in such manner, and complete with such information as the Secretary may require. In no case may the Secretary award a grant under this section with respect to an application that is submitted after December 31, 2020.

(2) NOTICE.—The Secretary shall, within 30 days after receiving a complete application, notify the State agency of the State of the Secretary's findings with respect to the requirements for a grant

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under paragraph (1) or (2) (or both) of subsection (a).

(3) CERTIFICATION.—If the Secretary finds that the State law provisions meet the requirements for a grant under subsection (a), the Secretary shall thereupon make a certification to that effect to the Secretary of the Treasury, together with a certification as to the amount of the grant payment to be transferred to the State account in the Unemployment Trust Fund (as established in section 904(a) of the Social Security Act (42 U.S.C. 1104(a))) pursuant to that finding. The Secretary of the Treasury shall make the appropriate transfer to the State account within 7 days after receiving such certification.

(4) REQUIREMENT.—No certification of compliance with the requirements for a grant under paragraph (1) or (2) of subsection (a) may be made with respect to any State whose—

(A) State law is not otherwise eligible for certification under section 303 of the Social Security Act (42 U.S.C. 503) or approvable under section 3304 of the Internal Revenue Code of 1986; or

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(B) short-time compensation program is subject to discontinuation or is not scheduled to take effect within 12 months of the certification.

(d) USE OF FUNDS.—The amount of any grant awarded under this section shall be used for the implementation of short-time compensation programs and the overall administration of such programs and the promotion and enrollment efforts associated with such programs, such as through—

(1) the creation or support of rapid response teams to advise employers about alternatives to layoffs;

(2) the provision of education or assistance to employers to enable them to assess the feasibility of participating in short-time compensation programs; and

(3) the development or enhancement of systems to automate—

(A) the submission and approval of plans; and

(B) the filing and approval of new and ongoing short-time compensation claims.

(e) ADMINISTRATION.—The Secretary is authorized to use 0.25 percent of the funds available under subsection

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(g) to provide for outreach and to share best practices with respect to this section and short-time compensation programs.

(f) RECOUPMENT.—The Secretary shall establish a process under which the Secretary shall recoup the amount of any grant awarded under paragraph (1) or (2) of subsection (a) if the Secretary determines that, during the 5-year period beginning on the first date that any such grant is awarded to the State, the State—

(1) terminated the State's short-time compensation program; or

(2) failed to meet appropriate requirements with respect to such program (as established by the Secretary).

(g) FUNDING.—There are appropriated for fiscal year 2020, out of moneys in the Treasury not otherwise appropriated, to the Secretary, $100,000,000 to carry out this section, to remain available until December 31, 2020.

(h) REPORTING.—The Secretary may establish reporting requirements for States receiving a grant under this section in order to provide oversight of grant funds.

(i) DEFINITIONS.—In this section:

(1) SECRETARY.—The term ''Secretary'' means the Secretary of Labor.

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(2) SHORT-TIME COMPENSATION PROGRAM.—The term ''short-time compensation program'' has the meaning given such term in section 3306(v) of the Internal Revenue Code of 1986.

(3) STATE; STATE AGENCY; STATE LAW.—The terms ''State'', ''State agency'', and ''State law'' have the meanings given those terms in section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

SEC. 80106. EMERGENCY EXTENDED BENEFIT PERIOD FOR 2020.

(a) IN GENERAL.—For purposes of section 203 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note), and notwithstanding any other provision of such section, an emergency extended benefit period shall be deemed to occur with respect to each State as follows:

(1) in the case of a State with respect to which an extended benefit period is not in effect (without regard to this section) for the 1st week beginning after the date of enactment of this Act, an emergency extended benefit period is deemed to begin with such week with respect to such State; and

(2) in the case of a State with respect to which an extended benefit period is otherwise in effect

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(without regard to this section) for such week, an emergency extended benefit period is deemed to begin with the week following the last week of such extended benefit period.

(b) SPECIAL RULE WITH RESPECT TO CERTAIN STATES.—In the case of a State described in subsection (a)(1) with respect to which an extended benefit period would (but for this section) begin during an emergency extended benefit period, such extended benefit period shall begin with the week following the last week of such emergency extended benefit period.

(c) ADDITIONAL FUNDING FOR EXTENDED COMPENSATION ACCOUNTS.—In the case of a State described in (a)(2) or (b), section 202(b)(1) the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note) shall be applied for weeks during an emergency extended benefit period by substituting for each of ''50'', ''thirteen'', and ''thirty-nine'' such higher number as the State determines is necessary to account for such emergency extended benefit period.

(d) TREATMENT OF EMERGENCY EXTENDED BENEFIT PERIOD UNDER FSEUCA.—The provisions of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note) shall apply to a State with respect to which an emergency extended benefit period is

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in effect in the same manner as such provisions apply to a State with respect to which an extended benefit period is in effect.

TITLE II—EXPANDED ELIGIBILITY FOR UNEMPLOYMENT COMPENSATION

SEC. 80201. PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION.

(a) FEDERAL-STATE AGREEMENTS.—Any State which desires to do so may enter into and participate in an agreement under this section with the Secretary of Labor (hereinafter in this section referred to as the ''Secretary''). Any State which is a party to an agreement under this section may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—

(1) PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments on a weekly basis (in this section referred to as ''Pandemic Self-Employment and Job Entrant Compensation'') to unemployed individuals who—

(A) have no rights to regular compensation with respect to a week under the State law or

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any other State unemployment compensation law or to compensation under any other Federal law;

(B) are not receiving any State or private paid leave (as defined in subsection (g)) with respect to such week; and

(C) attest that—

(i) the individual is not able or available to work due to COVID–19 with respect to such week (as determined under paragraph (4)); and

(ii) but for COVID–19 (as determined under paragraph (4)), the individual would be able and available to work during such week.

(2) AMOUNT OF PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amount of Pandemic Self-Employment and Job Entrant Compensation payable to an individual for a week under an agreement under subsection (a) shall be $300.

(B) HIGHER PAYMENT FOR CERTAIN INDIVIDUALS.—Notwithstanding subparagraph (A),

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the amount of Pandemic Self-Employment and Job Entrant Compensation payable to an individual for a week under an agreement under subsection (a) shall be an amount equal to the sum of $600 plus ¼ of the average weekly benefit amount of regular compensation paid to eligible individuals in the State as of January 1, 2020, but only in the case of an individual who attests (and furnishes such supporting documentation as the State agency may request) that—

(i) the individual had net earnings from self-employment (as defined in section 1402(a) of the Internal Revenue Code of 1986) of not less than $2,500 during the 6-month period ending on the date of enactment of this Act; or

(ii) the individual had a contract or other offer of employment suspended or rescinded due to COVID–19.

(3) DURATION OF BENEFIT PAYMENTS.—An individual who becomes entitled to Pandemic Self-Employment and Job Entrant Compensation paid by a State under an agreement under subsection (a) shall receive such benefit for not more than 26 weeks.

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(4) NOT ABLE OR AVAILABLE TO WORK DUE TO COVID–19.—For purposes of this subsection, an individual shall be considered to be not able or available to work due to COVID–19 with respect to a week during any part of which the individual is not able or available to work because—

(A) the individual has a current diagnosis of COVID–19;

(B) the individual is under quarantine (including self-imposed quarantine), at the instruction of a health care provider, employer, or a local, State, or Federal official, in order to prevent the spread of COVID–19;

(C) the individual is unable to engage in self-employment (in the case of an individual described in paragraph (2)(B)(i)) or seek suitable employment because of closings or restrictions on movement related to COVID–19;

(D) the individual is engaged in caregiving (without compensation) for an individual who has a current diagnosis of COVID–19 or is under quarantine as described in subparagraph (B)); or

(E) the individual is engaged in caregiving (without compensation), because of the

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COVID–19-related closing of a school or other care facility or care program, for a child or other individual unable to provide self-care.

(5) COORDINATION WITH CERTAIN TAX CREDITS.—Notwithstanding paragraph (1), no individual may become entitled to Pandemic Self-Employment and Job Entrant Compensation under an agreement under subsection (a) unless the individual makes an irrevocable election (at such time and in such manner as the Secretary of the Treasury may provide) to have sections 7002 and 7004 of the Families First Coronavirus Response Act not apply with respect to such individual. An individual who makes such an election shall not be treated as an individual to whom a credit is allowable under such sections.

(c) PAYMENTS TO STATES.—

(1) IN GENERAL.—

(A) FULL REIMBURSEMENT.—There shall be paid to each State which has entered into an agreement under this section an amount equal to 100 percent of—

(i) the total amount of Pandemic Self-Employment and Job Entrant Compensation paid to individuals by the State pursuant to such agreement; and

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(ii) any additional administrative expenses incurred by the State by reason of such agreement (as determined by the Secretary).

(B) TERMS OF PAYMENTS.—Sums payable to any State by reason of such State's having an agreement under this section shall be payable, either in advance or by way of reimbursement (as determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this section for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(2) FUNDING.—

(A) IN GENERAL.—Funds in the extended unemployment compensation account (as established by section 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of the Unemployment

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Trust Fund (as established by section 904(a) of such Act (42 U.S.C. 1104(a)) shall be used to make payments to States pursuant to paragraph (1).

(B) TRANSFER OF FUNDS.—Notwithstanding any other provision of law, the Secretary of the Treasury shall transfer from the general fund of the Treasury (from funds not otherwise appropriated) to the extended unemployment compensation account such sums as the Secretary of Labor estimates to be necessary to make payments described in subparagraph (A). There are appropriated from the general fund of the Treasury, without fiscal year limitation, the sums referred to in the preceding sentence and such sums shall not be required to be repaid.

(3) CERTIFICATIONS.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section.

(d) APPLICABILITY.—

(1) IN GENERAL.—An agreement entered into under this section shall apply with respect to weeks—

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(A) beginning on or after March 13, 2020; and

(B) ending on or before January 1, 2021.

(2) TRANSITION RULE FOR INDIVIDUALS REMAINING ENTITLED TO PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION AS OF JANUARY 1, 2021.—In the case of any individual who, as of the date specified in paragraph (1)(B), has not yet exhausted all rights to Pandemic Self-Employment and Job Entrant Compensation under the agreement under subsection (a), Pandemic Self-Employment and Job Entrant Compensation shall continue to be payable to such individual for any week beginning on or after such date for which the individual is otherwise eligible for such Pandemic Self-Employment and Job Entrant Compensation.

(3) TERMINATION.—Notwithstanding any other provision of this subsection, no Pandemic Self-Employment and Job Entrant Compensation shall be payable for any week beginning after June 30, 2021.

(e) FRAUD AND OVERPAYMENTS.—

(1) IN GENERAL.—If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to

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disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of Pandemic Self-Employment and Job Entrant Compensation to which such individual was not entitled, such individual—

(A) shall be ineligible for further Pandemic Self-Employment and Job Entrant Compensation in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation; and

(B) shall be subject to prosecution under section 1001 of title 18, United States Code.

(2) REPAYMENT.—In the case of individuals who have received amounts of Pandemic Self-Employment and Job Entrant Compensation to which they were not entitled, the State shall require such individuals to repay the amounts of such Pandemic Self-Employment and Job Entrant Compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(A) the payment of such Pandemic Self-Employment and Job Entrant Compensation

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was without fault on the part of any such individual; and

(B) such repayment would be contrary to equity and good conscience.

(3) RECOVERY BY STATE AGENCY.—

(A) IN GENERAL.—The State agency may recover the amount to be repaid, or any part thereof, by deductions from any Pandemic Self-Employment and Job Entrant Compensation payable to such individual or from any unemployment compensation payable to such individual under any State or Federal unemployment compensation law administered by the State agency or under any other State or Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the Pandemic Self-Employment and Job Entrant Compensation to which they were not entitled, in accordance with the same procedures as apply to the recovery of overpayments of regular unemployment benefits paid by the State.

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(B) OPPORTUNITY FOR HEARING.—No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(4) REVIEW.—Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

(5) DEPOSIT IN STATE UNEMPLOYMENT FUND.—Any amount recovered by a State agency pursuant to this subsection shall be deposited in the account of such State in the Unemployment Trust Fund.

(f) TREATMENT OF PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION PAYMENTS.—

(1) PAYMENT TO BE DISREGARDED FOR PURPOSES OF ALL FEDERAL AND FEDERALLY ASSISTED PROGRAMS.—A Pandemic Self-Employment and Job Entrant Compensation payment shall not be regarded as income and shall not be regarded as a resource for the month of receipt and the following 9

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months, for purposes of determining the eligibility of the recipient (or the recipient's spouse or family) for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

(2) PAYMENT NOT CONSIDERED INCOME FOR PURPOSES OF TAXATION.—A Pandemic Self-Employment and Job Entrant Compensation payment shall not be considered as gross income for purposes of the Internal Revenue Code of 1986.

(g) DEFINITIONS.—For purposes of this section—

(1) the terms ''compensation'' (except as such term is used in subsection (b)(4)), ''regular compensation'', ''State'', ''State agency'', and ''State law'' have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note); and

(2) the term ''State or private paid leave'' means a benefit which provides full or partial wage replacement to employees on the basis of specifically defined qualifying events described in section 102 of the Family and Medical Leave Act of 1993 or defined by a written employer policy or State law and

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which ends either when the qualifying event is no longer applicable or a set period of benefits is exhausted.

TITLE III—RELIEF FOR GOVERNMENTAL AND NONPROFIT ENTITIES

SEC. 80301. EMERGENCY UNEMPLOYMENT RELIEF FOR GOVERNMENTAL ENTITIES AND NONPROFIT ORGANIZATIONS.

(a) FLEXIBILITY IN PAYING REIMBURSEMENT.—The Secretary of Labor may issue clarifying guidance to allow States to interpret their State unemployment compensation laws in a manner that would provide maximum flexibility to reimbursing employers as it relates to timely payment and assessment of penalties and interest pursuant to such State laws.

(b) FEDERAL FUNDING.—Section 903 of the Social Security Act (42 U.S.C. 1103) is amended by adding at the end the following:

''Transfers for Federal Reimbursement of State Unemployment Funds

''(j)(1)(A) In addition to any other amounts, the Secretary of Labor shall provide for the transfer of funds during the applicable period to the accounts of the States in the Unemployment Trust Fund, by transfer from amounts

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reserved for that purpose in the Federal unemployment account, in accordance with the succeeding provisions of this subsection.

''(B) The amount of funds transferred to the account of a State under subparagraph (A) during the applicable period shall, as determined by the Secretary of Labor, be equal to one half of the amounts of compensation (as defined in section 3306(h) of the Internal Revenue Code of 1986) attributable under the State law to service to which section 3309(a)(1) of such Code applies that were paid by the State for weeks of unemployment beginning and ending during such period. Such transfers shall be made at such times as the Secretary of Labor considers appropriate.

''(C) Notwithstanding any other law, funds transferred to the account of a State under subparagraph (A) shall be used exclusively to reimburse governmental entities and other organizations described in section 3309(a)(2) of such Code for amounts paid (in lieu of contributions) into the State unemployment fund pursuant to such section.

''(D) For purposes of this paragraph, the term 'applicable period' means the period beginning on March 13, 2020, and ending on December 31, 2020.

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''(2)(A) Notwithstanding any other provision of law, the Secretary of the Treasury shall transfer from the general fund of the Treasury (from funds not otherwise appropriated) to the employment security administration account (as established by section 901 of the Social Security Act) such sums as the Secretary of Labor estimates to be necessary for purposes of making the transfers described in paragraph (1).

''(B) There are appropriated from the general fund of the Treasury, without fiscal year limitation, the sums referred to in subparagraph (A) and such sums shall not be required to be repaid.''.

(c) OPERATING INSTRUCTIONS OR OTHER GUIDANCE.—The Secretary of Labor may issue any operating instructions or other guidance necessary to carry out the amendments made by this section.

TITLE IV—EMERGENCY ASSISTANCE FOR RAIL WORKERS

SEC. 80401. WAIVER OF THE 7-DAY WAITING PERIOD FOR BENEFITS UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT.

(a) NO WAITING WEEK.—With respect to any registration period beginning after the date of enactment of this Act and ending on or before December 31, 2020, subparagraphs (A)(ii) and (B)(ii) of section 2(a)(1) of the

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Railroad Unemployment Insurance Act (45 U.S.C. 352(a)(1)) shall not apply.

(b) REGULATIONS.—The Railroad Retirement Board may prescribe any operating instructions or regulations necessary to carry out this section.

(c) DEFINITIONS.—For purposes of this section, ''registration period'' has the meaning given such term under section 1 of the Railroad Unemployment Insurance Act.

SEC. 80402. ENHANCED BENEFITS UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT.

Section 2(a) of the Railroad Unemployment Insurance Act (45 U.S.C. § 352(a)) is amended by adding at the end the following:

''(5)(A) Notwithstanding paragraph (3), subsection (c)(1)(B), and any other limitation on total benefits in this Act, for registration periods beginning on or after April 1, 2020, but on or before December 31, 2020, a recovery benefit in the amount of $1,200 shall be payable to a qualified employee with respect to any registration period in which the employee received unemployment benefits under paragraph (1)(A), and in any registration period in which the employee did not receive unemployment benefits due to the limitation in subsection (c)(1)(B) or due to reaching the maximum number of days of benefits in the

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benefit year beginning July 1, 2019, under subsection (c)(1)(A), and throughout any continuing period of unemployment beginning on or before December 31, 2020, except that no benefit under this section shall be payable after June 30, 2021. No recovery benefits shall be payable under this section upon the exhaustion of the funds appropriated under subparagraph (B) for payment of benefits under this subparagraph.

''(B) Out of any funds in the Treasury not otherwise appropriated, there are appropriated $950,000,000 to cover the cost of recovery benefits provided under subparagraph (A), to remain available until expended.''.

SEC. 80403. EXTENDED UNEMPLOYMENT BENEFITS UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT.

(a) EXTENSION.—Section 2(c)(2)(D)(iii) of the Railroad Unemployment Insurance Act (45 U.S.C. 352(c)(2)(D)(iii)) is amended—

(1) by striking ''July 1, 2008'' and inserting ''July 1, 2019'';

(2) by striking ''June 30, 2013'' and inserting ''June 30, 2020''; and

(3) by striking ''December 31, 2013'' and inserting ''December 31, 2020''.

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(b) CLARIFICATION ON AUTHORITY TO USE FUNDS.—Funds appropriated under either the first or second sentence of clause (iv) of section 2(c)(2)(D) of the Railroad Unemployment Insurance Act shall be available to cover the cost of additional extended unemployment benefits provided under such section 2(c)(2)(D) by reason of the amendments made by subsection (a) as well as to cover the cost of such benefits provided under such section 2(c)(2)(D) as in effect on the day before the date of enactment of this Act.

SEC. 80404. TREATMENT OF PAYMENTS FROM THE RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT.

(a) IN GENERAL.—Section 256(i)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 906(i)(1)) is amended—

(1) in subparagraph (B), by striking ''and'' at the end;

(2) in subparagraph (C), by inserting ''and'' at the end; and

(3) by inserting after subparagraph (C) the following new subparagraph:

''(D) any payment made from the Railroad Unemployment Insurance Account (established by section 10 of the Railroad Unemployment Insurance

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Act) for the purpose of carrying out the Railroad Unemployment Insurance Act, and funds appropriated or transferred to or otherwise deposited in such Account,''.

(b) EFFECTIVE DATE.—The treatment of payments made from the Railroad Unemployment Insurance Account pursuant to the amendment made by subsection (a) shall take effect 7 days after the date of enactment of this Act and shall apply only to obligations incurred on or after such effective date for such payments.

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DIVISION I—FINANCIAL SERVICES

SEC. 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the ''Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations Act''.

(b) TABLE OF CONTENTS.—The table of contents for this division is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. References to this division.
Sec. 3. Severability.

TITLE I—PROTECTING CONSUMERS, RENTERS, HOMEOWNERS AND PEOPLE EXPERIENCING HOMELESSNESS

Sec. 101. Direct stimulus payments for families.
Sec. 102. Suspension of requirements regarding tenant contribution toward rent.
Sec. 103. Temporary moratorium on eviction filings.
Sec. 104. Suspension of other consumer loan payments.
Sec. 105. Emergency rental assistance.
Sec. 106. Emergency homeless assistance.
Sec. 107. Participation of Indian Tribes and tribally designated housing entities in Continuum of Care Program.
Sec. 108. Housing Assistance Fund.
Sec. 109. Mortgage forbearance.
Sec. 110. Bankruptcy protections.
Sec. 111. Debt collection.
Sec. 112. Disaster Protection for Workers' Credit.
Sec. 113. Student loans.
Sec. 114. Waiver of in-person appraisal requirements.
Sec. 115. Supplemental funding for community development block grants.
Sec. 116. COVID–19 Emergency Housing Relief.
Sec. 117. Supplemental funding for service coordinators to assist elderly households.
Sec. 118. Fair housing.
Sec. 119. Continuation of FHA–FFB affordable rental housing financing partnership.
Sec. 120. HUD counseling program authorization.
Sec. 121. Defense Production Act of 1950.

TITLE II—ASSISTING SMALL BUSINESSES AND COMMUNITY FINANCIAL INSTITUTIONS

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Sec. 201. Small Business Credit Facility.
Sec. 202. Small Business Financial Assistance Program.
Sec. 203. Suspension of small business and non-profit loan payments.
Sec. 204. Reauthorization of the State Small Business Credit Initiative Act of 2010.
Sec. 205. Funding of the Initiative to Build Growth Equity Funds for Minority Businesses.
Sec. 206. Community Development Financial Institutions Fund supplemental appropriation authorization.
Sec. 207. Minority depository institution.
Sec. 208. Loans to MDIs and CDFIs.
Sec. 209. Insurance of transaction accounts.

TITLE III—SUPPORTING STATE, TERRITORY, AND LOCAL GOVERNMENTS

Sec. 301. Muni Facility.
Sec. 302. Temporary waiver and reprogramming authority.

TITLE IV—PROMOTING FINANCIAL STABILITY AND TRANSPARENT MARKETS

Sec. 401. Temporary halt to rulemakings unrelated to COVID–19.
Sec. 402. Temporary ban on stock buybacks.
Sec. 403. Disclosures related to supply chain disruption risk.
Sec. 404. Disclosures related to global pandemic risk.
Sec. 405. Oversight of Federal aid related to COVID–19.
Sec. 406. International financial institutions.
Sec. 407. Conditions on Federal aid to corporations.
Sec. 408. Authority for warrants and debt instruments.
Sec. 409. Authorization to participate in the New Arrangements to Borrow of the International Monetary Fund.
Sec. 410. Emergency relief through loans and loan guarantees.
Sec. 411. Limitation on certain employee compensation.
Sec. 412. International Finance Corporation.
Sec. 413. Oversight and Reports.
Sec. 414. Technical corrections.
Sec. 415. Definitions.
Sec. 416. Rule of construction.

TITLE V—INVESTING IN A SUSTAINABLE RECOVERY

Sec. 501. Housing is infrastructure.
Sec. 502. Improving Corporate Governance Through Diversity.
Sec. 503. Diverse Investment Advisers.
Sec. 504. Financial Literacy Education Commission Emergency Response.
Sec. 505. Interagency Pandemic Guidance for Consumers.
Sec. 506. SEC Pandemic Guidance for Investors.
Sec. 507. Updates of the Pandemic Influenza Plan and National Planning Frameworks.

SEC. 2. REFERENCES TO THIS DIVISION.

In this division, any reference to ''this Act'' shall be deemed a reference to this division.

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SEC. 3. SEVERABILITY.

If any provision of this Act or the application of such provision to any person or circumstance is held to be unconstitutional, the remainder of this Act, and the application of the provisions of this Act, to any person or circumstance shall not be affected thereby.

TITLE I—PROTECTING CONSUMERS, RENTERS, HOMEOWNERS AND PEOPLE EXPERIENCING HOMELESSNESS

[SEC. 101. DIRECT STIMULUS PAYMENTS FOR FAMILIES.

[(a) DEFINITIONS.—In this section:]

[(1) DIGITAL DOLLAR.—The term ''digital dollar'' shall mean—]

[(A) a balance expressed as a dollar value consisting of digital ledger entries that are recorded as liabilities in the accounts of any Federal reserve bank; or]

[(B) an electronic unit of value, redeemable by an eligible financial institution (as determined by the Board of Governors of the Federal Reserve System).]

[(2) DIGITAL DOLLAR WALLET.—The term ''digital dollar wallet'' shall mean a digital wallet or account, maintained by a Federal reserve bank on behalf of any person, that represents holdings in an

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electronic device or service that is used to store digital dollars that may be tied to a digital or physical identity.]

[(3) MEMBER BANK.—The term ''member bank'' means a member bank of the Board of Governors of the Federal Reserve System.]

[(4) PASS-THROUGH DIGITAL DOLLAR WALLET.—The term ''pass-through digital dollar wallet'' means a digital wallet or account, maintained by a member bank on behalf of a qualified individual, where such qualified individual is entitled to a pro rata share of a pooled reserve balance that the member bank maintains at any Federal reserve bank.]

[(5) QUALIFIED INDIVIDUAL DEFINED.—The term ''qualified individual'' means any individual other than any nonresident alien individual.]

[(b) EMERGENCY STIMULUS CHECK IMPLEMENTATION.—]

[(1) PAYMENTS.—The Secretary of the Treasury, acting through the Commissioner of the Internal Revenue Service, shall make monthly emergency payments to qualified individuals beginning on the first day of the first month beginning after the date of the enactment of this Act and ending on the later of—]

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[(A) the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act with respect to the COVID–19 pandemic; and]

[(B) the date on which—]

[(i) the national unemployment rate (as determined by the Bureau of Labor Statistics) is within 2 percentage points of the national unemployment rate on the date of enactment of this Act; and]

[(ii) the 3-month average of the national unemployment rate has declined for two consecutive months.]

[(2) AMOUNT OF PAYMENTS.—

[(A) IN GENERAL.—With respect to a qualified individual, the amount of each monthly payment under paragraph (1) shall be as follows:]

[(i) For a qualified individual age 18 or older, $2,000.]

[(ii) For a qualified individual under age 18, $1,000.]

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[(B) INCOME LIMITATION.—The amount of a payment under subparagraph (A) shall be reduced (but not below zero) by 5 percent of so much of the individual's adjusted gross income as exceeds $75,000. The Secretary of the Treasury shall adjust such amount as appropriate to account for individuals filing joint returns.]

[(3) METHOD OF DELIVERY.—

[(A) IN GENERAL.—The Secretary of the Treasury, acting through the Commissioner of the Internal Revenue Service, shall make the payments required under paragraph (1)—]

[(i) first, by direct deposit (including to a pass-through digital dollar wallet), if the Commissioner has sufficient information to make direct deposit payments to the applicable individual; and]

[(ii) otherwise, by check.]

[(B) OUTREACH.—The Secretary of the Treasury, acting through the Commissioner of the Internal Revenue Service, shall establish a system for a qualified individual to provide the Internal Revenue Service with the individual's

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direct deposit information and shall perform outreach to inform the public of such system.]

[(4) ACCESSING PAYMENTS.—If a payment is deposited (by any method) into an account of a qualified individual at an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act) or insured credit union (as defined in section 101 of the Federal Credit Union Act), such funds shall be available for withdrawal on the same day, to the fullest extent possible.]

[(5) FUNDING.—The Secretary of the Treasury shall, before each monthly payment required under subsection (a), notify the Board of Governors of the Federal Reserve System of the aggregate amount of such payment, and the Board of Governors shall issue notes in such amount and transfer such notes to the Secretary of the Treasury for use in making such payments.]

[(c) MANDATE FOR MEMBER BANKS TO MAINTAIN PASS-THROUGH DIGITAL DOLLAR WALLETS.—]

[(1) OBLIGATIONS OF MEMBER BANKS.—

[(A) IN GENERAL.—Member banks are hereby directed to establish and maintain pass-through digital dollar wallets for all persons eligible to receive payments from the United

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States pursuant to this Act who elect to deposit such payments into a pass-through digital dollar wallet.]

[(B) SEPARATE ENTITY.—

[(i) IN GENERAL.—Each member bank shall establish and maintain a separate legal entity for the exclusive purpose of holding all assets and maintaining all liabilities associated with pass-through digital dollar wallets.]

[(ii) ASSETS.—The assets of any entity described in this paragraph shall consist exclusively of a balance maintained in a master account at a Federal reserve bank, and the liabilities or obligations of the entity shall consist exclusively of an equal quantity of balances maintained by holders of pass-through digital dollar wallets.]

[(iii) SEPARATE ASSETS AND LIABILITIES.—The assets and liabilities of any legal entity described in this paragraph shall not be deemed assets or liabilities of the member bank or its affiliates for purposes of any capital or liquidity regulation

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promulgated by Federal or State banking authorities.]

[(C) APPLICATION.—Member banks with total consolidated assets in excess of $10,000,000,000 shall promptly offer individuals the ability to apply, through online or telephonic means, for a pass-through digital dollar wallets.]

[(2) TERMS.—Member banks shall ensure that a pass-through digital dollar wallet established under this section—]

[(A) may not be subject to any account fees, minimum balances, or maximum balances;]

[(B) shall pay interest at a rate not below the greater of—]

[(i) the rate of interest on required reserves; and]

[(ii) the rate of interest on excess reserves;]

[(C) shall provide functionality and service levels not less favorable than those that the member bank offers for its existing transaction accounts (including with respect to access to debit cards and automated teller machines, on-

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line account access, automatic bill-pay and mobile banking services, customer service, and such other services as the Board determines), except that pass-through digital dollar wallet shall not include overdraft coverage;]

[(D) shall be prominently branded in all account statements, marketing materials, and other communications of the member bank as a ''pass-through FedAccount'' maintained by the member bank on behalf of the Board of Governors of the Federal Reserve System;]

[(E) may not be closed or restricted by the member bank on the basis of profitability considerations; and]

[(F) shall provide holders with reasonable protection against losses caused by fraud or security breaches.]

[(3) REIMBURSEMENT FOR COSTS.—

[(A) IN GENERAL.—Each member bank with total consolidated assets not greater than $10,000,000,000 shall be reimbursed each calendar quarter by the relevant Federal reserve bank for actual and reasonable operational costs incurred by the member bank in offering pass-through digital dollar wallets.]

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[(B) RULEMAKING.—The Board of Governors of the Federal Reserve System shall issue rules to carry out subparagraph (A).]

[(4) AUTHORITY OF THE BOARD.—Member banks shall be subject to such rules as may be imposed by the Board of Governors of the Federal Reserve System in connection with maintaining pass-through digital dollar wallets.]

[(d) AUTHORITY FOR STATE NONMEMBER BANKS AND CREDIT UNIONS TO OFFER PASS-THROUGH DIGITAL DOLLAR WALLETS.—The Federal reserve banks shall permit State banks and credit unions that are not member banks to open master accounts for the exclusive purpose of offering pass-through digital dollar wallets in compliance with the requirements of subsection (c). Each State bank or credit union electing to offer pass-through digital wallets shall be entitled to cost reimbursement in accordance with subsection (c)(3).]

[(e) MANDATE FOR FEDERAL RESERVE BANKS TO MAINTAIN DIGITAL DOLLAR WALLETS.—]

[(1) AUTHORIZATION.—Subject to such restrictions, limitations, and regulations as may be imposed by the Board of Governors of the Federal Reserve System, each Federal reserve bank shall maintain digital dollar wallets.]

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[(2) MANDATE.—

[(A) IN GENERAL.—Not later than January 1, 2021, all Federal reserve banks shall make digital dollar wallets available to all citizens and legal permanent residents of the United States and business entities for which the principal place of business is located in the United States.]

[(B) EXCEPTION.—In geographic areas where physical access to a branch of a Federal reserve bank is limited, Federal reserve banks serving such areas shall partner with United States Postal Service branch offices to ensure access and availability to application and account services for digital dollar wallets.]

[(3) TERMS OF DIGITAL DOLLAR WALLETS.—Federal reserve banks shall ensure that digital dollar wallets established under this section—]

[(A) may not be subject to any account fees, minimum balances, or maximum balances;]

[(B) shall pay interest at a rate not below the greater of—]

[(i) the rate of interest on required reserves; and]

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[(ii) the rate of interest on excess reserves;]

[(C) shall provide access to debit cards, online account access, automatic bill-pay and mobile banking services, customer service, and such other services as the Board determines, except that digital dollar wallets shall not include overdraft coverage.]

[(D) shall provide, in conjunction with the United States Postal Service, access to automated teller machines to be maintained on behalf of the Board by the United States Postal Service at branch offices;]

[(E) shall be prominently branded in all account statements, marketing materials, and other communications of the Federal reserve bank as a ''FedAccount'' maintained by the member bank on behalf of the United States of America;]

[(F) may not be closed or restricted on the basis of profitability considerations; and]

[(G) shall provide holders with reasonable protection against losses caused by fraud or security breaches.]

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[(4) BANK SECRECY ACT.—In establishing and maintaining digital dollar wallets, each Federal reserve bank shall comply with section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b), section 123 of Public Law 91–508, subchapter II of chapter 53 of title 31, United States Code.]

[(5) PENALTIES.—The Board of Governors of the Federal Reserve System shall, by rule, establish penalties applicable to Federal reserve banks and employees of such banks for violations of privacy obligations relating to digital dollar wallets that are similar to the penalties imposed by the Commissioner of the Internal Revenue Service with respect to violations of privacy obligations relating to Federal tax returns.]

[(f) REGULATIONS.—The Board of Governors of the Federal Reserve System shall promulgate regulations to carry out this section.]

SEC. 102. SUSPENSION OF REQUIREMENTS REGARDING TENANT CONTRIBUTION TOWARD RENT.

(a) SUSPENSION.—Notwithstanding any other provision of law, the obligation of each tenant household of a dwelling unit in assisted housing to pay any contribution toward rent for occupancy in such dwelling unit shall be suspended with respect to such occupancy during the pe-

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riod beginning on the date of the enactment of this Act and ending 6 months after the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(b) FEDERAL REIMBURSEMENT PAYMENTS.—To the extent that amounts are made available pursuant to subsection (e) for reimbursements under this subsection, the Secretary of Housing and Urban Development or the Secretary of Agriculture, as appropriate, shall—

(1) provide owners of assisted housing and public housing agencies for any amounts in rent not received as a result of subsection (a), plus the amount of any increases in costs of administering and maintaining such housing to the extent only that such increases result from the public health emergency relating to Coronavirus Disease 2019 (COVID–19); and

(2) in the case of public housing agencies providing assistance under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)), reimburse such agencies in an amount sufficient to cover any increase in housing assistance payments

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resulting from the suspension of tenant rent payments pursuant to subsection (a), plus the amount of any increases in the cost of administering such assistance to the extent only that such increases result from the public health emergency relating to Coronavirus Disease 2019 (COVID–19).

(c) PROHIBITIONS.—

(1) ON FINES.—No tenant or tenant household may be charged a fine or fee for nonpayment of rent in accordance with subsection (a) and such nonpayment of rent shall not be grounds for any termination of tenancy or eviction.

(2) ON DEBT.—No tenant or tenant household may be treated as accruing any debt by reason of suspension of contribution of rent under subsection (a).

(3) ON REPAYMENT.—held liable for repayment of any amount of rent contribution suspended under subsection (a).

(4) ON CREDIT SCORES.—The nonpayment of rent by a tenant or tenant household shall not be reported to a consumer reporting agency nor shall such nonpayment adversely affect a tenant or member of a tenant household's credit score.

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(d) ASSISTED HOUSING.—For purposes of this section, the term ''assisted housing'' means housing or a dwelling unit assisted under—

(1) section 213, 220, 221(d)(3), 221(d)(4), 223(e), 231, or 236 of the National Housing Act (12 U.S.C. 1715l(d)(3), (d)(4), or 1715z–1);

(2) section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s);

(3) section 202 of the Housing Act of 1959 (12 U.S.C. 1701q);

(4) section 811 of the Cranston-Gonzales National Affordable Housing Act (42 U.S.C. 8013);

(5) title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12701 et seq.);

(6) subtitle D of title VIII of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12901 et seq.);

(7) title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.);

(8) section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f);

(9) the public housing program under title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.); or

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(10) section 514, 515, 516, 521(a)(2), 538, or 542 of the Housing Act of 1949 (42 U.S.C. 1484, 1485, 1486, 1490a(a)(2), 1490p-2, 1490r).

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated such sums as may be necessary to make payments under subsection (b) to all owners of assisted housing and public housing agencies.

SEC. 103. TEMPORARY MORATORIUM ON EVICTION FILINGS.

(a) CONGRESSIONAL FINDINGS.—The Congress finds that—

(1) according to the 2018 American Community Survey, 36 percent of households in the United States—more than 43 million households—are renters;

(2) in 2019 alone, renters in the United States paid $512 billion in rent;

(3) according to the Joint Center for Housing Studies of Harvard University, 20.8 million renters in the United States spent more than 30 percent of their incomes on housing in 2018 and 10.9 million renters spent more than 50 percent of their incomes on housing in the same year;

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(4) Moody's Analytics estimates that 27 million jobs in the U.S. economy are at high risk because of COVID–19;

(5) the impacts of the spread of COVID–19, which is now considered a global pandemic, are expected to negatively impact the incomes of potentially millions of renter households, making it difficult for them to pay their rent on time; and

(6) evictions in the current environment would increase homelessness and housing instability which would be counterproductive towards the public health goals of keeping individuals in their homes to the greatest extent possible.

(b) MORATORIUM.—During the period beginning on the date of the enactment of this Act and ending on the date described in paragraph (1) of subsection (d), the lessor of a covered dwelling may not make, or cause to be made, any filing with the court of jurisdiction to initiate a legal action to recover possession of the covered dwelling from the tenant regardless of cause, except when a tenant perpetrates a serious criminal act that threatens the health, life, or safety of other tenants, owners, or staff of the property in which the covered dwelling is located.

(c) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

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(1) COVERED DWELLING.—The term ''covered dwelling'' means a dwelling that is occupied by a tenant—

(A) pursuant to a residential lease; or

(B) without a lease or with a lease terminable at will under State law.

(2) DWELLING.—The term ''dwelling'' has the meaning given such term in section 802 of the Fair Housing Act (42 U.S.C. 3602) and includes houses and dwellings described in section 803(b) of such Act (42 U.S.C. 3603(b)).

(d) SUNSET.—

(1) SUNSET DATE.—The date described in this paragraph is the date of the expiration of the 6-month period that begins upon the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) NOTICE TO VACATE AFTER SUNSET DATE.—After the date described in paragraph (1), the lessor of a covered dwelling may not require the tenant to vacate the covered dwelling before the ex-

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piration of the 30-day period that begins upon the provision by the lessor to the tenant, after the date described in paragraph (1), of a notice to vacate the covered dwelling.

SEC. 104. SUSPENSION OF OTHER CONSUMER LOAN PAYMENTS.

(a) IN GENERAL.—During the COVID–19 emergency, a debt collector may not, with respect to a debt of a consumer (other than debt related to a federally related mortgage loan)—

(1) capitalize unpaid interest;

(2) apply a higher interest rate triggered by the nonpayment of a debt to the debt balance;

(3) charge a fee triggered by the nonpayment of a debt;

(4) sue or threaten to sue for nonpayment of a debt;

(5) continue litigation to collect a debt that was initiated before the date of enactment of this section;

(6) submit or cause to be submitted a confession of judgment to any court;

(7) enforce a security interest through repossession, limitation of use, or foreclosure;

(8) take or threaten to take any action to enforce collection, or any adverse action for non-

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payment of a debt, or for nonappearance at any hearing relating to a debt;

(9) commence or continue any action to cause or to seek to cause the collection of a debt, including pursuant to a court order issued before the end of the 120-day period following the end of the COVID–19 emergency, from wages, Federal benefits, or other amounts due to a consumer by way of garnishment, deduction, offset, or other seizure;

(10) cause or seek to cause the collection of a debt, including pursuant to a court order issued before the end of the 120-day period following the end of the COVID–19 emergency, by levying on funds from a bank account or seizing any other assets of a consumer;

(11) commence or continue an action to evict a consumer from real or personal property; or

(12) disconnect or terminate service from utility service, including electricity, natural gas, telecommunications or broadband, water, or sewer.

(b) RULE OF CONSTRUCTION.—Nothing in this section may be construed to prohibit a consumer from voluntarily paying, in whole or in part, a debt.

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(c) REPAYMENT PERIOD.—After the expiration of the COVID–19 emergency, with respect to a debt described under subsection (a), a debt collector—

(1) may not add to the debt balance any interest or fee prohibited by subsection (a);

(2) shall, for credit with a defined term or payment period, extend the time period to repay the debt balance by 1 payment period for each payment that a consumer missed during the COVID–19 emergency, with the payments due in the same amounts and at the same intervals as the pre-existing payment schedule;

(3) shall, for an open end credit plan (as defined under section 103 of the Truth in Lending Act) or other credit without a defined term, allow the consumer to repay the debt balance in a manner that does not exceed the amounts permitted by formulas under section 170(c) of the Truth in Lending Act and regulations promulgated thereunder;

(4) shall, when the consumer notifies the debt collector, offer reasonable and affordable repayment plans, loan modifications, refinancing, options with a reasonable time in which to repay the debt.

(d) COMMUNICATIONS IN CONNECTION WITH THE COLLECTION OF A DEBT.—

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(1) IN GENERAL.—During the COVID–19 emergency, without prior consent of a consumer given directly to a debt collector during the COVID–19 emergency, or the express permission of a court of competent jurisdiction, a debt collector may only communicate in writing in connection with the collection of any debt (other than debt related to a federally related mortgage loan).

(2) REQUIRED DISCLOSURES.—

(A) IN GENERAL.—All written communications described under paragraph (1) shall inform the consumer that the communication is for informational purposes and is not an attempt to collect a debt.

(B) REQUIREMENTS.—The disclosure required under subparagraph (A) shall be made—

(i) in type or lettering not smaller than 14–point bold type;

(ii) separate from any other disclosure;

(iii) in a manner designed to ensure that the recipient sees the disclosure clearly;

(iv) in English and Spanish and in any additional languages in which the debt

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collector communicates, including the language in which the loan was negotiated, to the extent known by the debt collector; and

(v) may be provided by first-class mail or electronically, if the borrower has otherwise consented to electronic communication with the debt collector and has not revoked such consent.

(C) ORAL NOTIFICATION.—Any oral notification shall be provided in the language the debt collector otherwise uses to communicate with the borrower.

(D) WRITTEN TRANSLATIONS.—In providing written notifications in languages other than English in this Section, a debt collector may rely on written translations developed by the Bureau of Consumer Financial Protection.

(e) VIOLATIONS.—

(1) IN GENERAL.—Any person who violates this section shall—

(A) except as provided under subparagraph (B), be subject to civil liability in accordance with section 813 of the Fair Debt Collection Practices Act, as if the person is a debt collector for purposes of that section; and

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(B) be liable to the consumer for an amount 10 times the amounts described in such section 813, for each violation.

(2) PREDISPUTE ARBITRATION AGREEMENTS.—Notwithstanding any other provision of law, no predispute arbitration agreement or predispute joint-action waiver shall be valid or enforceable with respect to a dispute brought under this section, including a dispute as to the applicability of this section, which shall be determined under Federal law.

(f) TOLLING.—Except as provided in subsection (g)(5), any applicable time limitations, including statutes of limitations, related to a debt under Federal or State law shall be tolled during the COVID–19 emergency.

(g) CLAIMS OF AFFECTED CREDITORS AND DEBT COLLECTORS.—

(1) VALUATION OF PROPERTY.—With respect to any action asserting a taking under the Fifth Amendment of the Constitution of the United States as a result of this section or seeking a declaratory judgment regarding the constitutionality of this section, the value of the property alleged to have been taken without just compensation shall be evaluated—

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(A) with consideration of the likelihood of full and timely payment of the obligation without the actions taken pursuant to this section; and

(B) without consideration of any assistance provided directly or indirectly to the consumer from other Federal, State, and local government programs instituted or legislation enacted in response to the COVID–19 emergency.

(2) SCOPE OF JUST COMPENSATION.—In an action described in paragraph (1), any assistance or benefit provided directly or indirectly to the person from other Federal, State, and local government programs instituted in or legislation enacted response to the COVID–19 emergency, shall be deemed to be compensation for the property taken, even if such assistance or benefit is not specifically provided as compensation for property taken by this section.

(3) APPEALS.—Any appeal from an action under this section shall be treated under section 158 of title 28, United States Code, as if it were an appeal in a case under title 11, United States Code.

(4) REPOSE.—Any action asserting a taking under the Fifth Amendment to the Constitution of

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the United States as a result of this section shall be brought within not later than 180 days after the end of the COVID–19 emergency.

(h) CREDIT FACILITY FOR OTHER PURPOSES.—

(1) ESTABLISHMENT.—The Board of Governors of the Federal Reserve System shall establish a facility that the Board of Governors shall use to make payments to covered financial institutions to compensate such institutions for documented financial losses caused by the suspension of payments required under this section .

(2) COVERED FINANCIAL INSTITUTION DEFINED.—In this subsection, the term ''covered financial institution'' means the holder of a loan described under this section.

(i) DEFINITIONS.—In this section:

(1) CONSUMER.—The term ''consumer'' means any individual obligated or allegedly obligated to pay any debt.

(2) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under

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the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(3) CREDITOR.—The term ''creditor'' means—

(A) any person who offers or extends credit creating a debt or to whom a debt is owed or other obligation for payment;

(B) any lessor of real or personal property; or

(C) any provider of utility services.

(4) DEBT.—The term ''debt''—

(A) means any obligation or alleged obligation that is or during the COVID emergency becomes past due—

(i) for which the original agreement, or if there is no agreement, the original obligation to pay was created before the COVID emergency, whether or not such obligation has been reduced to judgment; and

(ii) that arises out of a transaction with a consumer; and

(B) does not include a federally related mortgage loan.

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(5) DEBT COLLECTOR.—The term ''debt collector'' means a creditor, and any person or entity that engages in the collection of debt, including the Federal Government and a State government, irrespective of whether the debt is allegedly owed to or assigned to that person or to the entity.

(6) FEDERALLY RELATED MORTGAGE LOAN.—The term ''federally related mortgage loan'' has the meaning given that term under section 3 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2602).

SEC. 105. EMERGENCY RENTAL ASSISTANCE.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for grants under the Emergency Solutions Grants program under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371 et seq.) $100,000,000,000 for grants under such subtitle only for providing rental assistance in accordance with section 415(a)(4) of such Act (42 U.S.C. 11374(a)(4)) and this section to respond to needs arising from the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

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(b) INCOME TARGETING.—For purposes of assistance made available with amounts made available pursuant to subsection (a)—

(1) section 401(1)(A) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11360(1)(A)) shall be applied by substituting ''80 percent'' for ''30 percent''; and

(2) each grantee of such amounts shall use not less than 50 percent of the amounts received only for providing assistance for persons or families experiencing homelessness or at risk of homelessness, who have incomes not exceeding 50 percent of the median income for the relevant geographic area; except that the Secretary may waive the requirement under this paragraph if the grantee demonstrates to the satisfaction of the Secretary that the population in the geographic area served by the grantee having such incomes is sufficiently being served with respect to activities eligible for funding with such amounts.

(c) DEFINITION OF AT RISK OF HOMELESSNESS.—For purposes of assistance made available with amounts made available pursuant to subsection (a), section 401(1) of the McKinney-Vento Homeless Assistance Act shall be applied, during the period that begins on the date of the enactment of this Act and ends upon the expiration of the

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6-month period that begins upon the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic, as if subparagraph (C) were repealed.

(d) 3-YEAR AVAILABILITY.—Each grantee of amounts made available pursuant to subsection (a) shall expend—

(1) at least 60 percent of such grant amounts within 2 years of the date that such funds became available to the grantee for obligation; and

(2) 100 percent of such grant amounts within 3 years of such date.

The Secretary may recapture any amounts not expended in compliance with paragraph (1) of this subsection and reallocate such amounts to grantees in compliance with the formula referred to in subsection (h)(1)(A) of this section.

(e) RENT RESTRICTIONS.—Paragraph (1) of section 576.106(d) of the Secretary's regulations (24 C.F.R. 576.106(d)(1)) shall be applied, with respect to rental assistance made available with amounts made available pur-

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suant to subsection (a), by substituting ''120 percent of the Fair Market Rent'' for ''the Fair Market Rent''.

(f) SUBLEASES.—Notwithstanding the second sentence of subsection (g) of section 576.106 of the Secretary's regulations (24 C.F.R. 576.106(g)), a program participant may sublet, with rental assistance made available with amounts made available pursuant to subsection (a) of this section, a dwelling unit from a renter of the dwelling unit if there is a legally binding, written lease agreement for such sublease.

(g) HOUSING RELOCATION OR STABILIZATION ACTIVITIES.—A grantee of amounts made available pursuant to subsection (a) may expend up to 20 percent of its allocation for activities under section 415(a)(5) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a)(5)).

(h) ALLOCATION OF ASSISTANCE.—

(1) IN GENERAL.—In allocating amounts made available pursuant to subsection (a), the Secretary of Housing and Urban Development shall—

(A) not later than 30 days after the date of the enactment of this Act, allocate any such amounts that do not exceed $50,000,000,000 under the formula specified in subsections (a), (b), and (e) of section 414 of the McKinney-

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Vento Homeless Assistance Act (42 U.S.C. 11373) to, and notify, each State, metropolitan city, and urban county that is to receive a direct grant of such amounts; and

(B) not later than 120 days after the date of the enactment of this Act, allocate any remaining amounts to eligible grantees by a formula to be developed by the Secretary of Housing and Urban Development that takes into consideration the formula referred to in subparagraph (A) of this paragraph, and the need for emergency rental assistance under this section, including severe housing cost burden among extremely low- and very low-income renters and disruptions in housing and economic conditions, including unemployment.

(2) ALLOCATIONS TO STATES.—A State recipient of an allocation under this section may elect to directly administer up to 50 percent of its allocation to carry out activities eligible under this section.

(3) ELECTION NOT TO ADMINISTER.—If a grantee elects not to receive funds under this section, such funds shall be allocated to the State recipient in which the grantee is located.

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(i) INAPPLICABILITY OF MATCHING REQUIREMENT.—Subsection (a) of section 416 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11375(a)) shall not apply to any amounts made available pursuant to subsection (a) of this section.

(j) PROHIBITION ON PREREQUISITES.—None of the funds authorized under this section may be used to require people experiencing homelessness to receive treatment or perform any other prerequisite activities as a condition for receiving shelter, housing, or other services.

(k) PUBLIC HEARINGS.—

(1) INAPPLICABILITY OF IN-PERSON HEARING REQUIREMENTS.—A grantee may not be required to hold in-person public hearings in connection with its citizen participation plan, but shall provide citizens with notice and a reasonable opportunity to comment of not less than 15 days. Following the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic, and after the period de-

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scribed in paragraph (2), the Secretary shall direct grantees to resume pre-crisis public hearing requirements.

(2) VIRTUAL PUBLIC HEARINGS.—During the period that national or local health authorities recommend social distancing and limiting public gatherings for public health reasons, a grantee may fulfill applicable public hearing requirements for all grants from funds made available pursuant to this section by carrying out virtual public hearings. Any such virtual hearings shall provide reasonable notification and access for citizens in accordance with the grantee's certifications, timely responses from local officials to all citizen questions and issues, and public access to all questions and responses.

(l) ADMINISTRATION.—Of any amounts made available pursuant to subsection (a), not more than the lesser of 0.5 percent, or $15,000,000, may be used for staffing, training, technical assistance, technology, monitoring, research, and evaluation activities necessary to carry out the program carried out under this section, and such amounts shall remain available until September 30, 2024.

SEC. 106. EMERGENCY HOMELESS ASSISTANCE.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated under the Emergency Solu-

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tions Grants program under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371 et seq.) $15,500,000,000 for grants under such subtitle in accordance with this section to respond to needs arising from the public health emergency relating to Coronavirus Disease 2019 (COVID–19).

(b) FORMULA.—Notwithstanding sections 413 and 414 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11372, 11373), the Secretary of Housing and Urban Development (in this Act referred to as the ''Secretary'') shall allocate amounts made available pursuant to subsection (a) in accordance with a formula to be established by the Secretary that takes into consideration the following factors:

(1) Risk of transmission of coronavirus in a jurisdiction.

(2) Whether a jurisdiction has a high number or rate of sheltered and unsheltered homeless individuals and families.

(3) Economic and housing market conditions in a jurisdiction.

(c) ELIGIBLE ACTIVITIES.—In addition to eligible activities under section 415(a) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a), amounts

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made available pursuant to subsection (a) may also be used for costs of the following activities:

(1) Providing training on infectious disease prevention and mitigation.

(2) Providing hazard pay, including for time worked before the effectiveness of this clause, for staff working directly to prevent and mitigate the spread of coronavirus or COVID–19 among people experiencing or at risk of homelessness.

(3) Reimbursement of costs for eligible activities (including activities described in this paragraph) relating to preventing, preparing for, or responding to the coronavirus or COVID–19 that were accrued before the date of the enactment of this Act.

Use of such amounts for activities described in this paragraph shall not be considered use for administrative purposes for purposes of section 418 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11377).

(d) INAPPLICABILITY OF PROCUREMENT STANDARDS.—To the extent amounts made available pursuant to subsection (a) are used to procure goods and services relating to activities to prevent, prepare for, or respond to the coronavirus or COVID–19, the standards and requirements regarding procurement that are otherwise applicable shall not apply.

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(e) INAPPLICABILITY OF HABITABILITY AND ENVIRONMENTAL REVIEW STANDARDS.—Any Federal standards and requirements regarding habitability and environmental review shall not apply with respect to any emergency shelter that is assisted with amounts made available pursuant to subsection (a) and has been determined by a State or local health official, in accordance with such requirements as the Secretary shall establish, to be necessary to prevent and mitigate the spread of coronavirus or COVID–19, such shelters.

(f) INAPPLICABILITY OF CAP ON EMERGENCY SHELTER ACTIVITIES.—Subsection (b) of section 415 of the McKinney-Vento Homeless Assistance Act shall not apply to any amounts made available pursuant to subsection (a)(1) of this section.

(g) INITIAL ALLOCATION OF ASSISTANCE.—Section 417(b) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11376(b)) shall be applied with respect to amounts made available pursuant to subsection (a) by substituting ''30-day'' for ''60-day''.

(h) WAIVERS AND ALTERNATIVE REQUIREMENTS.—

(1) AUTHORITY.—In administering amounts made available pursuant to subsection (a), the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation

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(except for any requirements related to fair housing, nondiscrimination, labor standards, and the environment) that the Secretary administers in connection with the obligation or use by the recipient of such amounts, if the Secretary finds that good cause exists for the waiver or alternative requirement and such waiver or alternative requirement is consistent with the purposes described in this subsection.

(2) EFFECTIVENESS; APPLICABILITY.—Any such waivers shall be deemed to be effective as of the date a State or unit of local government began preparing for coronavirus and shall apply to the use of amounts made available pursuant to subsection (a) and amounts provided in prior appropriation Acts for fiscal year 2020 under the heading ''Department of Housing and Urban Development—Community Planning and Development—Community Development Fund'' and used by recipients for the purposes described in this subsection.

(3) NOTIFICATION.—The Secretary shall notify the public through the Federal Register or other appropriate means 5 days before the effective date of any such waiver or alternative requirement, and any such public notice may be provided on the Internet at the appropriate Government web site or through

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other electronic media, as determined by the Secretary.

(4) EXEMPTION.—The use of amounts made available pursuant to subsection (a) shall not be subject to the consultation, citizen participation, or match requirements that otherwise apply to the Emergency Solutions Grants program, except that a recipient shall publish how it has and will utilize its allocation at a minimum on the Internet at the appropriate Government web site or through other electronic media.

(i) INAPPLICABILITY OF MATCHING REQUIREMENT.—Subsection (a) of section 416 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11375(a)) shall not apply to any amounts made available pursuant to subsection (a) of this section.

(j) PROHIBITION ON PREREQUISITES.—None of the funds authorized under this section may be used to require people experiencing homelessness to receive treatment or perform any other prerequisite activities as a condition for receiving shelter, housing, or other services.

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SEC. 107. PARTICIPATION OF INDIAN TRIBES AND TRIBALLY DESIGNATED HOUSING ENTITIES IN CONTINUUM OF CARE PROGRAM.

(a) IN GENERAL.—Title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11360 et seq.) is amended—

(1) in section 401 (42 U.S.C. 11360)—

(A) by redesignating paragraphs (10) through (33) as paragraphs (12) through (35), respectively;

(B) by redesignating paragraphs (8) and (9) as paragraphs (9) and (10), respectively;

(C) by inserting after paragraph (7) the following:

''(8) FORMULA AREA.—The term 'formula area' has the meaning given the term in section 1000.302 of title 24, Code of Federal Regulations, or any successor regulation.'';

(D) in paragraph (9), as so redesignated, by inserting ''a formula area,'' after ''non-entitlement area,''; and

(E) by inserting after paragraph (10), as so redesignated, the following:

''(11) INDIAN TRIBE.—The term 'Indian Tribe' has the meaning given the term 'Indian tribe' in section 4 of the Native American Housing Assistance

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and Self-Determination Act of 1996 (25 U.S.C. 4103).''; and

(2) in subtitle C (42 U.S.C. 11381 et seq.), by adding at the end the following:

''SEC. 435. PARTICIPATION OF INDIAN TRIBES AND TRIBALLY DESIGNATED HOUSING ENTITIES.

''Notwithstanding any other provision of this title, for purposes of this subtitle, an Indian Tribe or tribally designated housing entity (as defined in section 4 of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103)) may—

''(1) be a collaborative applicant or eligible entity; or

''(2) receive grant amounts from another entity that receives a grant directly from the Secretary, and use the amounts in accordance with this subtitle.''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table of contents in section 101(b) of the McKinney-Vento Homeless Assistance Act (Public Law 100–77; 101 Stat. 482) is amended by inserting after the item relating to section 434 the following:

''Sec. 435. Participation of Indian Tribes and tribally designated housing entities.''.

SEC. 108. HOUSING ASSISTANCE FUND.

(a) DEFINITIONS.—In this section:

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(1) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(2) STATE.—The term ''State'' means any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands.

(b) ESTABLISHMENT OF FUND.—There is established at the Department of the Treasury a Housing Assistance Fund to provide such funds as are allocated in subsection (f) to State housing finance agencies for the purpose of preventing homeowner mortgage defaults, foreclosures, and displacements of individuals and families experiencing financial hardship after January 21, 2020.

(c) ALLOCATION OF FUNDS.—

(1) IN GENERAL.—The Secretary of the Treasury shall establish such criteria as are necessary to allocate the funds available within the Housing Assistance Fund to each State. The Secretary shall allocate such funds among all States taking into consideration the number of unemployment claims within a State relative to the nation-wide number of unemployment claims.

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(2) SMALL STATE MINIMUM.—Each State shall receive no less than $125,000,000 for the purposes established in subsection (b).

(d) DISBURSEMENT OF FUNDS.—

(1) INITIAL DISBURSEMENT.—The Secretary shall disburse to the State housing finance agencies not less than ½ of the amount made available pursuant to this section, and in accordance with the allocations established under subsection (c), not later than 120 days after the date of enactment of this Act. The Secretary or designee shall enter into a contract with each State housing finance agency, which may be amended from time to time, establishing the terms of the use of such funds prior to the disbursement of such funds.

(2) SECOND DISBURSEMENT.—The Secretary shall disburse all funds made available pursuant to this section, and in accordance with the allocations established under subsection (c), not later than 180 days after the date of enactment of this Act.

(e) PERMISSIBLE USES OF FUND.—

(1) IN GENERAL.—Funds made available to State housing finance agencies pursuant to this section may be used for the purposes established under subsection (b), which may include—

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(A) mortgage payment assistance;

(B) financial assistance to allow a borrower to reinstate their mortgage following a period of forbearance;

(C) principal reduction;

(D) utility payment assistance, including electric, gas, and water payment assistance;

(E) any program established under the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets;

(F) reimbursement of funds expended by a State or local government during the period beginning on January 21, 2020, and ending on the date that the first funds are disbursed by the State under the Housing Assistance Fund, for the purpose of providing housing or utility assistance to individuals or otherwise providing funds to prevent foreclosure or eviction of a homeowner or prevent mortgage delinquency or loss of housing or critical utilities as a response to the coronavirus disease 2019 (COVID–19) pandemic; and

(G) any other assistance to prevent eviction, mortgage delinquency or default, foreclosure, or the loss of essential utility services.

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(2) ADMINISTRATIVE EXPENSES.—Not greater than 10 percent of the amount allocated to a State pursuant to subsection (c) may be used by a State housing financing agency for administrative expenses. Any amounts allocated to administrative expenses that are no longer necessary for administrative expenses may be used in accordance with paragraph (1).

(f) APPROPRIATION.—There is appropriated, out of amounts in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 2020, to remain available until expended or transferred or credited under subsection (h), $35,000,000,000 to the Housing Assistance Fund established under subsection (b).

(g) USE OF HOUSING FINANCE AGENCY INNOVATION FUND FOR THE HARDEST HIT HOUSING MARKETS FUNDS.—A State housing finance agency may reallocate any administrative or programmatic funds it has received as an allocation from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets created pursuant to section 101(a) of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5211(a)) that have not been otherwise allocated or disbursed as of the date of enactment of this Act to supplement any administrative or programmatic funds received from the Housing Assist-

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ance Fund. Such reallocated funds shall not be considered when allocating resources from the Housing Assistance Fund using the process established under subsection (c) and shall remain available for the uses permitted and under the terms and conditions established by the contract with Secretary created pursuant to subsection (d)(1) and the terms of subsection (h).

(h) RESCISSION OF FUNDS.—Any funds that have not been allocated by a State housing finance agency to provide assistance as described under subsection (e) by December 31, 2030, shall be reallocated by the Secretary in the following manner:

(1) 65 percent shall be transferred or credited to the Housing Trust Fund established under section 1338 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4568); and

(2) 35 percent shall be transferred or credited to the Capital Magnet Fund under section 1339 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4569).

(i) REPORTING REQUIREMENTS.—The Secretary shall provide public reports not less frequently than quarterly regarding the use of funds provided by the Housing Assistance Funds. Such reports shall include the following

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data by State and by program within each State, both for the past quarter and throughout the life of the program—

(1) the amount of funds allocated;

(2) the amount of funds disbursed;

(3) the number of households and individuals assisted;

(4) the acceptance rate of applicants;

(5) the average amount of assistance provided per household receiving assistance;

(6) the average length of assistance provided per household receiving assistance;

(7) the income ranges of households for each household receiving assistance; and

(8) the outcome 12 months after the household has received assistance.

SEC. 109. MORTGAGE FORBEARANCE.

(a) FINDINGS.—

(1) FINDINGS.—Congress finds that—

(A) the collection of debts involves the use of the mails and wires and other instrumentalities of interstate commerce;

(B) at times of major disaster or emergency, the income of consumers is often impaired and their necessary daily expenses often increase;

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(C) temporary forbearance benefits not only consumer and small business debtors, but also other creditors by avoiding downward collateral price spirals triggered by an increase in foreclosure activity;

(D) without forbearance, many consumers and small businesses are unlikely to be able to pay their obligations according to their original terms and are likely to default on obligations or file for bankruptcy, resulting in reduced recoveries for creditors, and in the case of bankruptcy, no recovery of unaccrued interest;

(E) with forbearance, creditors are likely to realize greater long-term value because consumers and small businesses will be more likely to be able to repay their obligations after the major disaster or emergency has subsided;

(F) the legislative and administrative response to major disasters and emergencies may consist of multiple components divided among different statutes and programs; and

(G) when evaluating whether property has been taken from a person without just compensation, a holistic evaluation of the burdens and benefits of all legislative and administrative

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responses, including indirect benefits from macroeconomic stabilization, is appropriate.

(2) FURTHER FINDINGS REGARDING MORTGAGE FORBEARANCE.—Congress further finds that—

(A) ensuring that consumers are able to remain in their residences reduces the disruptions and economic harm caused by such disasters and emergencies by ensuring that consumers are able to continue their existing employment, education, childcare, and healthcare arrangements, which are often geographically-based;

(B) temporary forbearance on residential mortgages is therefore critical to fostering economic recovery and stability in the wake of major disasters or emergencies;

(C) temporary mortgage forbearance during a declared disaster benefits not only mortgagors, but also mortgagees because mortgagors' ability to pay is likely to be restored after a disaster or emergency subsides, so forbearance may increase mortgagors' total recovery. Without forbearance, mortgagors are likely to default or file for bankruptcy, resulting in significant losses for mortgagees; and

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(D) temporary mortgage forbearance during a declared disaster also benefits the mortgagees of other properties because housing prices are geographically and serially correlated so an increase in foreclosures can drive down the value of collateral for all mortgage lenders, further destabilizing the economy.

(3) FURTHER FINDINGS REGARDING MORTGAGE SERVICERS.—Congress further finds that—

(A) mortgage servicers are often contractually obligated to advance scheduled mortgage payments to securitization investors, irrespective of whether the servicer collects the payment from the mortgagor;

(B) mortgage servicers are often thinly capitalized and with limited capacity for engaging in large scale advancing of payments to securitization investors;

(C) securitization investors have long been aware of servicers' thin capitalization;

(D) in the wake of the 2008 financial crisis, several servicers had difficulty obtaining sufficiently liquidity to make advances;

(E) mortgage servicing is a heavily regulated industry;

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(F) in response to the 2008 financial crisis, Congress created a safe harbor for mortgage servicers that undertook loan modifications;

(G) in response to the 2008 financial crisis, the Home Affordable Modification Program paid mortgage servicers to undertake loan modifications;

(H) as part of the 2012 joint State-Federal National Mortgage Settlement, mortgage servicers committed to undertaking loan modifications; and

(I) investors in mortgage securitizations are or should be aware of servicers' thin capitalization, liquidity constraints, the extent and history of servicing regulation and therefore do not have a reasonable expectation that the terms of servicing contracts will be enforceable at times of national financial crisis.

(4) DETERMINATION.—It is the sense of the Congress that, on the basis of the findings described under paragraphs (1), (2), and (3), the Congress determines that the provisions of this Act are necessary and proper for the purpose of carrying into execution the powers of the Congress to regulate

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commerce among the several States and to establish uniform bankruptcy laws.

(b) PROHIBITION ON FORECLOSURES AND REPOSSESSIONS DURING THE COVID–19 EMERGENCY.—

(1) PROHIBITION ON FORECLOSURES.—The Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2601 et seq.) is amended—

(A) in section 3 (12 U.S.C. 2602)—

(i) in paragraph (8), by striking ''and'' at the end;

(ii) in paragraph (9), by striking the period at the end and inserting ''; and''; and

(iii) by adding at the end the following:

''(10) the term 'COVID–19 emergency' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.''; and

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(B) in section 6(k)(1) (12 U.S.C. 2605(k)(1))—

(i) in subparagraph (D), by striking ''or'' at the end;

(ii) by redesignating subparagraph (E) as subparagraph (G); and

(iii) by inserting after subparagraph (D) the following:

''(E) commence or continue any judicial foreclosure action or non-judicial foreclosure process or any action to evict a consumer following a foreclosure during the COVID–19 emergency or the 180-day period following such emergency (except that such prohibition shall not apply to a mortgage secured by a dwelling that the servicer has determined after exercising reasonable diligence is vacant or abandoned);

''(F) fail to toll the time in a foreclosure process on a property during the COVID–19 emergency or the 180-day period following such emergency (except that such prohibition shall not apply to a mortgage secured by a dwelling that the servicer has determined after exer-

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cising reasonable diligence is vacant or abandoned); or''.

(2) REPOSSESSION PROHIBITION.—During the COVID–19 emergency and for the 180-day period following such emergency, a servicer of a consumer loan secured by a manufactured home or a motor vehicle may not repossess such home or vehicle.

(c) FORBEARANCE OF RESIDENTIAL MORTGAGE LOAN PAYMENTS FOR SINGLE FAMILY PROPERTIES (1–4 UNITS).—Section 6 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605) is amended by adding at the end the following:

''(n) FORBEARANCE DURING THE COVID–19 EMERGENCY.—

''(1) CONSUMER RIGHT TO REQUEST A FORBEARANCE.—

''(A) REQUEST FOR FORBEARANCE.—A borrower experiencing a financial hardship during the COVID–19 emergency may request forbearance from any mortgage obligation, regardless of delinquency status, by submitting a request to the borrower's servicer, either orally or in writing, affirming that the borrower is experiencing hardship during the COVID–19 emergency. A borrow shall not be required to provide

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any additional documentation to receive such forbearance.

"(B) LENGTH OF FORBEARANCE; EXTENSION.—A forbearance requested pursuant to subparagraph (A) shall be provided for a period of 180 days, and may be extended upon request of the borrower for an additional 180 days.

"(C) TREATMENT OF TENANTS.—A borrower receiving a forbearance under this subsection with respect to a mortgage secured by a dwelling that has tenants, whether or not the borrower also lives in the dwelling, shall provide the tenants with rent relief for a period not less than the period covered by the forbearance.

"(2) AUTOMATIC FORBEARANCE FOR DELINQUENT BORROWERS.—

"(A) IN GENERAL.—Notwithstanding any other law governing forbearance relief, during the COVID–19 emergency, any borrower who is or becomes 60 days or more delinquent on a mortgage obligation shall automatically be granted a 180-day forbearance, which may be extended upon request of the borrower for an additional 180 days. Such a borrower may elect to continue making regular payments by noti-

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fying the servicer of the mortgage obligation of such election.

"(B) NOTICE TO BORROWER.—The servicer of a mortgage obligation placed in forbearance pursuant to subparagraph (A) shall provide the borrower written notification of the forbearance and its duration as well as information about available loss mitigation options and the right to end the forbearance and resume making regular payments.

"(C) TREATMENT OF PAYMENTS DURING FORBEARANCE.—Any payments made by the borrower during the forbearance period shall be credited to the borrower's account in accordance with section 129F of the Truth in Lending Act (15 U.S.C. 1639f) or as the borrower may otherwise instruct that is consistent with the terms of the mortgage loan contract.

"(3) REQUIREMENTS FOR SERVICERS.—

"(A) NOTIFICATION.—

"(i) IN GENERAL.—Each servicer of a federally related mortgage loan shall notify the borrower of their right to request forbearance under paragraph (1)—

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"(I) not later than 14 days after the date of enactment of this subsection; and

"(II) until the end of COVID–19 emergency—

"(aa) on each periodic statement provided to the borrower; and

"(bb) in any oral or written communication by the servicer with or to the borrower.

"(ii) MANNER OF NOTIFICATION.—

"(I) WRITTEN NOTIFICATION.—Any written notification required under this section—

"(aa) shall be provided—

"(AA) in English and Spanish and in any additional languages in which the servicer communicates, including the language in which the loan was negotiated, to the extent known by the servicer; and

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"(BB) at least as clearly and conspicuously as the most clear and conspicuous disclosure on the document;

"(bb) shall include the notification of the availability of language assistance and housing counseling produced by the Federal Housing Finance Agency under subsection (o); and

"(cc) may be provided by first-class mail or electronically, if the borrower has otherwise consented to electronic communication with the servicer and has not revoked such consent.

"(II) ORAL NOTIFICATION.—Any oral notification required under clause (i) shall be provided in the language the servicer otherwise uses to communicate with the borrower.

"(III) WRITTEN TRANSLATIONS.—In providing written notifications in languages other than English under subclause (I), a

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servicer may rely on written translations developed by the Federal Housing Finance Agency or the Bureau.

"(B) OTHER REQUIREMENTS.—

"(i) FORBEARANCE REQUIRED.—Upon receiving a request for forbearance from a consumer under paragraph (1) or placing a borrower in automatic forbearance under paragraph (2), a servicer shall provide the forbearance for not less than 180 days, and an additional 180 days at the request of the borrower, provided that the borrower will have the option to discontinue the forbearance at any time.

"(ii) PROHIBITION ON FEES, PENALTIES, AND INTEREST.—During the period of a forbearance under this subsection, no fees, penalties or additional interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract in effect at the time the borrower enters into the forbearance shall accrue.

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"(iii) TREATMENT OF ESCROW PAYMENTS.—If a borrower in forbearance under this subsection is required to make payments to an escrow account, the servicer shall pay or advance the escrow disbursements in a timely manner (defined as on or before the deadline to avoid a penalty), regardless of the status of the borrower's payments. The servicer may collect any resulting escrow shortage or deficiency from the borrower after the forbearance period ends, in a lump sum payment, spread over 60 months, or capitalized into the loan, at the borrower's election.".

(d) NOTIFICATION OF LANGUAGE ASSISTANCE AND HOUSING COUNSELING.—Section 6 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605), as amended by subsection (c), is further amended by adding at the end the following:

"(o) NOTIFICATION OF LANGUAGE ASSISTANCE AND HOUSING COUNSELING.—

"(1) IN GENERAL.—The Federal Housing Finance Agency shall, within 30 days of the date of enactment of this Act, make available a document providing notice of the availability of language as-

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sistance and housing counseling in substantially the same form, and in at least the same languages, as the existing Language Translation Disclosure.

''(2) MINIMUM REQUIREMENT.—The document described under subsection (a) shall include the notice in at least all the languages for which Federal Housing Finance Agency currently has translations on its existing Language Translation Disclosure available.

''(3) PROVISION TO SERVICERS.—The Federal Housing Finance Agency shall make this document available to servicers to fulfill their requirements under subsection (n).''.

(e) UNITED STATES DEPARTMENT OF AGRICULTURE DIRECT LOAN PROGRAM.—Section 505 of the Housing Act of 1949 (42 U.S.C. 1475) is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by inserting after subsection (a) the following:

''(b) LOAN MODIFICATION.—

''(1) IN GENERAL.—The Secretary shall implement a loan modification program to modify the terms of outstanding loans for borrowers who face financial hardship.

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''(2) AFFORDABLE PAYMENTS.—The Secretary's loan modification program under paragraph (1) shall be designed so as to provide affordable payments for borrowers. In defining 'affordable payments' the Secretary shall consult definitions of affordability promulgated by the Federal Housing Finance Authority, the Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection.

''(3) ADDITIONAL PROGRAM REQUIREMENTS.—The Secretary's loan modification program under paragraph (1) shall allow for measures including extension of the remaining loan term to up to 480 months and a reduction in interest rate to the market interest rate as defined by regulations of the Secretary. The modification program shall be available for borrowers in a moratorium and for borrowers not already in a moratorium who qualify under the terms established by the Secretary. The Secretary may also establish reasonable additional measures for providing affordable loan modifications to borrowers'';

(3) in subsection (c), as so redesignated, by adding at the end the following: ''Acceleration of the promissory note and initiation of foreclosure pro-

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ceedings shall not terminate a borrower's eligibility for a moratorium, loan reamortization, special servicing, or other foreclosure alternative.''; and

(4) by adding at the end the following:

''(d) REQUIREMENT.—The Secretary shall comply with subsection (k)(1), (n), and (o) of section 6 of the Real Estate Settlement Procedures Act of 1974 with respect to any single-family loans it holds or services.''.

(f) FORBEARANCE OF RESIDENTIAL MORTGAGE LOAN PAYMENTS FOR MULTIFAMILY PROPERTIES (5+ UNITS).—

(1) IN GENERAL.—During the COVID–19 emergency, a multifamily borrower experiencing a financial hardship due, directly or indirectly, to the COVID–19 emergency may request a forbearance under the terms set forth in this section.

(2) REQUEST FOR RELIEF.—A multifamily borrower may submit a request for forbearance under paragraph (1) to the borrower's servicer, either orally or in writing, affirming that the multifamily borrower is experiencing hardship during the COVID–19 emergency.

(3) FORBEARANCE PERIOD.—

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(A) IN GENERAL.—Upon receipt of an oral or written request for forbearance from a multifamily borrower, a servicer shall—

(i) document the financial hardship;

(ii) provide the forbearance for not less than 180 days; and

(iii) provide the forbearance for an additional 180 days upon the request of the borrower at least 30 days prior to the end of the forbearance period described under subparagraph (A).

(B) RIGHT TO DISCONTINUE.—A multifamily borrower shall have the option to discontinue the forbearance at any time.

(4) RENTER PROTECTIONS.—During the term of a forbearance under this section, a multifamily borrower may not—

(A) evict a tenant for nonpayment of rent; or

(B) apply or accrue any fees or other penalties on renters for nonpayment of rent.

(5) OBLIGATION TO BRING THE LOAN CURRENT.—A multifamily borrower shall bring a loan placed in forbearance under this section current within the earlier of—

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(A) 12 months after the conclusion of the forbearance period; or

(B) receipt of any business interruption insurance proceeds by the multifamily borrower.

(6) DEFINITION.—For the purposes of this subsection, the term ''multifamily borrower'' means a borrower of a residential mortgage loan that is secured by a lien against a property comprising five or more dwelling units.

(g) FEDERAL RESERVE CREDIT FACILITY FOR MORTGAGE SERVICERS.—

(1) IN GENERAL.—The Board of Governors of the Federal Reserve System and the Secretary of the Treasury, pursuant to the authority granted under section 13(3) of the Federal Reserve Act, directly (or indirectly through an intermediary, such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, an insured depository institution, non-depository lending institution, or a special purpose vehicle)—

(A) shall extend credit to mortgage servicers and other obligated advancing parties that in each case have liquidity needs due to the COVID–19 emergency or compliance with this

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Act with respect to mortgage loans (the ''affected mortgages''); and

(B) may extend further credit to mortgage servicers for other liquidity needs due to the actual or imminent delinquency or default on mortgage loans due to the COVID–19 emergency.

(2) NON-COMPLIANT SERVICERS.—A mortgage servicer shall not be eligible for assistance under paragraph (1) if the provider is in violation of any requirement under this Act, and fails to promptly cure any such violation upon notice or discovery thereof.

(3) PAYMENTS AND PURCHASES.—Credit extended under paragraph (1)(A) shall be in an amount sufficient to—

(A) cover—

(i) the pass-through payment of principal and interest to mortgage-backed securities holders;

(ii) the payment of taxes and insurance to third parties; and

(iii) the temporary reimbursement of modification costs and fees due to servicers that will be deferred until such time as a

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forbearance period terminates, due in each case on, or in respect of, such affected mortgage loans or related mortgage-backed securities;

(B) purchase affected mortgages from pools of securitized mortgages

(4) COLLATERAL.—The credit authorized by this section shall be secured by the pledgor's interest in accounts receivable, loans, or related interests resulting from the payment advances made on the affected mortgages by the mortgage servicers.

(5) CREDIT SUPPORT.—The Secretary of the Treasury shall provide credit support to the Board of Governors of the Federal Reserve System for the program required by this section.

(6) CONFLICT WITH OTHER LAWS.—Notwithstanding any Federal or State law to the contrary, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association may permit the pledge or grant of a security interest in the pledgor's interest in such accounts receivable or loans or related interests and honor or permit the enforcement of such pledge or grant in accordance with its terms.

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(7) DURATION.—The extension of credit by the Board of Governors of the Federal Reserve System and credit support from the Secretary of the Treasury under this section shall be available until the later of—

(A) 6 months after the end of the COVID–19 emergency; and

(B) the date on which on the Board of Governors of the Federal Reserve System and the Secretary of the Treasury determine such credit and credit support should no longer be available to address the liquidity concern addressed by this section.

(8) AMENDMENTS TO NATIONAL HOUSING ACT.—Section 306(g)(1) of the National Housing Act (12 U.S.C. 1721(g)(1)) is amended—

(A) by inserting the following new sentence after the fourth sentence in the paragraph: ''In any case in which (I) the President declares a major disaster or emergency for the nation or any area that in either case has been affected by damage or other adverse effects of sufficient severity and magnitude to warrant major disaster assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act

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or other Federal law, (II) upon request of an Issuer of any security, the Association elects to extend to the Issuer one or more of the disaster assistance or emergency programs that the Association determines to be available to account for the Issuer's failure or anticipated failure to receive from the mortgagor the full amount of principal and interest due, then (III) the Association may elect not to declare the Issuer to be in default because of such request for such disaster or emergency assistance.'';

(B) by inserting after the word ''issued'' in the sixth sentence, as redesignated, the following: ''subject to any pledge or grant of security interest of the pledgor's interest in and to any such mortgage or mortgages or any interest therein and the proceeds thereon, which the Association may elect to approve;''; and

(C) by inserting after the word ''issued'' in the seventh sentence, as redesignated, the following: '', or (D) its approval and honoring of any pledge or grant of security interest of the pledgor's interest in and to any such mortgage or mortgages or any interest therein and proceeds thereon.''.

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(h) SAFE HARBOR.—

(1) IN GENERAL.—Notwithstanding any other provision of law, whenever a servicer of residential mortgages of residential mortgage-backed securities—

(A) grants a borrower relief under section 6(n) and 6(p) of the Real Estate Settlement Procedures Act of 1974 with respect to a residential mortgage originated before April 1, 2020, including a mortgage held in a securitization or other investment vehicle, and

(B) the servicer or trustee or issuer owes a duty to investors or other parties regarding the standard for servicing such mortgage,

the servicer shall be deemed to have satisfied the such a duty, and the servicer shall not be liable to any party who is owed such a duty and shall not be subject to any injunction, stay, or other equitable relief to such party, based upon its good faith compliance with the provisions of 6(n) and 6(p) of the Real Estate Settlement Procedures Act of 1974. Any person, including a trustee or issuer, who cooperates with a servicer when such cooperation is necessary for the servicer to implement the provisions of 6(n) and 6(p) of the Real Estate Settlement Procedures

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Act of 1974 shall be protected from liability in the same manner.

(2) STANDARD INDUSTRY PRACTICE.—Compliance with 6(n) and 6(p) of the Real Estate Settlement Procedures Act of 1974 during the COVID–19 emergency shall constitute standard industry practice for purposes of all Federal and State laws.

(3) DEFINITIONS.—As used in this subsection—

(A) the term ''servicer'' has the meaning given that term under section 6(i)(2) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605(i)(2)); and

(B) the term ''securitization vehicle'' has the meaning given that term under section 129A(f)(3) of the Truth in Lending Act (15 U.S.C. 1639a(f)(3)).

(4) RULE OF CONSTRUCTION.—No provision of paragraph (1) or (2) shall be construed as affecting the liability of any servicer or person for actual fraud in servicing of a loan or for the violation of a State or Federal law.

(i) POST-PANDEMIC MORTGAGE REPAYMENT OPTIONS.—Section 6 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605), as amended by sub-

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section (d), is further amended by adding at the end the following:

"(p) POST-PANDEMIC MORTGAGE REPAYMENT OPTIONS.—With respect to a federally related residential mortgage loan, before the end of any forbearance provided under subsection (n), servicers shall—

"(1) evaluate the borrower's ability to return to making regular mortgage payments;

"(2) if the borrower is able to return to making regular mortgage payments at the end of the forbearance period—

"(A) modify the borrower's loan to extend the term for the same period as the length of the forbearance, with all payments that were not made during the forbearance distributed at the same intervals as the borrower's existing payment schedule and evenly distributed across those intervals, with no penalties, late fees, additional interest accrued beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract in effect at the time the borrower entered into the forbearance, and with no modification fee charged to the borrower; or

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''(B) if the borrower elects to modify the loan to capitalize a resulting escrow shortage or deficiency, the servicer may modify the borrower's loan by re-amortizing the principal balance and extending the term of the loan sufficient to maintain the regular mortgage payments; and

''(C) notify the borrower in writing of the extension, including provision of a new payment schedule and date of maturity, and that the borrower shall have the election of prepaying the suspended payments at any time, in a lump sum or otherwise;

''(3) if the borrower is financially unable to return to making periodic mortgage payments as provided for in the mortgage contract at the end of the COVID–19 emergency—

''(A) evaluate the borrower for all loan modification options, without regard to whether the borrower has previously requested, been offered, or provided a loan modification or other loss mitigation option and without any requirement that the borrower come current before such evaluation or as a condition of eligibility for such modification, including—

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"(i) further extending the borrower's repayment period;

"(ii) reducing the principal balance of the loan; or

"(iii) other modification or loss mitigation options available to the servicer under the terms of any investor requirements and existing laws and policies; and

"(B) if the borrower qualifies for such a modification, the service shall offer a loan with such terms as to provide a loan with such terms as to provide an affordable payment, with no penalties, late fees, additional interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract in effect at the time the borrower entered into the forbearance, and with no modification fees charged to the borrower; and

"(4) if a borrower is granted a forbearance on payments that would be owed pursuant to a trial loan modification plan—

"(A) any forbearance of payments shall not be treated as missed or delinquent pay-

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ments or otherwise negatively affect the borrower's ability to complete their trial plan;

"(B) any past due amounts as of the end of the trial period, including unpaid interest, real estate taxes, insurance premiums, and assessments paid on the borrower's behalf, will be added to the mortgage loan balance, but only to the extent that such charges are not fees associated with the granting of the forbearance, such as late fees, modification fees, or unpaid interest from the period of the forbearance beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract in effect at the time the borrower entered into the forbearance; and

"(C) if the borrower is unable to resume payments on the trial modification at the end of the forbearance period, re-evaluate the borrower for all available loan modifications under paragraph 3, without any requirement that the borrower become current before such evaluation or as a condition of eligibility for such modification.".

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(j) CLAIMS OF AFFECTED INVESTORS AND OTHER PARTIES.—Any action asserting a taking under the Fifth Amendment to the Constitution of the United States as a result of this subsection shall be brought not later than 180 days after the end of the COVID–19 emergency.

(k) EXTENSION OF THE GSE PATCH.—The Director of the Bureau of Consumer Financial Protection shall revise section 1026.43(e)(4)(iii)(B) of title 12, Code of Federal Regulations, to extend the sunset of the special rule provided under such section 1026.43(e)(4) until January 1, 2022, or such later date as may be determined by the Bureau.

(l) DEFINITIONS.—In this section:

(1) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) MANUFACTURED HOME.—The term ''manufactured home''has the meaning given that term

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under section 603 of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5402).

(3) MOTOR VEHICLE.—The term ''motor vehicle'' has the meaning given that term under Section 1029(f) of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5519(f)).

(4) RESIDENTIAL MORTGAGE LOAN.—The term ''residential mortgage loan'' means any consumer credit transaction that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on residence consisting of a single dwelling unit that is occupied by the mortgagor.

SEC. 110. BANKRUPTCY PROTECTIONS.

(a) INCREASING THE HOMESTEAD EXEMPTION.—

(1) HOMESTEAD EXEMPTION.—Section 522 of title 11, United States Code, is amended—

(A) in subsection (d)(1), by striking ''$15,000'' and inserting ''$100,000''; and

(B) by adding at the end the following:

''(r) Notwithstanding any other provision of applicable nonbankruptcy law, a debtor in any State may exempt from property of the estate the property described in subsection (d)(1) not to exceed the value in subsection (d)(1)

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if the exemption for such property permitted by applicable nonbankruptcy law is lower than that amount.''.

(b) EFFECT OF MISSED MORTGAGE PAYMENTS ON DISCHARGE.—Section 1328 of title 11, United States Code, is amended by adding at the end the following:

''(i) A debtor shall not be denied a discharge under this section because, as of the date of discharge, the debtor did not make 6 or fewer payments directly to the holder of a debt secured by real property.

''(j) Notwithstanding subsections (a) and (b), upon the debtor's request, the court shall grant a discharge of all debts provided for in the plan that are dischargeable under subsection (a) if the debtor—

''(1) has made payments under a confirmed plan for at least 1 year; and

''(2) is experiencing a loss of income or increase in expenses due, directly or indirectly, to the coronavirus disease 2019 (COVID–19) pandemic.''.

(c) MODIFICATION OF CHAPTER 13 PLAN DUE TO HARDSHIP CAUSED BY COVID-19 PANDEMIC.—Section 1329 of title 11, United States Code, is amended by adding at end the following:

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"(d)(1) Subject to paragraph (3), for cases confirmed prior to the date of enactment of this subsection, the plan may be modified upon the request of the debtor if—

"(A) the debtor is experiencing or has experienced a material financial hardship due, directly or indirectly, to the coronavirus disease 2019 (COVID–19) pandemic; and

"(B) the modification is approved after notice and a hearing.

"(2) A modification under paragraph (1) may include extending the period of time for payments on claims not later than 7 years after the date on which the first payment under the original confirmed plan was due.

"(3) Sections 1322(a), 1322(b), 1323(c), and the requirements of section 1325(a) shall apply to any modification under paragraph (1).".

(d) APPLICABILITY.—

(1) The amendments made by subsections (a) and (b) shall apply to any case commenced before, on, or after the date of enactment of this Act.

(2) The amendment made by subsection (c) shall apply to any case for which a plan has been confirmed under section 1325 of title 11, United

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States Code, before the date of enactment of this Act.

SEC. 111. DEBT COLLECTION.

(a) TEMPORARY DEBT COLLECTION MORATORIUM DURING THE COVID–19 EMERGENCY PERIOD.—

(1) IN GENERAL.—The Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.) is amended by inserting after section 812 the following:

"§ 812A. Temporary debt collection moratorium during the COVID–19 emergency period

''(a) DEFINITIONS.—In this section:

''(1) CONSUMER.—The term 'consumer' means any natural person obligated or allegedly obligated to pay any debt.

''(2) COVID–19 EMERGENCY PERIOD.—The term 'COVID–19 emergency period' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

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"(3) CREDITOR.—The term 'creditor' means any person who offers or extends credit creating a debt or to whom a debt is owed or other obligation of payment.

"(4) DEBT.—The term 'debt'—

"(A) means any past due obligation or alleged obligation of a consumer, non-profit organization, or small business to pay money—

"(i) arising out of a transaction in which the money, property, insurance, or services which are the subject of the transaction are primarily for personal, family, business, non-profit, or household purposes, whether or not such obligation has been reduced to judgment;

"(ii) owed to a local, State, or Federal government;

"(B) does not include federally related mortgages (as defined under section 3 of the Real Estate Settlement Procedures Act of 1974) unless a deficiency judgment has been made with respect to such federally related mortgage.

"(5) DEBT COLLECTOR.—The term 'debt collector' includes a creditor and any person or entity

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that engages in the collection of debt (including the Federal Government or a State government) whether or not the debt is allegedly owed to or assigned to that person or entity.

''(6) DEPOSITORY INSTITUTION.—The term 'depository institution'—

''(A) has the meaning given that term under section 3 of the Federal Deposit Insurance Act; and

''(B) means a Federal or State credit union (as such terms are defined, respectively, under section 101 of the Federal Credit Union Act.)

''(7) NON-PROFIT ORGANIZATION.—The term 'non-profit organization' means an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under subsection (a) of such section.

''(8) SMALL BUSINESS.—The term 'small business' has the meaning given the term 'small business concern' under section 3 of the Small Business Act (15 U.S.C. 632).

''(b) PROHIBITIONS.—Notwithstanding any other provision of law, during COVID–19 emergency period and

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the 120-day period immediately following, a debt collector is prohibited from—

''(1) capitalizing or adding extra interest or fees triggered by the non-payment of an obligation by a consumer, small business, or non-profit organization to the balance of an account;

''(2) suing or threatening to sue a consumer, small business, or non-profit for a past-due debt;

''(3) continuing litigation initiated before the date of enactment of this section to collect a debt from a consumer, small business, or non-profit organization;

''(4) enforcing a security interest, including through repossession or foreclosure, against a consumer, small business, or non-profit organization;

''(5) reporting a past due debt of a consumer, small business, or non-profit organization to a consumer reporting agency;

''(6) taking or threatening to take any action to enforce collection, or any adverse action against a consumer, small business, or non-profit organization for non-payment or for non-appearance at any hearings related to a debt;

''(7) except with respect to enforcing an order for child support or spousal support, initiating or

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continuing any action to cause or to seek to cause the collection of a debt from wages, Federal benefits, or other amounts due to a consumer, small business, or non-profit organization, by way of garnishment, deduction, offset, or other seizure, or to cause or seek to cause the collection of a debt by seizing funds from a bank account or any other assets held by such consumer, small business, or non-profit organization;

''(8) in the case of action or collection described under paragraph (7) that was initiated prior to the beginning of the date of such disaster or emergency, failing to suspend the action or collection until 120 days after the end of the COVID–19 emergency period;

''(9) upon the termination of the incident period for such disaster or emergency, failing to extend the time period to pay an obligation by one payment period for each payment that a consumer, small business, or non-profit organization missed during the incident period, with the payments due in the same amounts and at the same intervals as the pre-existing payment schedule of the consumer, small business, or non-profit organization (as applicable) or, if the debt has no payment periods, allow the con-

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sumer, small business, or non-profit a reasonable time in which to repay the debt in affordable payments;

''(10) disconnecting a consumer, small business, or non-profit organization from a utility prepaid or post-paid electricity, natural gas, telecommunications, broadband, water, or sewer service; or

''(11) exercising a right to set off provision contained in any consumer, small business, or non-profit organization account agreement with a depository institution.

''(c) VIOLATION.—Any person who violates a provision of this section shall—

''(1) be treated as a debt collector for purposes of section 813; and

''(2) be liable to the consumer, small business, or non-profit organization an amount equal to 10 times the damages allowed under section 813 for each such violation.''.

(2) TABLE OF CONTENTS AMENDMENT.—The table of contents at the beginning of the Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.) is amended by inserting after the item relating to section 812 the following new item:

''812A. Temporary debt collection moratorium during the COVID–19 emergency period.''.

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(b) CONFESSIONS OF JUDGMENT PROHIBITION.—

(1) IN GENERAL.—Chapter 2 of the Truth in Lending Act (15 U.S.C. 1631 et seq.) is amended—

(A) by adding at the end the following:

"§ 140B. Confessions of judgment prohibition

''(a) IN GENERAL.—During a period described under section 812A(b) of the Fair Debt Collection Practices Act, no person may directly or indirectly take or receive from another person or seek to enforce an obligation that constitutes or contains a cognovit or confession of judgment (for purposes other than executory process in the State of Louisiana), warrant of attorney, or other waiver of the right to notice and the opportunity to be heard in the event of suit or process thereon.

''(b) EXEMPTION.—The exemption in section 104(1) shall not apply to this section.

''(c) DEBT DEFINED.—In this section, the term 'debt' means any obligation of a person to pay to another person money—

''(1) regardless of whether the obligation is absolute or contingent, if the understanding between the parties is that any part of the money shall be or may be returned;

''(2) that includes the right of the person providing the money to an equitable remedy for breach

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of performance if the breach gives rise to a right to payment; and

''(3) regardless of whether the obligation or right to an equitable remedy described in paragraph (2) has been reduced to judgment or is fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.''; and

(B) in the table of contents for such chapter, by adding at the end the following:

''140B. Confessions of judgment prohibition.''.

(2) CONFORMING AMENDMENT.—Section 130(a) of the Truth in Lending Act (15 U.S.C. 1640(a)) is amended by adding at the end the following: ''For purposes of this section, the term 'creditor' refers to any person charged with compliance.''.

SEC. 112. DISASTER PROTECTION FOR WORKERS' CREDIT.

(a) PURPOSE.—The purpose of this section, and the amendments made by this section, is to protect consumers' credit from negative impacts as a result of financial hardship due to the coronavirus disease (COVID–19) outbreak and future major disasters.

(b) REPORTING OF INFORMATION DURING MAJOR DISASTERS.—

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(1) IN GENERAL.—The Fair Credit Reporting Act is amended by inserting after section 605B the following:

"§ 605C. Reporting of information during major disasters

''(a) DEFINITIONS.—In this section:

''(1) COVID–19 EMERGENCY PERIOD.—The term 'COVID–19 emergency period' means the period beginning on the date of enactment of this section and ending on the later of—

''(A) 120 days after the date of enactment of this section; or

''(B) 120 days after the date of termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

''(2) COVERED MAJOR DISASTER PERIOD.—The term 'covered major disaster period' means—

''(A) the period beginning on the date on which a major disaster is declared by the President under section 401 of the Robert T. Staf-

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ford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174), and ending on the date that is 120 days after the end of the incident period designated in such declaration; or

"(B) the period ending 120 days after the date of termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

"(3) MAJOR DISASTER.—The term 'major disaster' means a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174)

"(b) MORATORIUM ON FURNISHING ADVERSE INFORMATION DURING COVID–19 EMERGENCY PERIOD.—No person may furnish any adverse item of information (except information related to a felony criminal conviction) relating to a consumer that was the result of any action

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or inaction that occurred during the COVID–19 emergency period.

''(c) MORATORIUM ON FURNISHING ADVERSE INFORMATION DURING COVERED MAJOR DISASTER PERIOD.—No person may furnish any adverse item of information (except information related to a felony criminal conviction) relating to a consumer that was the result of any action or inaction that occurred during a covered major disaster period if the consumer is a resident of the affected area covered by a declaration made by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174).

''(d) INFORMATION EXCLUDED FROM CONSUMER REPORTS.—In addition to the information described in section 605(a), no consumer reporting agency may make any consumer report containing an adverse item of information (except information related to a felony criminal conviction) reported relating to a consumer that was the result of any action or inaction that occurred during the COVID–19 emergency period or a covered major disaster period, and as applicable under subsection (f)(3), for 270 days after the expiration of the applicable period.

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''(e) SUMMARY OF RIGHTS.—Not later than 60 days after the date of enactment of this subsection, the Bureau shall update the model summary of rights under section 609(c)(1) to include a description of the right of a consumer to—

''(1) request the deletion of adverse items of information under subsection (f); and

''(2) request a consumer report or score, without charge to the consumer, under subsection (g).

''(f) DELETION OF ADVERSE ITEMS OF INFORMATION RESULTING FROM THE CORONAVIRUS DISEASE (COVID–19) OUTBREAK AND MAJOR DISASTERS.—

''(1) REPORTING.—

''(A) IN GENERAL.—Not later than 60 days after the date of enactment of this subsection, the Bureau shall create a website for consumers to report, under penalty of perjury, economic hardship as a result of the coronavirus disease (COVID–19) outbreak or a major disaster (if the consumer is a resident of the affected area covered by such major disaster) for the purpose of extending credit report protection for an additional 270 days after the end of the COVID–19 emergency period or covered major disaster period, as applicable.

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"(B) DOCUMENTATION.—The Bureau shall—

"(i) not require any documentation from a consumer to substantiate the economic hardship; and

"(ii) provide notice to the consumer that a report under subparagraph (A) is under penalty of perjury.

"(C) REPORTING PERIOD.—A consumer may report economic hardship under subparagraph (A) during the COVID–19 emergency period or a covered major disaster period, as applicable, and for 60 days thereafter.

"(2) DATABASE.—The Bureau shall establish and maintain a secure database that—

"(A) is accessible to each consumer reporting agency described in section 603(p) and nationwide specialty consumer reporting agency for purposes of fulfilling their duties under paragraph (3) to check and automatically delete any adverse item of information (except information related to a felony criminal conviction) reported that occurred during the COVID–19 emergency period or a covered major disaster period with respect to a consumer; and

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"(B) contains the information reported under paragraph (1).

"(3) DELETION OF ADVERSE ITEMS OF INFORMATION BY NATIONWIDE CONSUMER REPORTING AND NATIONWIDE SPECIALTY CONSUMER REPORTING AGENCIES.—

"(A) IN GENERAL.—Each consumer reporting agency described in section 603(p) and each nationwide specialty consumer reporting agency shall, using the information contained in the database established under paragraph (2), delete from the file of each consumer named in the database each adverse item of information (except information related to a felony criminal conviction) that was a result of an action or inaction that occurred during the COVID–19 emergency period or a covered major disaster period up to 270 days following the end of the such period.

"(B) TIMELINE.—Each consumer reporting agency described in section 603(p) and each nationwide specialty consumer reporting agency shall check the database at least weekly and delete adverse items of information as soon as practicable after information that is reported

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under paragraph (1) appears in the database established under paragraph (2).

"(4) REQUEST FOR DELETION OF ADVERSE ITEMS OF INFORMATION.—

"(A) IN GENERAL.—A consumer who has filed a report of economic hardship with the Bureau may submit a request, without charge to the consumer, to a consumer reporting agency to delete from the consumer's file an adverse item of information (except information related to a felony criminal conviction) that was a result of an action or inaction that occurred during the COVID–19 emergency period or a covered major disaster period up to 270 days following the end of the such period.

"(B) TIMING.—A consumer may submit a request under subparagraph (A), not later than 270-day period described in that subparagraph.

"(C) REMOVAL AND NOTIFICATION.—Upon receiving a request under this paragraph to delete an adverse item of information, a consumer reporting agency shall—

"(i) delete the adverse item of information (except information related to a fel-

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ony criminal conviction) from the consumer's file; and

"(ii) notify the consumer and the furnisher of the adverse item of information of the deletion.

"(g) FREE CREDIT REPORT AND SCORES.—

"(1) IN GENERAL.—During the COVID–19 emergency period or a covered major disaster period and ending 12 months after the expiration of the COVID–19 emergency period or covered major disaster period, as applicable, each consumer reporting agency as described under 603(p) and nationwide specialty consumer reporting agency shall make all disclosures described under section 609 upon request by a consumer, by mail or online, without charge to the consumer and without limitation as to the number of requests. A consumer reporting agency shall also supply a consumer, upon request and without charge, with a credit score that—

"(A) is derived from a credit scoring model that is widely distributed to users by the consumer reporting agency for the purpose of any extension of credit or other transaction designated by the consumer who is requesting the credit score; or

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"(B) is widely distributed to lenders of common consumer loan products and predicts the future credit behavior of the consumer.

"(2) TIMING.—A file disclosure or credit score under paragraph (1) shall be provided to the consumer not later than—

"(A) 7 days after the date on which the request is received if the request is made by mail; and

"(B) not later than 15 minutes if the request is made online.

"(3) ADDITIONAL REPORTS.—A file disclosure provided under paragraph (1) shall be in addition to any disclosure requested by the consumer under section 612(a).

"(4) PROHIBITION.—A consumer reporting agency that receives a request under paragraph (1) may not request or require any documentation from the consumer that demonstrates that the consumer was impacted by the coronavirus disease (COVID–19) outbreak or a major disaster (except to verify that the consumer resides in an area covered by the major disaster) as a condition of receiving the file disclosure or score.

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''(h) POSTING OF RIGHTS.—Not later than 30 days after the date of enactment of this section, each consumer reporting agency shall prominently post and maintain a direct link on the homepage of the public website of the consumer reporting agency information relating to the right of consumers to—

''(1) request the deletion of adverse items of information (except information related to a felony criminal conviction) under subsection (f); and

''(2) request consumer file disclosures and scores, without charge to the consumer, under subsection (g).

''(i) BAN ON REPORTING MEDICAL DEBT INFORMATION RELATED TO COVID–19 OR A MAJOR DISASTER.—

''(1) FURNISHING BAN.—No person shall furnish adverse information to a consumer reporting agency related to medical debt if such medical debt is with respect to medical expenses related to treatments arising from COVID–19 or a major disaster (whether or not the expenses were incurred during the COVID–19 emergency period or covered major disaster period).

''(2) CONSUMER REPORT BAN.—No consumer reporting agency may made a consumer report containing adverse information related to medical debt

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if such medical debt is with respect to medical expenses related to treatments arising from COVID–19 or a major disaster (whether or not the expenses were incurred during the COVID–19 emergency period or covered major disaster period).

''(j) CREDIT SCORING MODELS.—A person that creates and implements credit scoring models may not treat the absence, omission, or deletion of any information pursuant to this section as a negative factor or negative value in credit scoring models created or implemented by such person.''.

(2) TECHNICAL AND CONFORMING AMENDMENT.—The table of contents for the Fair Credit Reporting Act is amended by inserting after the item relating to section 605B the following:

''605C. Reporting of information during major disasters.''.

(c) LIMITATIONS ON NEW CREDIT SCORING MODELS DURING THE COVID–19 EMERGENCY AND MAJOR DISASTERS.—The Fair Credit Reporting Act (15 U.S.C. 1681 et seq.) is amended—

(1) by adding at the end the following:

''§ 630. Limitations on new credit scoring models during the COVID–19 emergency and major disasters

''With respect to a person that creates and implements credit scoring models, such person may not, during

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the COVID–19 emergency period or a covered major disaster period (as such terms are defined under section 605C), create or implement a new credit scoring model (including a revision to an existing scoring model) if the new credit scoring model would identify a significant percentage of consumers as being less creditworthy when compared to the previous credit scoring models created or implemented by such person.''; and

(2) in the table of contents for such Act, by adding at the end the following new item:

''630. Limitations on new credit scoring models during major disasters.''.

SEC. 113. STUDENT LOANS.

(a) PAYMENTS FOR FEDERAL STUDENT LOAN BORROWERS AS A RESULT OF A NATIONAL EMERGENCY.—

(1) IN GENERAL.—Part G of title IV of the Higher Education Act of 1965 (20 U.S.C. 1088 et seq.) is amended by inserting after section 493D the following:

''SEC. 493E. PAYMENTS FOR STUDENT LOAN BORROWERS DURING THE COVID–19 NATIONAL EMERGENCY.

''(a) DEFINITIONS.—In this section:

''(1) CORONAVIRUS.—The term 'coronavirus' has the meaning given the term in section 506 of the Coronavirus Preparedness and Response Supple-

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mental Appropriations Act, 2020 (Public Law 116–123).

''(2) INCOME-DRIVEN REPAYMENT.—The term 'income-driven repayment' means—

''(A) income-based repayment authorized under section 493C for loans made, insured, or guaranteed under part B or part D; or

''(B) income contingent repayment authorized under section 455(e) for loans made under part D.

''(3) INVOLUNTARY COLLECTION.—The term 'involuntary collection' means—

''(A) a wage garnishment authorized under section 488A of this Act or section 3720D of title 31, United States Code;

''(B) a reduction of tax refund by amount of debt authorized under section 3720A of title 31, United States Code;

''(C) a reduction of any other Federal benefit payment by administrative offset authorized under section 3716 of title 31, United States Code (including a benefit payment due to an individual under the Social Security Act or any other provision described in subsection (c)(3)(A)(i) of such section); and

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"(D) any other involuntary collection activity, including any collection activity through which a borrower is compelled to make payments on a private student loan.

"(4) COVID–19 EMERGENCY PERIOD.—For purposes of this Act, the term 'COVID–19 emergency period' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

"(b) COVID–19 NATIONAL EMERGENCY STUDENT LOAN REPAYMENT ASSISTANCE.—

"(1) AUTHORITY.—Effective on the date of the enactment of this section, during the COVID–19 emergency period and the 6-month period immediately following, the Secretary of Education shall for each borrower of a loan made, insured, or guaranteed under part B, D, or E, pay the total amount due for such month on the loan, based on the pay-

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ment plan selected by the borrower or the borrower's loan status.

"(2) NO CAPITALIZATION OF INTEREST.—With respect to any loan in repayment during the COVID–19 national emergency period and the 6-month period immediately following, interest due on loans made, insured, or guaranteed under part B, D, or E during such period shall not be capitalized at any time during the COVID–19 national emergency period and the 6-month period immediately following.

"(3) APPLICABILITY OF PAYMENTS.—Any payment made by the Secretary of Education under this section shall be considered by the Secretary of Education, or by a lender with respect to a loan made, insured, or guaranteed under part B—

"(A) as a qualifying payment under the public service loan forgiveness program under section 455(m), if the borrower would otherwise qualify under such section;

"(B) in the case of a borrower enrolled in an income-driven repayment plan, as a qualifying payment for the purpose of calculating eligibility for loan forgiveness for the borrower in

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accordance with section 493C(b)(7) or section 455(d)(1)(D), as the case may be; and

"(C) in the case of a borrower in default, as an on-time monthly payment for purposes of loan rehabilitation pursuant to section 428F(a).

"(4) REPORTING TO CONSUMER REPORTING AGENCIES.—During the period in which the Secretary of Education is making payments on a loan under paragraph (1), the Secretary shall ensure that, for the purpose of reporting information about the loan to a consumer reporting agency, any payment made by the Secretary is treated as if it were a regularly scheduled payment made by a borrower.

"(5) NOTICE OF PAYMENTS AND PROGRAM.—Not later than 15 days following the date of enactment of this section, and monthly thereafter during the COVID–19 national emergency period and the 6-month period immediately following, the Secretary of Education shall provide a notice to all borrowers of loans made, insured, or guaranteed under part B, D, or E—

"(A) informing borrowers of the actions taken under this section;

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"(B) providing borrowers with an easily accessible method to opt out of the benefits provided under this section; and

"(C) notifying the borrower that the program under this section is a temporary program and will end 6 months after the COVID–19 national emergency period ends.

"(6) SUSPENSION OF INVOLUNTARY COLLECTION.—During the COVID–19 national emergency period and the 6-month period immediately following, the Secretary of Education, or other holder of a loan made, insured, or guaranteed under part B, D, or E, shall immediately take action to halt all involuntary collection related to the loan.

"(7) MANDATORY FORBEARANCE.—During the period in which the Secretary of Education is making payments on a loan under paragraph (1), the Secretary, or a lender or guaranty agency for a loan made under part B, shall grant the borrower forbearance as follows:

"(A) A temporary cessation of all payments on the loan other than the payments of interest and principal on the loan that are made under paragraph (1).

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"(B) For borrowers who are delinquent but who are not yet in default before the date on which the Secretary begins making payments under paragraph (1), the retroactive application of forbearance to address any delinquency.".

(2) FFEL AMENDMENT.—Section 428(c)(8) of the Higher Education Act of 1965 (20 U.S.C. 1078(c)(8)) is amended by striking "and for which" and all that follows through "this subsection".

(b) PAYMENTS FOR PRIVATE EDUCATION LOAN BORROWERS AS A RESULT OF THE COVID–19 NATIONAL EMERGENCY.—Section 140 of the Truth in Lending Act (15 U.S.C. 1650) is amended by adding at the end the following new subsection:

"(h) COVID–19 NATIONAL EMERGENCY PRIVATE EDUCATION LOAN REPAYMENT ASSISTANCE.—

"(1) AUTHORITY.—Effective on the date of the enactment of this section, for the duration of the COVID–19 emergency period and the 6-month period immediately following, the Secretary of the Treasury shall, for each borrower of a private education loan, pay the total amount due for such month on the loan, based on the payment plan selected by the borrower or the borrower's loan status.

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"(2) NO CAPITALIZATION OF INTEREST.—With respect to any loan in repayment during the COVID–19 national emergency period and the 6-month period immediately following, interest due on a private education loan during such period shall not be capitalized at any time during the COVID–19 national emergency period and the 6-month period immediately following.

"(3) REPORTING TO CONSUMER REPORTING AGENCIES.—During the period in which the Secretary of the Treasury is making payments on a loan under paragraph (1), the Secretary shall ensure that, for the purpose of reporting information about the loan to a consumer reporting agency, any payment made by the Secretary is treated as if it were a regularly scheduled payment made by a borrower.

"(4) NOTICE OF PAYMENTS AND PROGRAM.—Not later than 15 days following the date of enactment of this subsection, and monthly thereafter during the COVID–19 national emergency period and the 6-month period immediately following, the Secretary of the Treasury shall provide a notice to all borrowers of private education loans—

"(A) informing borrowers of the actions taken under this subsection;

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"(B) providing borrowers with an easily accessible method to opt out of the benefits provided under this subsection; and

"(C) notifying the borrower that the program under this subsection is a temporary program and will end 6 months after the COVID–19 national emergency period ends.

"(5) SUSPENSION OF INVOLUNTARY COLLECTION.—During the COVID–19 national emergency period and the 6-month period immediately following, the holder of a private education loan shall immediately take action to halt all involuntary collection related to the loan.

"(6) MANDATORY FORBEARANCE.—During the period in which the Secretary of the Treasury is making payments on a loan under paragraph (1), the servicer of such loan shall grant the borrower forbearance as follows:

"(A) A temporary cessation of all payments on the loan other than the payments of interest and principal on the loan that are made under paragraph (1).

"(B) For borrowers who are delinquent but who are not yet in default before the date on which the Secretary begins making payments

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under paragraph (1), the retroactive application of forbearance to address any delinquency.

''(7) DATA TO IMPLEMENT.—Holders and servicers of private education loans shall report, to the satisfaction of the Secretary of the Treasury, the information necessary to calculate the amount to be paid under this section.

''(8) COVID–19 EMERGENCY PERIOD DEFINED.—In this subsection, the term 'COVID–19 emergency period' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.''.

(c) MINIMUM RELIEF FOR FEDERAL AND PRIVATE STUDENT LOAN BORROWERS AS A RESULT OF THE COVID–19 NATIONAL EMERGENCY.—

(1) MINIMUM STUDENT LOAN RELIEF AS A RESULT OF THE COVID–19 NATIONAL EMERGENCY.—Not later than 270 days after the last day of the COVID–19 emergency period, the Secretaries con-

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cerned shall jointly carry out a program under which a qualified borrower, with respect to the covered loans and private education of loans of such qualified borrower, shall receive in accordance with paragraph (3) an amount equal to the lesser of the following:

(A) The total amount of each covered loan and each private education loan of the borrower; or

(B) $10,000.

(2) NOTIFICATION OF BORROWERS.—Not later than 270 days after the last day of the COVID–19 emergency period, the Secretaries concerned shall notify each qualified borrower of—

(A) the requirements to provide loan relief to such borrower under this section; and

(B) the opportunity for such borrower to make an election under paragraph (3)(A) with respect to the application of such loan relief to the covered loans and private education loans of such borrower.

(3) DISTRIBUTION OF FUNDING.—

(A) ELECTION BY BORROWER.—Not later than 45 days after a notice is sent under paragraph (2), a qualified borrower may elect to

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apply the amount determined with respect to such borrower under paragraph (1) to—

(i) any covered loan of the borrower;

(ii) any private education loan of the borrower; and

(iii) any combination of the loans described in clauses (i) and (ii).

(B) AUTOMATIC PAYMENT.—

(i) IN GENERAL.—In the case of a qualified borrower who does not make an election under subparagraph (A) before the date described in such paragraph, the Secretaries concerned shall apply the amount determined with respect to such borrower under paragraph (1) in order of the covered loan or private education loan of the qualified borrower with the highest interest rate.

(ii) EQUAL INTEREST RATES.—In case of two or more covered loans or private education loans described in clause (i) with equal interest rates, the Secretaries concerned shall apply the amount determined with respect to such borrower under

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paragraph (1) first to the loan with the highest principal.

(4) DATA TO IMPLEMENT.—

(A) SECRETARY OF EDUCATION.—Contractors of the Secretary of Education and lenders and guaranty agencies holding loans made, insured, or guaranteed under part B shall report, to the satisfaction of the Secretary of Education, the information necessary to calculate the amount to be applied under paragraph (1).

(B) SECRETARY OF TREASURY.—Holders and servicers of private education loans shall report, to the satisfaction of the Secretary of the Treasury, the information necessary to calculate the amount to be applied under paragraph (1).

(5) MEMORANDUM OF UNDERSTANDING.—The Secretaries concerned shall enter into a memorandum of understanding to carry out this subsection.

(6) DEFINITIONS.—In this subsection:

(A) COVERED LOAN.—The term ''covered loan'' means—

(i) a loan made, insured, or guaranteed under part B of title IV of the Higher

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Education Act of 1965 (20 U.S.C. 1071 et seq.);

(ii) a loan made under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.); and

(iii) a Federal Perkins Loan made pursuant to part E of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087aa et seq.).

(B) COVID–19 EMERGENCY PERIOD.—The term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(C) PRIVATE EDUCATION LOAN.—The term ''private education loan'' has the meaning given the term in section 140 of the Truth in Lending Act (15 U.S.C. 1650).

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(D) QUALIFIED BORROWER.—The term ''qualified borrower'' means a borrower of a covered loan or a private education loan.

(E) SECRETARIES CONCERNED.—The term ''Secretaries concerned'' means—

(i) the Secretary of Education, with respect to covered loans and borrowers of such covered loans; and

(ii) the Secretary of the Treasury, with respect to private education loans and borrowers of such private education loans.

(d) INCOME SHARE AGREEMENTS.—

(1) IN GENERAL.—An individual who entered into an income share agreement to pay for education expenses of the individual shall not be required to make payments under such income share agreement for the duration of the COVID–19 emergency period and the 6-month period immediately following.

(2) COVID–19 EMERGENCY PERIOD.—In this subsection, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T.

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Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(e) EXCLUSION FROM GROSS INCOME.—

(1) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139H the following new section:

"SEC. 139I. STUDENT LOAN PAYMENTS RESULTING FROM THE COVID–19 NATIONAL EMERGENCY.

"Gross income shall not include any payment made on behalf of the taxpayer under section 493E(b)(1) of the Higher Education Act of 1965, section 140(h) of the Truth in Lending Act, or section 114(c) of the Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations.".

(2) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 139H the following new item:

"Sec. 139I. Student loan payments resulting from the COVID–19 national emergency.".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2019.

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SEC. 114. WAIVER OF IN-PERSON APPRAISAL REQUIREMENTS.

(a) FINDING.—The Congress finds that as the country continues to grapple with the impact of the spread of COVID–19, several adjustments are needed to ensure that mortgage processing can continue to function without significant delays ,despite requirements that would otherwise require in-person interactions.

(b) WAIVER.—

(1) IN GENERAL.—Until the end of the COVID–19 emergency, any appraisal that is conducted for a loan with respect to which applicable law would otherwise require the performance of an interior inspection may be performed without an interior inspection, if—

(A) an exterior inspection is performed in conjunction with other methods to maximize credibility, including verifiable contemporaneous video or photographic documentation by the borrower and borrower observations; and

(B) the applicable lender, guarantor, regulating agency, or insurer may order additional services to include an interior inspection at a later date.

(2) STIPULATION.— An appraiser conducting an appraisal without an interior inspection pursuant

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to this section shall stipulate an extraordinary assumption that the property's interior quality, condition, and physical characteristics are as described and consistent with the exterior view, and shall employ all available methods to maximize accuracy while maintaining safety.

(c) RULEMAKING.—Not later than the end of the 1-week period beginning on the date of enactment of this Act, the Federal Housing Commissioner of the Federal Housing Agency and the Director of the Federal Housing Finance Agency shall issue such rules or guidance as may be necessary to ensure that such agencies, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal home loan banks make any adjustments to mortgage processing requirements that may be necessary to provide flexibility to avoid in-person interactions while preserving the goals of the programs and consumer protection.

(d) COVID–19 EMERGENCY DEFINED.—In this section, the term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assist-

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ance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

SEC. 115. SUPPLEMENTAL FUNDING FOR COMMUNITY DEVELOPMENT BLOCK GRANTS.

(a) FUNDING AND ALLOCATIONS.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $12,000,000,000 for assistance in accordance with this section under the community development block grant program under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

(2) INITIAL ALLOCATION.—$6,000,000,000 of the amount made available pursuant to paragraph (1) shall be distributed pursuant to section 106 of such Act (42 U.S.C. 5306) to grantees and such allocations shall be made within 30 days after the date of the enactment of this Act.

(3) SUBSEQUENT ALLOCATION.—

(A) IN GENERAL.—The $6,000,000,000 made available pursuant to paragraph (1) that remains after allocation pursuant to paragraph (2) shall be allocated, not later than 45 days after the date of the enactment of this Act, directly to States to prevent, prepare for, and re-

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spond to coronavirus within the State, including activities within entitlement and nonentitlement communities, based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions, and other factors, as determined by the Secretary, using best available data.

(B) TECHNICAL ASSISTANCE.—Of the amount referred to in subparagraph (A), $10,000,000 shall be made available for capacity building and technical assistance to support the use of such amounts to expedite or facilitate infectious disease response.

(4) DIRECT DISTRIBUTION.—Of the amount made available pursuant to paragraph (1), $3,000,000,000 shall be distributed directly to States and units of general local government, at the discretion of the Secretary of Housing and Urban Development (in this section referred to as the ''Secretary''), according to a formula based on factors to be determined by the Secretary, prioritizing risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and eco-

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nomic and housing market disruptions resulting from coronavirus.

(5) ROLLING ALLOCATIONS.—Allocations under this subsection may be made on a rolling basis as additional needs develop and data becomes available.

(6) BEST AVAILABLE DATA.—The Secretary shall make all allocations under this subsection based on the best available data at the time of allocation.

(b) ELIGIBLE ACTIVITIES.—Amounts made available pursuant to subsection (a) may be used only for—

(1) eligible activities described in 105(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)) relating to preventing, preparing for, or responding to the public health emergency relating to Coronavirus Disease 2019 (COVID–19); and

(2) reimbursement of costs for such eligible activities relating to preventing, preparing for, or responding to Coronavirus Disease 2019 (COVID–19) that were accrued before the date of the enactment of this Act.

(c) INAPPLICABILITY OF PUBLIC SERVICES CAP.—The limitation under paragraph (8) of section 105(a) of the Housing and Community Development Act of 1974

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(42 U.S.C. 5305(a)(8)) on the amount that may be used for activities under such paragraph shall not apply with respect to—

(1) amounts made available pursuant to subsection (a); and

(2) amounts made available in preceding appropriation Acts for fiscal years 2019 and 2020 for carrying out title I of the Housing and Community Development Act of 1974, to the extent such amounts are used for activities described in subsection (b) of this section.

(d) WAIVERS.—

(1) IN GENERAL.—The Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of amounts made available pursuant to subsection (a)(1) and for fiscal years 2019 and 2020 (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), if the Secretary finds that good cause exists for the waiver or alternative requirement and such waiver or alternative requirement would not be inconsistent with the overall purpose of title I of the Housing and Community Devel-

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opment Act of 1974, including for the purposes of addressing the impact of coronavirus.

(2) NOTICE.—The Secretary shall notify the public through the Federal Register or other appropriate means 5 days before the effective date of any such waiver or alternative requirement in order for such waiver or alternative requirement to take effect. Such public notice may be provided on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary.

(e) STATEMENTS OF ACTIVITIES; COMPREHENSIVE HOUSING AFFORDABILITY STRATEGIES.—

(1) INAPPLICABILITY OF REQUIREMENTS.—Section 116(b) of such Act (42 U.S.C. 5316(b); relating to submission of final statements of activities not later than August 16 of a given fiscal year) and any implementing regulations shall not apply to final statements submitted in accordance with paragraphs (2) and (3) of section 104 of such Act (42 U.S.C. 5304(a)) and comprehensive housing affordability strategies submitted in accordance with section 105 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12705) for fiscal years 2019 and 2020.

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(2) NEW REQUIREMENTS.—Final statements and comprehensive housing affordability strategies shall instead be submitted not later than August 16, 2021.

(3) AMENDMENTS.—Notwithstanding subsections (a)(2), (a)(3), and (c) of section 104 of the Housing and Community Development Act of 1974 (42 U.S.C. 5304) and section 105 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12705), a grantee may not be required to amend its statement of activities in order to engage in activities to prevent, prepare, and respond to coronavirus or the economic and housing disruption caused by it, but shall make public a report within 180 days of the end of the crisis which fully accounts for such activities.

(f) PUBLIC HEARINGS.—

(1) INAPPLICABILITY OF IN-PERSON HEARING REQUIREMENTS.—A grantee may not be required to hold in-person public hearings in connection with its citizen participation plan, but shall provide citizens with notice and a reasonable opportunity to comment of not less than 15 days.

(2) VIRTUAL PUBLIC HEARINGS.—During the period that national or local health authorities rec-

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ommend social distancing and limiting public gatherings for public health reasons, a grantee may fulfill applicable public hearing requirements for all grants from funds made available pursuant to subsection (a)(1) and under the heading ''Department of Housing and Urban Development—Community Planning and Development—Community Development Fund'' in appropriation Acts for fiscal years 2019 and 2020 by carrying out virtual public hearings. Any such virtual hearings shall provide reasonable notification and access for citizens in accordance with the grantee's certifications, timely responses from local officials to all citizen questions and issues, and public access to all questions and responses.

(g) DUPLICATION OF BENEFITS.—The Secretary shall ensure there are adequate procedures in place to prevent any duplication of benefits as defined by section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5155) and act in accordance with section 1210 of the Disaster Recovery Reform Act of 2018 (division D of Public Law 115–254; 132 Stat. 3442) and section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5155).

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SEC. 116. COVID–19 EMERGENCY HOUSING RELIEF.

(a) DEFINITION OF COVID–19 EMERGENCY PERIOD.—For purposes of this section, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(b) SUSPENSION OF COMMUNITY SERVICE, WORK, PRESENCE IN UNIT, AND MINIMUM RENT REQUIREMENTS AND TIME LIMITS ON ASSISTANCE.—

(1) SUSPENSION.—Notwithstanding any other provision of law, during the COVID–19 emergency period, the following provisions of law and requirements shall not apply:

(A) Section 12(c) of the United States Housing Act of 1937 (42 U.S.C. 1437j(c); relating to community service).

(B) Any work requirement or time limitation on assistance established by a public housing agency participating in the Moving to Work demonstration program authorized under section 204 of the Departments of Veterans Af-

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fairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1996 (Public Law 104–134; 110 Stat. 1321).

(C) Paragraph (3) of section 3(a) of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)(3); relating to minimum rental amount).

(D) Section 982.312 of the regulations of the Secretary of Housing and Urban Development (24 C.F.R. 982.312); relating to absence from unit).

(2) PROHIBITION.—No penalty may be imposed nor any adverse action taken for failure on the part of any tenant of public housing or a dwelling unit assisted under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) to comply with the laws and requirements specified in paragraph (1) during the period specified in paragraph (1).

(c) HOUSING CHOICE VOUCHERS.—

(1) SECTION 8 VOUCHERS.—Notwithstanding any other provision of law, the Secretary of Housing and Urban Development shall provide that—

(A) during the COVID–19 emergency period, a public housing agency may not terminate the availability to an eligible household of

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a housing choice voucher under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) for failure to enter into a lease for an assisted dwelling unit;

(B) in the case of any eligible household on whose behalf such a housing choice voucher has been made available, if as of the termination of the COVID–19 emergency period such availability has not terminated (including by reason of subparagraph (A)) and such voucher has not been used to enter into a lease for an assisted dwelling unit, the public housing agency making such voucher available may not terminate such availability until the expiration of the 60-day period beginning upon the termination of the COVID–19 emergency period; and

(C) during the COVID–19 emergency period, clause (i) of section 8(o)(8)(A) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(8)A)(i); relating to initial inspection of dwelling units) shall not apply, except that in any case in which an inspection of a dwelling unit for which a housing assistance payment is established is not conducted before an assistance payment is made for such dwelling unit—

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(i) such clause shall be applied by substituting ''the expiration of the 90-day period beginning on the termination of the COVID–19 emergency period (as such term is defined in section 117(a) of the Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations Act)'' for ''any assistance payment is made''; and

(ii) the public housing agency shall inform the tenant household and the owner of such dwelling unit of the inspection requirement applicable to such dwelling unit pursuant to clause (i).

(2) RURAL HOUSING VOUCHERS.—Notwithstanding any other provision of law, the Secretary of Agriculture shall provide that the same restrictions and requirements applicable under paragraph (1) to voucher assistance under section 8(o) of the United States Housing Act of 1937 shall apply with respect to voucher assistance under section 542 of the Housing Act of 1949 (42 U.S.C. 1490r). In applying such restrictions and requirements, the Secretary may take into consideration and provide for any differences between such programs while ensuring that

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the program under such section 542 is carried out in accordance with the purposes of such restrictions and requirements.

(d) SUSPENSION OF INCOME REVIEWS.—During the COVID–19 emergency period, the Secretary of Housing and Urban Development and the Secretary of Agriculture shall waive any requirements under law or regulation requiring review of the income of an individual or household for purposes of assistance under a housing assistance program administered by such Secretary, except—

(1) in the case of review of income upon the initial provision of housing assistance; or

(2) if such review is requested by an individual or household due to a loss of income.

(e) AUTHORITY TO SUSPEND OR DELAY DEADLINES.—During the COVID–19 emergency period, the Secretary of Housing and Urban Development and the Secretary of Agriculture may suspend or delay any deadline relating to public housing agencies or owners of housing assisted under a program administered by such Secretary, except any deadline relating to responding to exigent conditions related to health and safety or emergency physical conditions.

(f) SUSPENSION OF ASSISTED HOUSING SCORING ACTIVITIES.—The Secretary of Housing and Urban De-

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velopment shall suspend scoring under the Section 8 Management Assessment Program and the Public Housing Assessment System during the period beginning upon the date of the enactment of this Act and ending upon expiration of the 90-day period that begins upon the termination of the COVID–19 emergency period.

(g) REQUIREMENTS REGARDING RESIDUAL RECEIPTS AND RESERVE FUNDS.—

(1) SUSPENSION OF REQUIREMENT TO SUBMIT RESIDUAL RECEIPTS TO HUD.—During the COVID–19 emergency period, any requirements for owners of federally assisted multifamily housing to remit residual receipts to the Secretary of Housing and Urban Development shall not apply.

(2) ELIGIBLE USES OF RESERVE FUNDS.—During the COVID–19 emergency period, any costs of an owner of federally assisted multifamily housing for items, activities, and services related to responding to coronavirus or COVID–19 shall be considered eligible uses for the reserve fund for replacements for such housing.

SEC. 117. SUPPLEMENTAL FUNDING FOR SERVICE COORDINATORS TO ASSIST ELDERLY HOUSEHOLDS.

(a) IN GENERAL.—There is authorized to be appropriated $300,000,000 for grants under section 676 of the

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Housing and Community Development Act of 1992 (42 U.S.C. 13632) for costs of providing service coordinators for purposes of coordinating services to prevent, prepare for, or respond to the public health emergency relating to Coronavirus Disease 2019 (COVID–19).

(b) HIRING.—In the hiring of staff using amounts made available pursuant to this section, grantees shall consider and hire, at all levels of employment and to the greatest extent possible, a diverse staff, including by race, ethnicity, gender, and disability status. Each grantee shall submit a report to the Secretary of Housing and Urban Development describing compliance with the preceding sentence not later than the expiration of the 120-day period that begins upon the termination of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(c) ONE-TIME GRANTS.—Grants made using amounts made available pursuant to subsection (a) shall not be renewable.

(d) ONE-YEAR AVAILABILITY.—Any amounts made available pursuant to this section that are allocated for a grantee and remaining unexpended upon the expiration

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of the 12-month period beginning upon such allocation shall be recaptured by the Secretary.

SEC. 118. FAIR HOUSING.

(a) DEFINITION OF COVID–19 EMERGENCY PERIOD.— For purposes of this section, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(b) FAIR HOUSING ACTIVITIES.—

(1) FHIP; FHAP.—

(A) AUTHORIZATION OF APPROPRIATIONS.—To ensure that fair housing organizations and State and local civil rights agencies have sufficient resources to deal with expected increases in fair housing complaints, to investigate housing discrimination, including financial scams that target protected classes associated with or resulting from the COVID–19 pandemic, and during such pandemic, there is au-

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thorized to be appropriated for contracts, grants, and other assistance—

(i) $55,000,000 for the Fair Housing Initiatives Program under section 561 of the Housing and Community Development Act of 1987 (42 U.S.C. 3616a); and

(ii) $35,000,000 for the Fair Housing Assistance Program under the Fair Housing Act (42 U.S.C. 3601 et seq.).

Amounts made available pursuant to this subparagraph may be used by such organizations and agencies to establish the capacity to and to carry out activities and services by telephone and online means, including for individuals with limited English proficiency and individuals with a disability in accordance with requirements under the Americans With Disabilities Act of 1990.

(B) PRIVATE ENFORCEMENT INITIATIVE.—In entering into contracts for private enforcement initiatives under 561(b) of the Housing and Community Development Act of 1987 (42 U.S.C. 3616a(b)) using amounts made available pursuant to subparagraph (A)(i) of this subsection, the Secretary of Housing

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and Urban Development shall give priority to applications from qualified fair housing enforcement organizations that have at least 2 years of fair housing testing experience.

(C) 3-YEAR AVAILABILITY.—Any amounts made available pursuant subparagraph (A) that are allocated for a grantee and remain unexpended upon the expiration of the 3-year period beginning upon such allocation shall be recaptured by the Secretary.

(2) OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY.—There is authorized to be appropriated $200,000,000 for the Office of Fair Housing and Equal Opportunity of the Department of Housing and Urban Development for costs of fully staffing such Office to ensure robust enforcement of the Fair Housing Act during the COVID–19 pandemic, including ensuring that—

(A) assistance provided under this Act is provided and administered in a manner that affirmatively furthers fair housing in accordance with the Fair Housing Act;

(B) such Office has sufficient capacity for intake of housing discrimination complaints by telephone and online mechanisms, including for

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individuals with limited English proficiency and individuals with a disability in accordance with requirements under the Americans With Disabilities Act of 1990 and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794); and

(C) such Office has the capacity to respond to all housing discrimination complaints made during the COVID–19 pandemic within time limitations required under law.

In the hiring of staff using amounts made available pursuant to this subsection, the Secretary of Housing and Urban Development shall consider and hire, at all levels of employment and to the greatest extent possible, a diverse staff, including by race, ethnicity, gender, and disability status. The Secretary shall submit a report to the Congress describing compliance with the preceding sentence on a quarterly basis, for each of the first 4 calendar quarters ending after the date of the enactment of this Act.

(c) FAIR HOUSING GUIDANCE AND EDUCATION.—

(1) PROHIBITION OF SHOWINGS.—Not later than the expiration of the 30-day period beginning on the date of the enactment of this Act, the Secretary of Housing and Urban Development shall issue guidance for owners of dwelling units assisted

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under housing assistance programs of the Department prohibiting, during the COVID–19 emergency period, of any showings of occupied assisted dwelling units to prospective tenants.

(2) EDUCATION.—There is authorized to be appropriated $10,000,000 for the Office of Fair Housing and Equal Opportunity of the Department of Housing and Urban Development to carry out a national media campaign to educate the public of increased housing rights during COVID–19 emergency period, that provides that information and materials used in such campaign are available—

(A) in the languages used by communities with limited English proficiency

(B) to persons with disabilities.

SEC. 119. HUD COUNSELING PROGRAM AUTHORIZATION.

(a) FINDINGS.—The Congress finds the following:

(1) The spread of COVID–19, which is now considered a global pandemic, is expected to negatively impact the incomes of potentially millions of homeowners, making it difficult for them to pay their mortgages on time.

(2) Housing counseling is critical to ensuring that homeowners have the resources they need to

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navigate the loss mitigation options available to them while they are experiencing financial hardship.

(b) AUTHORIZATION.—There is authorized to be appropriated the Secretary of Housing and Urban Development $700,000,000 to carry out counseling services described under section 106 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x).

SEC. 120. DEFENSE PRODUCTION ACT OF 1950.

(a) INCREASE IN AUTHORIZATIONS.—

(1) AUTHORIZATIONS.—In addition to amounts otherwise authorized to be appropriated, there is authorized to be appropriated in the aggregate $3,000,000,000 for fiscal year 2020 and 2021 to carry out titles I and III of the Defense Production Act of 1950 to produce medical ventilators, personal protection equipment, and other critically needed medical supplies and to carry out any other actions necessary to respond to the COVID–19 emergency.

(2) CARRYOVER FUNDS.—Section 304(e) of the Defense Production Act of 1950 shall not apply at the close of fiscal year 2020.

(3) COVID–19 EMERGENCY.—In this section, the term ''COVID–19 emergency'' means the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and

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Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(b) STRENGTHENING CONGRESSIONAL OVERSIGHT; PUBLIC PORTAL.—

(1) IN GENERAL.—Not later than three months after the date of enactment of this Act, and every three months thereafter, the Secretary of Commerce, in coordination with the Secretary of Health and Human Services, the Secretary of Defense, and any other Federal department or agency that has utilized authority under title I or title III of the Defense Production Act of 1950 to respond to the COVID–19 emergency, shall submit a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate—

(A) on the use of such authority and the expenditure of any funds in connection with such authority;

(B) that includes details of each purchase order made using such authorities, including the product and amount of product ordered and the entity that fulfilled the contract.

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(2) PUBLIC AVAILABILITY.—The Secretary of Commerce shall place all reports submitted under paragraph (1) on an appropriate website available to the public, in an easily searchable format.

(3) SUNSET.—The requirements under this section shall terminate after the expenditure of all funds appropriated pursuant to the authorizations under subsection (a).

TITLE II—ASSISTING SMALL BUSINESSES AND COMMUNITY FINANCIAL INSTITUTIONS

SEC. 201. SMALL BUSINESS CREDIT FACILITY.

(a) ESTABLISHMENT.—The Board of Governors of the Federal Reserve System shall establish a credit facility to provide loans to small businesses during the COVID–19 emergency.

(b) DEFINITIONS.—In this section:

(1) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emer-

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gency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) SMALL BUSINESS.—The term ''small business'' means—

(A) a small business concern (as defined under section 3 of the Small Business Act (15 U.S.C. 632);

(B) a family farm;

(C) an independent contractor; and

(D) any other class of businesses to which the Board of Governors determines loans would promote full employment and price stability.

SEC. 202. SMALL BUSINESS FINANCIAL ASSISTANCE PROGRAM.

(a) IN GENERAL.—The Secretary of the Treasury shall establish a Small Business Financial Assistance Program under which the Secretary shall provide loans and loan guarantees to small businesses.

(b) APPLICATION.—In making loans and loan guarantees under this section, the Secretary shall—

(1) provide a simple application process for borrowers; and

(2) establish clear and easy to understand underwriting standards for such loans.

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(c) ZERO-INTEREST LOANS.—Loans made by or guaranteed by the Secretary under this section shall be zero-interest loans, if the small business receiving such loan does not involuntarily terminate any employee of the small business during the COVID–19 emergency.

(d) ADVANCE.—

(1) IN GENERAL.—Upon request from an applicant for a loan under this section, the Secretary may provide to such applicant an advance, in cash, to such applicant.

(2) AMOUNT.—An advance provided under paragraph (1) shall be in an amount equal to the revenue of the applicant for the period beginning January 1, 2020 and ending January 31, 2020.

(3) PROCEDURES.—

(A) REVIEW.—The Secretary shall have 1 week from the receipt of a request for an advance under paragraph (1) to conduct a risk assessment of the applicant to determine whether to approve or deny such request.

(B) APPROVAL.—If the Secretary does not deny a request under subparagraph (A), the advance shall be directly deposited into the account identified by the applicant.

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(C) REMAINING FUNDS.—Not later than 4 weeks after approving a request of an applicant under subparagraph (A), the Secretary shall disburse the remaining funds to such applicant.

(e) FORGIVENESS.—If small business that receives a loan or loan guarantee under this section demonstrates to the Secretary that the number of full-time employees of such small business on the date such small business submitted an application under this section is greater than or equal to the number of full-time employees of such small business on the date that is 1 year after the date of such submission, the Secretary shall forgive the remaining outstanding principal and interest on such loan or loan guarantee.

(f) FUNDING.—The Secretary shall use $50,000,000,000 from the Exchange Stabilization Fund, without further appropriation, to carry out this section.

(g) DEFINITIONS.—In this section:

(1) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that—

(A) begins on the declaration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the

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Coronavirus Disease 2019 (COVID–19) pandemic; and

(B) ends on the termination by the Federal Emergency Management Agency of such emergency.

(2) SMALL BUSINESS.—The term ''small business'' means—

(A) a small business concern (as defined under section 3 of the Small Business Act (15 U.S.C. 632);

(B) a family farm; and

(C) an independent contractor.

SEC. 203. SUSPENSION OF SMALL BUSINESS AND NON-PROFIT LOAN PAYMENTS.

(a) IN GENERAL.—

(1) IN GENERAL.—During the COVID–19 emergency, a debt collector may not, with respect to a debt of a small business or non-profit (other than debt related to a federally related mortgage loan)—

(A) capitalize unpaid interest;

(B) apply a higher interest rate triggered by the nonpayment of a debt to the debt balance;

(C) charge a fee triggered by the nonpayment of a debt;

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(D) sue or threaten to sue for nonpayment of a debt;

(E) continue litigation to collect a debt that was initiated before the date of enactment of this section;

(F) submit or cause to be submitted a confession of judgment to any court;

(G) enforce a security interest through repossession, limitation of use, or foreclosure;

(H) take or threaten to take any action to enforce collection, or any adverse action for nonpayment of a debt, or for nonappearance at any hearing relating to a debt;

(I) commence or continue any action to cause or to seek to cause the collection of a debt, including pursuant to a court order issued before the end of the 120-day period following the end of the COVID–19 emergency, from wages, Federal benefits, or other amounts due to a small business or non-profit by way of garnishment, deduction, offset, or other seizure;

(J) cause or seek to cause the collection of a debt, including pursuant to a court order issued before the end of the 120-day period following the end of the COVID–19 emergency, by

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levying on funds from a bank account or seizing any other assets of a small business or non-profit;

(K) commence or continue an action to evict a small business or non-profit from real or personal property; or

(L) disconnect or terminate service from utility service, including electricity, natural gas, telecommunications or broadband, water, or sewer.

(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to prohibit a small business or non-profit from voluntarily paying, in whole or in part, a debt.

(3) REPAYMENT PERIOD.—After the expiration of the COVID–19 emergency, with respect to a debt described under paragraph (1), a debt collector—

(A) may not add to the debt balance any interest or fee prohibited by paragraph (1);

(B) shall, for credit with a defined term or payment period, extend the time period to repay the debt balance by 1 payment period for each payment that a small business or non-profit missed during the COVID–19 emergency, with the payments due in the same amounts and at

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the same intervals as the pre-existing payment schedule;

(C) shall, for an open end credit plan (as defined under section 103 of the Truth in Lending Act) or other credit without a defined term, allow the small business or non-profit to repay the debt balance in a manner that does not exceed the amounts permitted by formulas under section 170(c) of the Truth in Lending Act and regulations promulgated thereunder; and

(D) shall, when the small business or non-profit notifies the debt collector, offer reasonable and affordable repayment plans, loan modifications, refinancing, options with a reasonable time in which to repay the debt.

(4) COMMUNICATIONS IN CONNECTION WITH THE COLLECTION OF A DEBT.—

(A) IN GENERAL.—During the COVID–19 emergency, without prior consent of a small business or non-profit given directly to a debt collector during the COVID–19 emergency, or the express permission of a court of competent jurisdiction, a debt collector may only communicate in writing in connection with the collec-

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tion of any debt (other than debt related to a federally related mortgage loan).

(B) REQUIRED DISCLOSURES.—

(i) IN GENERAL.—All written communications described under subparagraph (A) shall inform the small business or nonprofit that the communication is for informational purposes and is not an attempt to collect a debt.

(ii) REQUIREMENTS.—The disclosure required under clause (i) shall be made—

(I) in type or lettering not smaller than 14–point bold type;

(II) separate from any other disclosure;

(III) in a manner designed to ensure that the recipient sees the disclosure clearly;

(IV) in English and Spanish and in any additional languages in which the debt collector communicates, including the language in which the loan was negotiated, to the extent known by the debt collector; and

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(V) may be provided by first-class mail or electronically, if the borrower has otherwise consented to electronic communication with the debt collector and has not revoked such consent.

(iii) ORAL NOTIFICATION.—Any oral notification shall be provided in the language the debt collector otherwise uses to communicate with the borrower.

(iv) WRITTEN TRANSLATIONS.—In providing written notifications in languages other than English in this Section, a debt collector may rely on written translations developed by the Bureau of Consumer Financial Protection.

(5) VIOLATIONS.—

(A) IN GENERAL.—Any person who violates this section shall—

(i) except as provided under clause (ii), be subject to civil liability in accordance with section 813 of the Fair Debt Collection Practices Act, as if the person is a debt collector for purposes of that section; and

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(ii) be liable to the small business or non-profit for an amount 10 times the amounts described in such section 813, for each violation.

(B) PREDISPUTE ARBITRATION AGREEMENTS.—Notwithstanding any other provision of law, no predispute arbitration agreement or predispute joint-action waiver shall be valid or enforceable with respect to a dispute brought under this section, including a dispute as to the applicability of this section, which shall be determined under Federal law.

(6) TOLLING.—Except as provided in paragraph (7)(D), any applicable time limitations, including statutes of limitations, related to a debt under Federal or State law shall be tolled during the COVID–19 emergency.

(7) CLAIMS OF AFFECTED CREDITORS AND DEBT COLLECTORS.—

(A) VALUATION OF PROPERTY.—With respect to any action asserting a taking under the Fifth Amendment of the Constitution of the United States as a result of this section or seeking a declaratory judgment regarding the constitutionality of this section, the value of the

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property alleged to have been taken without just compensation shall be evaluated—

(i) with consideration of the likelihood of full and timely payment of the obligation without the actions taken pursuant to this section; and

(ii) without consideration of any assistance provided directly or indirectly to the small business or non-profit from other Federal, State, and local government programs instituted or legislation enacted in response to the COVID–19 emergency.

(B) SCOPE OF JUST COMPENSATION.—In an action described in subparagraph (A), any assistance or benefit provided directly or indirectly to the person from other Federal, State, and local government programs instituted in or legislation enacted response to the COVID–19 emergency, shall be deemed to be compensation for the property taken, even if such assistance or benefit is not specifically provided as compensation for property taken by this section.

(C) APPEALS.—Any appeal from an action under this section shall be treated under section 158 of title 28, United States Code, as if it

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were an appeal in a case under title 11, United States Code.

(D) REPOSE.—Any action asserting a taking under the Fifth Amendment to the Constitution of the United States as a result of this section shall be brought within not later than 180 days after the end of the COVID–19 emergency.

(8) DEFINITIONS.—In this section:

(A) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(B) CREDITOR.—The term ''creditor'' means—

(i) any person who offers or extends credit creating a debt or to whom a debt is owed or other obligation for payment;

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(ii) any lessor of real or personal property; or

(iii) any provider of utility services.

(C) DEBT.—The term ''debt''—

(i) means any obligation or alleged obligation—

(I) for which the original agreement, or if there is no agreement, the original obligation to pay was created before the COVID–19 emergency, whether or not such obligation has been reduced to judgment; and

(II) that arises out of a transaction with a small business or nonprofit; and

(ii) does not include a federally related mortgage loan.

(D) DEBT COLLECTOR.—The term ''debt collector'' means a creditor, and any person or entity that engages in the collection of debt, including the Federal Government and a State government, irrespective of whether the debt is allegedly owed to or assigned to that person or to the entity.

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(E) FEDERALLY RELATED MORTGAGE LOAN.—The term ''federally related mortgage loan'' has the meaning given that term under section 3 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2602).

(F) NON-PROFIT.—The term ''non-profit'' means an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code.

(G) SMALL BUSINESS.—The term ''small business'' has the meaning given the term ''small business concern'' under section 3 of the Small Business Act.

(b) CREDIT FACILITY FOR OTHER PURPOSES.—The Board of Governors of the Federal Reserve System shall establish a facility that the Board of Governors shall use to make payments to holders of loans to compensate such holders for documented financial losses—

(1) with respect to a loan made to an individual, small business, or non-profit; and

(2) where such losses were caused by a suspension of payments required under Federal law in connection with the COVID–19 emergency.

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SEC. 204. REAUTHORIZATION OF THE STATE SMALL BUSINESS CREDIT INITIATIVE ACT OF 2010.

The State Small Business Credit Initiative Act of 2010 (15 U.S.C. 5701 et seq.) is amended—

(1) by striking ''2009 allocation'' each place such term appears and inserting ''2019 allocation'';

(2) by striking ''2010 allocation'' each place such term appears and inserting ''2020 allocation'';

(3) by striking ''date of enactment of this Act'' each place it appears and inserting ''date of the enactment of the Small Business Support and Access to Capital Act of 2020'';

(4) by striking ''date of the enactment of this Act'' each place it appears and inserting ''date of the enactment of the Small Business Support and Access to Capital Act of 2020'';

(5) in section 3003(b)(2)—

(A) in the section heading, by striking ''**2009 ALLOCATION FORMULA**'' and inserting striking ''**2019 ALLOCATION FORMULA**'';

(B) by striking ''2008 State employment decline'' each place such term appears and inserting ''2018 State employment decline'';

(C) in subparagraph (A), by striking ''2009 allocation'' and inserting ''2019 allocation''; and

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(D) in subparagraph (C)—

(i) in the subparagraph heading, by striking ''2008 STATE EMPLOYMENT DECLINE DEFINED'' and inserting ''2018 STATE EMPLOYMENT DECLINE DEFINED'';

(ii) in clause (i), by striking ''December 2007'' and inserting ''December 2017''; and

(iii) in clause (ii), by striking ''December 2008'' and inserting ''December 2018'';

(6) in section 3003(b)(3)—

(A) in the section heading, by striking ''**2010 ALLOCATION FORMULA**'' and inserting striking ''**2020 ALLOCATION FORMULA**'';

(B) by striking ''2009 unemployment number'' each place such term appears and inserting ''2019 unemployment number''; and

(C) in subparagraph (C)—

(i) in the subparagraph heading, by striking ''2009 UNEMPLOYMENT NUMBER DEFINED'' and inserting ''2019 UNEMPLOYMENT NUMBER DEFINED''; and

(ii) by striking ''December 2009'' and inserting ''December 2019'';

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(7) in section 3005(e), by striking ''to the Secretary a report'' and inserting ''to the Secretary and Congress a report'';

(8) in section 3007—

(A) in subsection (a)(1), by striking '' to the Secretary a report'' and inserting ''to the Secretary and Congress a report''; and

(B) in subsection (b)—

(i) by striking ''March 31, 2011'' and inserting ''March 31, 2021''; and

(ii) by striking ''to the Secretary'' and inserting ''to the Secretary and Congress''; and

(9) in section 3009—

(A) in subsection (b), by striking ''$1,500,000,000'' and inserting ''$10,000,000,000'';

(B) in subsection (c), by adding at the end the following new sentence: ''At the end of such period, any amounts that remain unexpended or unobligated shall be transferred to the Community Development Financial Institutions Fund established under section 104(a) of the Riegle Community Development and Regulatory Improvement Act of 1994.''.

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SEC. 205. FUNDING OF THE INITIATIVE TO BUILD GROWTH EQUITY FUNDS FOR MINORITY BUSINESSES.

(a) GRANT.—The Minority Business Development Agency shall provide a grant of $3,000,0000,000 to fully implement the Initiative to Build Growth Equity Funds for Minority Businesses (the ''Initiative''; award number MB19OBD8020113), including to use such amounts as capital for the Equity Funds.

(b) ADMINISTRATIVE EXPENSES.—Of the amounts provided under subsection (a), the grant recipient may use not more than 2.25 percent of such amount for administrative expenses, of which—

(1) not more than 1.5 percent per annum may be used for fees to be paid to investment managers for fund investment activities, including deal sourcing, due diligence, investment monitoring, and investment reporting; and

(2) not more than 0.75 percent per annum may be used for fund administration activities by the grant recipient, including fund manager evaluation, selection, monitoring, and overall fund program management.

(c) TREATMENT OF INTEREST.—Notwithstanding any other provision of law, with the approval of the Minority Business Development Agency, grant funds made available under subsection (a) may be deposited in inter-

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est-bearing accounts pending disbursement, and any interest which accrues may be retained without returning such interest to the Treasury of the United States and interest earned may be obligated and expended for the purposes for which the grant was made available without further appropriation.

(d) REPORTING AND AUDIT REQUIREMENTS.—

(1) REPORTING BY RECIPIENT.—The grant recipient under this section shall issue a report to the Minority Business Development Agency every 6 months detailing the use of grant funds received under this section and any other information that the Minority Business Development Agency may require.

(2) ANNUAL REPORT TO CONGRESS.—The Minority Business Development Agency shall issue an annual report to the Congress containing the information received under paragraph (1) and an analysis of the implementation of the Initiative.

(3) GAO AUDIT.—The Comptroller General of the United States shall, every 2 years, carry out an audit of the Initiative and issue a report to the Congress and the Minority Business Development Agency containing the results of such audit.

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(4) FUND MANAGERS.—Fund managers shall annually report on their fund management activities, including—

(A) fund performance;

(B) impacts of capital investments by industry and geography;

(C) racial, ethnic, and gender demographics of minority businesses receiving capital from the Initiative; and

(D) any other ancillary and economic benefits of capital investments from the Initiative.

(e) FUNDING.—There is authorized to be appropriated to the Minority Business Development Agency $3,000,000,000 to make the grant described under subsection (a).

SEC. 206. COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND SUPPLEMENTAL APPROPRIATION AUTHORIZATION.

There is authorized to be appropriated $1,000,000,000 for fiscal year 2020, for providing financial assistance and technical assistance under subparagraphs (A) and (B) of section 108(a)(1) of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4707(a)(1)), except that subsections (d)

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and (e) of such section 108 shall not apply to the provision of such assistance.

SEC. 207. MINORITY DEPOSITORY INSTITUTION.

(a) SENSE OF CONGRESS ON FUNDING THE LOAN-LOSS RESERVE FUND FOR SMALL DOLLAR LOANS.—The sense of Congress is the following:

(1) The Community Development Financial Institutions Fund (the ''CDFI Fund'') is an agency of the Department of the Treasury, and was established by the Riegle Community Development and Regulatory Improvement Act of 1994. The mission of the CDFI Fund is ''to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers''. A community development financial institution (a ''CDFI'') is a specialized financial institution serving low-income communities and a Community Development Entity (a ''CDE'') is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities. The CDFI Fund certifies CDFIs and CDEs. Becoming a certified CDFI or CDE al-

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lows organizations to participate in various CDFI Fund programs as follows:

(A) The Bank Enterprise Award Program, which provides FDIC-insured depository institutions awards for a demonstrated increase in lending and investments in distressed communities and CDFIs.

(B) The CDFI Program, which provides Financial and Technical Assistance awards to CDFIs to reinvest in the CDFI, and to build the capacity of the CDFI, including financing product development and loan loss reserves.

(C) The Native American CDFI Assistance Program, which provides CDFIs and sponsoring entities Financial and Technical Assistance awards to increase lending and grow the number of CDFIs owned by Native Americans to help build capacity of such CDFIs.

(D) The New Market Tax Credit Program, which provides tax credits for making equity investments in CDEs that stimulate capital investments in low-income communities.

(E) The Capital Magnet Fund, which provides awards to CDFIs and nonprofit affordable housing organizations to finance affordable

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housing solutions and related economic development activities.

(F) The Bond Guarantee Program, a source of long-term, patient capital for CDFIs to expand lending and investment capacity for community and economic development purposes.

(2) The Department of the Treasury is authorized to create multi-year grant programs designed to encourage low-to-moderate income individuals to establish accounts at federally insured banks, and to improve low-to-moderate income individuals' access to such accounts on reasonable terms.

(3) Under this authority, grants to participants in CDFI Fund programs may be used for loan-loss reserves and to establish small-dollar loan programs by subsidizing related losses. These grants also allow for the providing recipients with the financial counseling and education necessary to conduct transactions and manage their accounts. These loans provide low-cost alternatives to payday loans and other nontraditional forms of financing that often impose excessive interest rates and fees on borrowers, and lead millions of Americans to fall into debt traps. Small-dollar loans can only be made pursuant to

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terms, conditions, and practices that are reasonable for the individual consumer obtaining the loan.

(4) Program participation is restricted to eligible institutions, which are limited to organizations listed in section 501(c)(3) of the Internal Revenue Code and exempt from tax under 501(a) of such Code, federally insured depository institutions, community development financial institutions and State, local, or Tribal government entities.

(5) Since its founding, the CDFI Fund has awarded over $3,300,000,000 to CDFIs and CDEs, allocated $54,000,000,000 in tax credits, and $1,510,000,000 in bond guarantees. According to the CDFI Fund, some programs attract as much as $10 in private capital for every $1 invested by the CDFI Fund. The Administration and the Congress should prioritize appropriation of funds for the loan loss reserve fund and technical assistance programs administered by the Community Development Financial Institution Fund, as included in the version of the ''Financial Services and General Government Appropriations Act, 2020'' (H.R. 3351) that passed the House of Representatives on June, 26, 2019.

(b) DEFINITIONS.—In this section:

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(1) COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION.—The term ''community development financial institution'' has the meaning given under section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702).

(2) MINORITY DEPOSITORY INSTITUTION.—The term ''minority depository institution'' has the meaning given under section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note), as amended by this Act.

(c) INCLUSION OF WOMEN'S BANKS IN THE DEFINITION OF MINORITY DEPOSITORY INSTITUTION.—Section 308(b)(1) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) is amended—

(1) by redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively;

(2) by striking ''means any'' and inserting the following: ''means—

''(A) any''; and

(3) in clause (iii) (as so redesignated), by striking the period at the end and inserting ''; or''; and

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(4) by inserting at the end the following new subparagraph:

"(B) any bank described in clause (i), (ii), or (iii) of section 19(b)(1)(A) of the Federal Reserve Act—

"(i) more than 50 percent of the outstanding shares of which are held by 1 or more women; and

"(ii) the majority of the directors on the board of directors of which are women.".

(d) ESTABLISHMENT OF IMPACT BANK DESIGNATION.—

(1) IN GENERAL.—Each appropriate Federal banking agency shall establish a program under which a depository institution with total consolidated assets of less than $10,000,000,000 may elect to be designated as an impact bank if 50 percent or more of the loans extended by such covered bank are extended to low-income borrowers.

(2) DESIGNATION.—Based on data obtained through examinations, an appropriate Federal banking agency shall submit a notification to a depository institution stating that the depository institution qualifies for designation as an impact bank.

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(3) APPLICATION.—A depository institution that does not receive a notification described in paragraph (2) may submit an application to the appropriate Federal banking agency demonstrating that the depository institution qualifies for designation as an impact bank.

(4) ADDITIONAL DATA OR OVERSIGHT.—A depository institution is not required to submit additional data to an appropriate Federal banking agency or be subject to additional oversight from such an agency if such data or oversight is related specifically and solely for consideration for a designation as an impact bank.

(5) REMOVAL OF DESIGNATION.—If an appropriate Federal banking agency determines that a depository institution designated as an impact bank no longer meets the criteria for such designation, the appropriate Federal banking agency shall rescind the designation and notify the depository institution of such rescission.

(6) RECONSIDERATION OF DESIGNATION; APPEALS.—A depository institution may—

(A) submit to the appropriate Federal banking agency a request to reconsider a deter-

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mination that such depository institution no longer meets the criteria for the designation; or

(B) file an appeal in accordance with procedures established by the appropriate Federal banking agency.

(7) RULEMAKING.—Not later than 1 year after the date of the enactment of this Act, the appropriate Federal banking agencies shall jointly issue rules to carry out the requirements of this subsection, including by providing a definition of a low-income borrower.

(8) FEDERAL DEPOSIT INSURANCE ACT DEFINITIONS.—In this subsection, the terms ''depository institution'' and ''appropriate Federal banking agency'' have the meanings given such terms, respectively, in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(e) MINORITY DEPOSITORY INSTITUTIONS ADVISORY COMMITTEES.—

(1) ESTABLISHMENT.—Each covered regulator shall establish an advisory committee to be called the ''Minority Depository Institutions Advisory Committee''.

(2) DUTIES.—Each Minority Depository Institutions Advisory Committee shall provide advice to

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the respective covered regulator on meeting the goals established by section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) to preserve the present number of covered minority institutions, preserve the minority character of minority-owned institutions in cases involving mergers or acquisitions, provide technical assistance, and encourage the creation of new covered minority institutions. The scope of the work of each such Minority Depository Institutions Advisory Committee shall include an assessment of the current condition of covered minority institutions, what regulatory changes or other steps the respective agencies may be able to take to fulfill the requirements of such section 308, and other issues of concern to minority depository institutions.

(3) MEMBERSHIP.—

(A) IN GENERAL.—Each Minority Depository Institutions Advisory Committee shall consist of no more than 10 members, who—

(i) shall serve for one two-year term;

(ii) shall serve as a representative of a depository institution or an insured credit union with respect to which the respective covered regulator is the covered regu-

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lator of such depository institution or insured credit union; and

(iii) shall not receive pay by reason of their service on the advisory committee, but may receive travel or transportation expenses in accordance with section 5703 of title 5, United States Code.

(B) DIVERSITY.—To the extent practicable, each covered regulator shall ensure that the members of Minority Depository Institutions Advisory Committee of such agency reflect the diversity of depository institutions.

(4) MEETINGS.—

(A) IN GENERAL.—Each Minority Depository Institutions Advisory Committee shall meet not less frequently than twice each year.

(B) INVITATIONS.—Each Minority Depository Institutions Advisory Committee shall invite the attendance at each meeting of the Minority Depository Institutions Advisory Committee of—

(i) one member of the majority party and one member of the minority party of the Committee on Financial Services of the House of Representatives and the Com-

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mittee on Banking, Housing, and Urban Affairs of the Senate; and

(ii) one member of the majority party and one member of the minority party of any relevant subcommittees of such committees.

(5) NO TERMINATION OF ADVISORY COMMITTEES.—The termination requirements under section 14 of the Federal Advisory Committee Act (5 U.S.C. app.) shall not apply to a Minority Depository Institutions Advisory Committee established pursuant to this subsection.

(6) DEFINITIONS.—In this subsection:

(A) COVERED REGULATOR.—The term ''covered regulator'' means the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration.

(B) COVERED MINORITY INSTITUTION.—The term ''covered minority institution'' means a minority depository institution (as defined in section 308(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note)) or a minority credit

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union (as defined in section 1204(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended by this Act).

(C) DEPOSITORY INSTITUTION.—The term ''depository institution'' has the meaning given under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(D) INSURED CREDIT UNION.—The term ''insured credit union'' has the meaning given in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

(7) TECHNICAL AMENDMENT.—Section 308(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) is amended by adding at the end the following new paragraph:

''(3) DEPOSITORY INSTITUTION.—The term 'depository institution' means an 'insured depository institution' (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) and an insured credit union (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)).''.

(f) FEDERAL DEPOSITS IN MINORITY DEPOSITORY INSTITUTIONS.—

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(1) IN GENERAL.—Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) is amended—

(A) by adding at the end the following new subsection:

''(d) FEDERAL DEPOSITS.—The Secretary of the Treasury shall ensure that deposits made by Federal agencies in minority depository institutions and impact banks are fully collateralized or fully insured, as determined by the Secretary. Such deposits shall include reciprocal deposits as defined in section 337.6(e)(2)(v) of title 12, Code of Federal Regulations (as in effect on March 6, 2019).''; and

(B) in subsection (b), as amended by section 6(g), by adding at the end the following new paragraph:

''(4) IMPACT BANK.—The term 'impact bank' means a depository institution designated by an appropriate Federal banking agency pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020.''.

(2) TECHNICAL AMENDMENTS.—Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) is amended—

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(A) in the matter preceding paragraph (1), by striking ''section—'' and inserting ''section:''; and

(B) in the paragraph heading for paragraph (1), by striking ''FINANCIAL'' and inserting ''DEPOSITORY''.

(g) MINORITY BANK DEPOSIT PROGRAM.—

(1) IN GENERAL.—Section 1204 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note) is amended to read as follows:

''SEC. 1204. EXPANSION OF USE OF MINORITY BANKS AND MINORITY CREDIT UNIONS.

''(a) MINORITY BANK DEPOSIT PROGRAM.—

''(1) ESTABLISHMENT.—There is established a program to be known as the 'Minority Bank Deposit Program' to expand the use of minority banks and minority credit unions.

''(2) ADMINISTRATION.—The Secretary of the Treasury, acting through the Fiscal Service, shall—

''(A) on application by a depository institution or credit union, certify whether such depository institution or credit union is a minority bank or minority credit union;

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"(B) maintain and publish a list of all depository institutions and credit unions that have been certified pursuant to subparagraph (A); and

"(C) periodically distribute the list described in subparagraph (B) to—

"(i) all Federal departments and agencies;

"(ii) interested State and local governments; and

"(iii) interested private sector companies.

"(3) INCLUSION OF CERTAIN ENTITIES ON LIST.—A depository institution or credit union that, on the date of the enactment of this section, has a current certification from the Secretary of the Treasury stating that such depository institution or credit union is a minority bank or minority credit union shall be included on the list described under paragraph (2)(B).

"(b) EXPANDED USE AMONG FEDERAL DEPARTMENTS AND AGENCIES.—

"(1) IN GENERAL.—Not later than 1 year after the establishment of the program described in subsection (a), the head of each Federal department or

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agency shall develop and implement standards and procedures to ensure, to the maximum extent possible as permitted by law, the use of minority banks and minority credit unions to serve the financial needs of each such department or agency.

''(2) REPORT TO CONGRESS.—Not later than 2 years after the establishment of the program described in subsection (a), and annually thereafter, the head of each Federal department or agency shall submit to Congress a report on the actions taken to increase the use of minority banks and minority credit unions to serve the financial needs of each such department or agency.

''(c) DEFINITIONS.—For purposes of this section:

''(1) CREDIT UNION.—The term 'credit union' has the meaning given the term 'insured credit union' in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

''(2) DEPOSITORY INSTITUTION.—The term 'depository institution' has the meaning given the term 'insured depository institution' in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

''(3) MINORITY.—The term 'minority' means any Black American, Native American, Hispanic American, or Asian American.

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''(4) MINORITY BANK.—The term 'minority bank' means a minority depository institution as defined in section 308 of this Act.

''(5) MINORITY CREDIT UNION.—The term 'minority credit union' means any credit union for which more than 50 percent of the membership (including board members) of such credit union are minority individuals, as determined by the National Credit Union Administration pursuant to section 308 of this Act.''.

(2) CONFORMING AMENDMENTS.—The following provisions are amended by striking ''1204(c)(3)'' and inserting ''1204(c)'':

(A) Section 808(b)(3) of the Community Reinvestment Act of 1977 (12 U.S.C. 2907(b)(3)).

(B) Section 40(g)(1)(B) of the Federal Deposit Insurance Act (12 U.S.C. 1831q(g)(1)(B)).

(C) Section 704B(h)(4) of the Equal Credit Opportunity Act (15 U.S.C. 1691c–2(h)(4)).

(h) DIVERSITY REPORT AND BEST PRACTICES.—

(1) ANNUAL REPORT.—Each covered regulator shall submit to Congress an annual report on diversity including the following:

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(A) Data, based on voluntary self-identification, on the racial, ethnic, and gender composition of the examiners of each covered regulator, disaggregated by length of time served as an examiner.

(B) The status of any examiners of covered regulators, based on voluntary self-identification, as a veteran.

(C) Whether any covered regulator, as of the date on which the report required under this subsection is submitted, has adopted a policy, plan, or strategy to promote racial, ethnic, and gender diversity among examiners of the covered regulator.

(D) Whether any special training is developed and provided for examiners related specifically to working with banks that serve communities that are predominantly minorities, low income, or rural, and the key focus of such training.

(2) BEST PRACTICES.—Each Office of Minority and Women Inclusion of a covered regulator shall develop, provide to the head of the covered regulator, and make publicly available best practices—

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(A) for increasing the diversity of candidates applying for examiner positions, including through outreach efforts to recruit diverse candidate to apply for entry-level examiner positions; and

(B) for retaining and providing fair consideration for promotions within the examiner staff for purposes of achieving diversity among examiners.

(3) COVERED REGULATOR DEFINED.—In this subsection, the term ''covered regulator'' means the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration.

(i) INVESTMENTS IN MINORITY DEPOSITORY INSTITUTIONS AND IMPACT BANKS.—

(1) CONTROL FOR CERTAIN INSTITUTIONS.—Section 7(j)(8)(B) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(8)(B)) is amended to read as follows:

''(B) 'control' means the power, directly or indirectly—

''(i) to direct the management or policies of an insured depository institution; or

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"(ii)(I) with respect to an insured depository institution, of a person to vote 25 per centum or more of any class of voting securities of such institution; or

"(II) with respect to an insured depository institution that is an impact bank (as designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020) or a minority depository institution (as defined in section 308(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989), of an individual to vote 30 percent of more of any class of voting securities of such an impact bank or a minority depository institution.".

(2) RULEMAKING.—The appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) shall jointly issue rules for de novo minority depository institutions and de novo impact banks (as designated pursuant to section 5) to allow 3 years to meet the capital requirements otherwise applicable to minority depository institutions and impact banks.

(3) REPORT.—Not later than 1 year after the date of the enactment of this Act, the appropriate

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Federal banking agencies shall jointly submit to Congress a report on—

(A) the principal causes for the low number of de novo minority depository institutions during the 10-year period preceding the date of the report;

(B) the main challenges to the creation of de novo minority depository institutions and de novo impact banks; and

(C) regulatory and legislative considerations to promote the establishment of de novo minority depository institutions and de novo impact banks.

(j) REQUIREMENT TO MENTOR MINORITY DEPOSITORY INSTITUTIONS OR COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS TO SERVE AS A DEPOSITARY OR FINANCIAL AGENT.—

(1) IN GENERAL.—Before a large financial institution may be employed as a financial agent of the Department of the Treasury or perform any reasonable duties as depositary of public moneys of the Department of the Treasury, the large financial institution shall demonstrate participation as a mentor in a covered mentor-protege program to a protege

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firm that is a minority depository institution or a community development financial institution.

(2) REPORT.—Not later than 6 months after the date of the enactment of this Act and annually thereafter, the Secretary of the Treasury shall submit to Congress a report on participants in a covered mentor-protege program, including an analysis of outcomes of such program.

(3) PROCEDURES.—The Secretary of the Treasury shall publish procedures for compliance with the requirements of this subsection for large financial institutions.

(4) DEFINITIONS.—In this subsection:

(A) COVERED MENTOR-PROTEGE PROGRAM.—The term ''covered mentor-protege program'' means a mentor-protege program established by the Secretary of the Treasury pursuant to section 45 of the Small Business Act (15 U.S.C. 657r).

(B) LARGE FINANCIAL INSTITUTION.—The term ''large financial institution'' means any entity—

(i) regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal De-

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posit Insurance Corporation, or the National Credit Union Administration; and

(ii) that has total consolidated assets greater than or equal to $50,000,000,000.

(k) CUSTODIAL DEPOSIT PROGRAM FOR COVERED MINORITY DEPOSITORY INSTITUTIONS AND IMPACT BANKS.—

(1) ESTABLISHMENT.—The Secretary of the Treasury shall establish a custodial deposit program (in this subsection referred to as the ''Program'') under which a covered bank shall receive monthly deposits from a qualifying account.

(2) APPLICATION.—A covered bank shall submit to the Secretary an application to participate in the Program at such time, in such manner, and containing such information as the Secretary may determine.

(3) PROGRAM OPERATIONS.—

(A) DESIGNATION OF CUSTODIAL ENTITIES.—The Secretary shall designate eligible custodial entities to make monthly deposits with covered banks selected for participation in the Program on behalf of a qualifying account.

(B) CUSTODIAL ACCOUNTS.—

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(i) IN GENERAL.—The Secretary shall establish a custodial deposit account for each qualifying account with the eligible custodial entity designated to make deposits with covered banks for each such qualifying account.

(ii) AMOUNT.—The Secretary shall deposit a total amount not greater than 5 percent of a qualifying account into any custodial deposit accounts established under subparagraph (A).

(iii) DEPOSITS WITH PROGRAM PARTICIPANTS.—

(I) MONTHLY DEPOSITS.—Each month, each eligible custodial entity designated by the Secretary shall deposit an amount not greater than the insured amount, in the aggregate, from each custodial deposit account, in a single covered bank.

(II) LIMITATION.—With respect to the funds of an individual qualifying account, the eligible custodial entity may not deposit an amount

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greater than the insured amount in a single covered bank.

(III) INSURED AMOUNT DEFINED.—In this clause, the term ''insured amount'' means the amount that is the greater of—

(aa) the standard maximum deposit insurance amount (as defined in section 11(a)(1)(E) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)(E))); or

(bb) such higher amount negotiated between the Secretary and the Corporation under which the Corporation will insure all deposits of such higher amount.

(iv) LIMITATIONS.—The total amount of funds deposited under the Program in a covered bank may not exceed the lesser of—

(I) 10 percent of the average amount of deposits held by such covered bank in the previous quarter; or

(II) $100,000,000.

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(C) INTEREST.—

(i) IN GENERAL.—Each eligible custodial entity designated by the Secretary shall—

(I) collect interest from each covered bank in which such custodial entity deposits funds pursuant to subparagraph (B); and

(II) disburse such interest to the Secretary each month.

(ii) INTEREST RATE.—The rate of any interest collected under this subparagraph may not exceed 50 percent of the discount window primary credit interest rate most recently published on the Federal Reserve Statistical Release on selected interest rates (daily or weekly), commonly referred to as the H.15 release (commonly known as the ''Federal funds rate'').

(D) STATEMENTS.—Each eligible custodial entity designated by the Secretary shall submit to the Secretary monthly statements that include the total amount of funds deposited with, and interest rate received from, each covered

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bank by the eligible custodial entity on behalf of qualifying entities.

(E) RECORDS.—The Secretary shall issue a quarterly report to Congress and make publicly available a record identifying all covered banks participating in the Program and amounts deposited under the Program in covered banks.

(4) REQUIREMENTS RELATING TO DEPOSITS.—Deposits made with covered banks under this subsection may not—

(A) be considered by the Corporation to be funds obtained, directly or indirectly, by or through any deposit broker for deposit into 1 or more deposit accounts (as described under section 29 of the Federal Deposit Insurance Act (12 U.S.C. 1831f)); or

(B) be subject to insurance fees from the Corporation that are greater than insurance fees for typical demand deposits not obtained, directly or indirectly, by or through any deposit broker (commonly known as ''core deposits'').

(5) MODIFICATIONS.—

(A) IN GENERAL.—The Secretary shall provide a 3-month period for public notice and

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comment before making any material change to the operation of the Program.

(B) EXCEPTION.—The requirements of subparagraph (A) shall not apply if the Secretary makes a material change to the Program to comply with safety and soundness standards or other law.

(6) TERMINATION.—

(A) BY COVERED BANK.—A covered bank selected for participation in the Program pursuant to paragraph (3) may terminate participation in the Program by providing the Secretary a notification 60 days prior to termination.

(B) BY SECRETARY.—The Secretary may terminate the participation of a covered bank in the Program if the Secretary determines the covered bank—

(i) violated any terms of participation in the Program;

(ii) failed to comply with Federal bank secrecy laws, as documented in writing by the primary regulator of the covered bank;

(iii) failed to remain well capitalized; or

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(iv) failed comply with safety and soundness standards, as documented in writing by the primary regulator of the covered bank.

(7) DEFINITIONS.—In this subsection:

(A) CORPORATION.—The term ''Corporation'' means the Federal Deposit Insurance Corporation.

(B) COVERED BANK.—The term ''covered bank'' means—

(i) a minority depository institution that is regulated by the Corporation or the National Credit Union Administration that is well capitalized (as defined in section 38(b) of the Federal Deposit Insurance Act (12 U.S.C. 1831o(b))); or

(ii) a depository institution designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020 that is well capitalized (as defined in section 38(b) of the Federal Deposit Insurance Act (12 U.S.C. 1831o(b))).

(C) ELIGIBLE CUSTODIAL ENTITY.—The term ''eligible custodial entity'' means—

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(i) an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)),

(ii) an insured credit union (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)), or

(iii) or a well capitalized State-chartered trust company,

designated by the Secretary under subsection (k)(3)(A).

(D) FEDERAL BANK SECRECY LAWS.—The term ''Federal bank secrecy laws'' means—

(i) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

(ii) section 123 of Public Law 91–508; and

(iii) subchapter II of chapter 53 of title 31, United States Code.

(E) QUALIFYING ACCOUNT.—The term ''qualifying account'' means any account established in the Department of the Treasury that—

(i) is controlled by the Secretary; and

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(ii) is expected to maintain a balance greater than $200,000,000 for the following calendar month.

(F) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(G) WELL CAPITALIZED.—The term ''well capitalized'' has the meaning given in section 38 of the Federal Deposit Insurance Act (12 U.S.C. 1831o).

(l) STREAMLINED COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION APPLICATIONS AND REPORTING.—

(1) APPLICATION PROCESSES.—Not later than 12 months after the date of the enactment of this Act and with respect to any person having assets under $3,000,000,000 that submits an application for deposit insurance with the Federal Deposit Insurance Corporation that could also become a community development financial institution, the Federal Deposit Insurance Corporation, in consultation with the Administrator of the Community Development Financial Institutions Fund, shall—

(A) develop systems and procedures to record necessary information to allow the Administrator to conduct preliminary analysis for

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such person to also become a community development financial institution; and

(B) develop procedures to streamline the application and annual certification processes and to reduce costs for such person to become, and maintain certification as, a community development financial institution that serves low- and moderate-income neighborhoods (as defined under the Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.)).

(2) REPORT ON IMPLEMENTATION.—Not later than 18 months after the date of the enactment of this Act, the Federal Deposit Insurance Corporation shall submit to Congress a report describing the systems and procedures required under paragraph (1).

(3) ANNUAL REPORT.—

(A) IN GENERAL.—Section 17(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1827(a)(1)) is amended—

(i) in subparagraph (E), by striking ''and'' at the end;

(ii) by redesignating subparagraph (F) as subparagraph (G);

(iii) by inserting after subparagraph (E) the following new subparagraph:

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''(F) applicants for deposit insurance that could also become a community development financial institution (as defined in section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994), a minority depository institution (as defined in section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989), or an impact bank (as designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020); and''.

(B) APPLICATION.—The amendment made by this paragraph shall apply with respect to the first report to be submitted after the date that is 2 years after the date of the enactment of this Act.

(m) TASK FORCE ON LENDING TO SMALL BUSINESS CONCERNS.—

(1) IN GENERAL.—Not later than 6 months after the date of the enactment of this Act, the Administrator of the Small Business Administration shall establish a task force to examine methods for improving relationships between the Small Business Administration and community development financial institutions, minority depository institutions,

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and impact bank (as designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020) to increase the volume of loans provided by such institutions to small business concerns (as defined under section 3 of the Small Business Act (15 U.S.C. 632)).

(2) REPORT TO CONGRESS.—Not later than 18 months after the establishment of the task force described in paragraph (1), the Administrator of the Small Business Administration shall submit to Congress a report on the findings of such task force.

(n) ASSISTANCE TO MINORITY DEPOSITORY INSTITUTIONS AND IMPACT BANKS.—The Secretary of the Treasury shall establish a program to provide assistance to a minority depository institution or an impact bank (as designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020) to support growth and development of such minority depository institutions and impact banks, including by providing assistance with obtaining or converting a charter, bylaw amendments, field-of-membership expansion requests, and online training and resources.

SEC. 208. LOANS TO MDIS AND CDFIS.

(a) IN GENERAL.—During the COVID–19 emergency period, the Board of Governors of the Federal Reserve

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System shall provide zero-interest loans to minority depository institutions and community development financial institutions to help mitigate the economic impact of COVID–19 in low-income, underserved communities.

(b) ASSET LIMITATION.—Subsection (a) shall only apply to minority depository institutions and community development financial institutions with less than $1,000,000,000 in assets.

(c) INTEREST TO RESUME 18 MONTHS AFTER PANDEMIC.—Notwithstanding subsection (a), the Board of Governors shall charge interest on loans made pursuant to subsection (a) after the end of the 18-month period beginning at the end of the COVID–19 emergency period, at a rate to be determined by the Board of Governors based on the interest amount charged under the discount window lending programs.

(d) COVID–19 PANDEMIC DEFINED.—In this section, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

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SEC. 209. INSURANCE OF TRANSACTION ACCOUNTS.

(a) BANKS AND SAVINGS ASSOCIATIONS.—

(1) AMENDMENTS.—Section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)) is amended—

(A) in subparagraph (B)—

(i) by striking ''The net amount'' and inserting the following:

''(i) IN GENERAL.—Subject to clause (ii), the net amount''; and

(ii) by adding at the end the following new clauses:

''(ii) AUTHORIZATION FOR INSURANCE FOR TRANSACTION ACCOUNTS.—Notwithstanding clause (i), the Corporation may fully insure the net amount that any depositor at an insured depository institution maintains in a transaction account. Such amount shall not be taken into account when computing the net amount due to such depositor under clause (i).

''(iii) TRANSACTION ACCOUNT DEFINED.—For purposes of this subparagraph, the term 'transaction account' has the meaning given that term under section

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19 of the Federal Reserve Act (12 U.S.C. 461).''; and

(B) in subparagraph (C), by striking ''subparagraph (B)'' and inserting ''subparagraph (B)(i)''.

(2) PROSPECTIVE REPEAL.—Effective January 1, 2022, section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)), as amended by paragraph (1), is amended—

(A) in subparagraph (B)—

(i) by striking ''DEPOSIT.—'' and all that follows through ''clause (ii), the net amount'' and insert ''DEPOSIT.—The net amount''; and

(ii) by striking clauses (ii) and (iii); and

(B) in subparagraph (C), by striking ''subparagraph (B)(i)'' and inserting ''subparagraph (B)''.

(b) CREDIT UNIONS.—

(1) AMENDMENTS.—Section 207(k)(1) of the Federal Credit Union Act (12 U.S.C. 1787(k)(1)) is amended—

(A) in subparagraph (A)—

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(i) by striking ''Subject to the provisions of paragraph (2), the net amount'' and inserting the following:

''(i) NET AMOUNT OF INSURANCE PAYABLE.—Subject to clause (ii) and the provisions of paragraph (2), the net amount''; and

(ii) by adding at the end the following new clauses:

''(ii) AUTHORIZATION FOR INSURANCE FOR TRANSACTION ACCOUNTS.—Notwithstanding clause (i), the Board may fully insure the net amount that any member or depositor at an insured credit union maintains in a transaction account. Such amount shall not be taken into account when computing the net amount due to such member or depositor under clause (i).

''(iii) TRANSACTION ACCOUNT DEFINED.—For purposes of this subparagraph, the term 'transaction account' has the meaning given that term under section 19 of the Federal Reserve Act (12 U.S.C. 461).''; and

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(B) in subparagraph (B), by striking ''subparagraph (A)'' and inserting ''subparagraph (A)(i)''.

(2) PROSPECTIVE REPEAL.—Effective January 1, 2022, section 207(k)(1) of the Federal Credit Union Act (12 U.S.C. 1787(k)(1)), as amended by paragraph (1), is amended—

(A) in subparagraph (A)—

(i) by striking ''(i) NET AMOUNT OF INSURANCE PAYABLE.—'' and all that follows through ''paragraph (2), the net amount'' and inserting ''Subject to the provisions of paragraph (2), the net amount''; and

(ii) by striking clauses (ii) and (iii); and

(B) in subparagraph (B), by striking ''subparagraph (A)(i)'' and inserting ''subparagraph (A)''.

(c) COVID–19 EMERGENCY DEFINED.—In this section, the term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the

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Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

TITLE III—SUPPORTING STATE, TERRITORY, AND LOCAL GOVERNMENTS

SEC. 301. MUNI FACILITY.

(a) AMENDMENT TO AUTHORITY TO BUY AND SELL BONDS AND NOTES.—Section 14(b) of the Federal Reserve Act (12 U.S.C. 355) is amended—

(1) in paragraph (1)—

(A) by inserting ''and during unusual and exigent circumstances,'' before ''bonds issued''; and

(B) by striking ''of 1933'' and all that follows through ''assured revenues''; and

(2) by adding at the end the following:

''(3) STATE DEFINED.—In this section, the term 'State' means each of the several States, the District of Columbia, each territory and possession of the?United States, and each federally recognized Indian Tribe.''.

(b) FEDERAL RESERVE AUTHORIZATION TO PURCHASE COVID–19 RELATED MUNICIPAL ISSUANCES.—

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(1) AUTHORITY.—Within seven days after the date of enactment of this subsection, the Federal Reserve Board of Governors shall establish a facility to buy and sell, at home or abroad, bills, notes, bonds, and warrants with a maturity from date of purchase of not exceeding 10 years that are issued by any State or political subdivision thereof between March 1, 2020, and July 1, 2021, in order to fund a public health or public service response to the COVID–19 pandemic. The Board of Governors of the Federal Reserve System may extend the authority under this subsection if the Board determines necessary.

(2) REQUIRED PURCHASES.—The Board of Governors of the Federal Reserve System shall establish policies and procedures to require the direct placement of bills, notes, bonds, and warrants described in paragraph (1) with the Board at an interest cost that does not exceed the Federal funds rate target for short-term interbank lending, within seven days after the date of enactment of this section.

(3) REVIEW OF SPENDING.—During the 3-year period beginning on the date on which all purchases under this section are completed, relevant Federal authorities shall review such purchases to determine

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if funds were diverted from legitimate public health or public services responses to the COVID–19 pandemic to make such purchase. The relevant Federal authorities shall take appropriate action based on findings of such review.

(4) DEFINITIONS.—In this subsection:

(A) PUBLIC HEALTH OR PUBLIC SERVICE RESPONSE TO THE COVID–19 PANDEMIC.—The term ''public health or public service response to the COVID–19 pandemic'' means—

(i) the purchase, manufacture, or delivery of medical equipment, facilities, or services—

(I) to treat or quarantine COVID–19 patients;

(II) to protect first responders interacting with such patients; or

(III) to test for COVID–19 infections and track social contacts of patients who have tested positive for the virus;

(ii) the purchase, manufacture, or delivery of basic living supports for individuals who are not COVID–19 patients during periods of voluntary or mandatory so-

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cial distancing or quarantine designed to prevent the spread of COVID–19; or

(iii) the maintenance and delivery of basic public services to communities responding to the public health or economic effects of the COVID–19 pandemic.

(B) STATE.—The term ''State'' means each of the several States, the District of Columbia, each territory and possession of the United States, and each federally recognized Indian Tribe.

SEC. 302. TEMPORARY WAIVER AND REPROGRAMMING AUTHORITY.

(a) WAIVER AUTHORITY.—

(1) IN GENERAL.—With respect to a covered grant awarded to a State, territory, or local government by a Federal financial regulator, the Federal financial regulator may, upon request, waive any matching or cost-sharing requirements with respect to such grant until January 1, 2023.

(2) REQUIREMENTS FOR WAIVER RECIPIENTS.—A State, territory, or local government granted a waiver with respect to a grant under subsection (a) shall waive any matching or cost-sharing

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requirements that such government imposes on sub-grantees on such grant until January 1, 2023.

(b) REPROGRAMMING AUTHORITY.—

(1) IN GENERAL.—With respect to a covered grant awarded to a State, territory, or local government by a Federal financial regulator, the Federal financial regulator may, upon request, permit the State, territory, or local government to reprogram awarded grant funds for purposes related to unemployment, childcare, and healthcare, if the majority of normally funded activities under such grant are not in areas related to unemployment, childcare, and healthcare.

(2) CONSIDERATION FOR FUTURE GRANTS.—Any grantee (or sub-grantee) with respect to which a Federal financial regulator allows to reprogram funds under paragraph (1) shall be given priority by such Federal financial regulator for future awards of the type reprogrammed.

(c) DEFINITIONS.—In this section:

(1) COVERED GRANTS.—The term ''covered award'' means a grant—

(A) that was awarded to a State, territory, or local government before the date of enactment of this Act and under which the State,

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territory, or local government may still receive additional grant amounts; or

(B) with respect to which the period of performance does not expire before January 1, 2023.

(2) FEDERAL FINANCIAL REGULATOR.—The term ''Federal financial regulator'' means the Board of Governors of the Federal Reserve System, the Bureau of Consumer Financial Protection, the Department of Housing and Urban Development, the Department of the Treasury (other than the Internal Revenue Service), the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Securities and Exchange Commission.

TITLE IV—PROMOTING FINANCIAL STABILITY AND TRANSPARENT MARKETS

SEC. 401. TEMPORARY HALT TO RULEMAKINGS UNRELATED TO COVID–19.

(a) IN GENERAL.—Until the end of the 30-day period following the end of the COVID–19 emergency period, the Federal financial regulators—

(1) may not adopt or amend any rule, regulation, guidance, or order unless such rule, regulation,

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guidance, or order is directly related to responding to the COVID–19 emergency; and

(2) shall keep open and extend any ongoing public comment period related to a proposed or final rule, unless such rule is related to responding to the COVID–19 emergency.

(b) NOTICE AND SUNSET OF EMERGENCY ACTIONS.—The Federal financial regulators shall—

(1) provide the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate with a notice of any regulatory actions taken during the COVID–19 emergency period, along with an explanation of how such action was necessary and appropriate in response to the COVID–19 emergency; and

(2) limit the period of effectiveness of any action taken in response to the COVID–19 emergency to be not longer than 12-months following the end of the COVID–19 emergency period.

(c) VOTING BY REGULATORS.—Any action taken pursuant to this section by a Federal financial regulator headed by a multi-person entity may only be taken by unanimous vote.

(d) DEFINITIONS.—In this section:

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(1) COVID–19 EMERGENCY PERIOD.—For purposes of this Act, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) FEDERAL FINANCIAL REGULATOR.—In this section, the term ''Federal financial regulator'' means the Board of Governors of the Federal Reserve System, the Bureau of Consumer Financial Protection, the Department of Housing and Urban Development, the Department of the Treasury (other than the Internal Revenue Service), the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Securities and Exchange Commission.

SEC. 402. TEMPORARY BAN ON STOCK BUYBACKS.

(a) IN GENERAL.—It shall be unlawful for any issuer, the securities of which are traded on a national securities

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exchange, to purchase securities of the issuer during the period beginning on the date of enactment of this section and ending 120 days after the end of the COVID–19 emergency period.

(b) EARLY TERMINATION.—The Securities and Exchange Commission may terminate the prohibition under subsection (a) after the end of the COVID–19 emergency period and before the end of the 120-day period described under subsection (a), if—

(1) the Commission determines such termination is in the public interest; and

(2) immediately notifies the Congress and the public of such determination and the reason for such determination, including on the website of the Commission.

(c) ENFORCEMENT; RULEMAKING.—

(1) IN GENERAL.—The Securities and Exchange Commission shall have the authority to enforce this Act and may issue such rules as may be necessary to carry out this Act.

(2) COMMISSION VOTING.—Any action taken by the Commission pursuant to this section may only be taken upon a unanimous vote of the commissioners.

(d) DEFINITIONS.—In this section:

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(1) COVID–19 EMERGENCY PERIOD.—The term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) OTHER DEFINITIONS.—The terms ''issuer'', ''national securities exchange'', and ''security'' have the meaning given those terms, respectively, under section 3 of the Securities Exchange Act of 1934.

SEC. 403. DISCLOSURES RELATED TO SUPPLY CHAIN DISRUPTION RISK.

Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) is amended by adding at the end the following:

''(s) DISCLOSURES RELATED TO SUPPLY CHAIN DISRUPTION RISK.—

''(1) IN GENERAL.—Each issuer required to file an annual report under subsection (a) shall disclose in that report—

''(A) an identification of—

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"(i) the risks in the issuer's sourcing of goods, labor, services, and other supply chain related matters, including—

"(I) risks of dependency upon sole sourcing arrangements or sourcing concentrated in one geographic locality;

"(II) shipping risks; and

"(III) risks arising from natural disasters, pandemics, extreme weather, armed conflicts, refugee and related disruptions, trade conflicts or disruptions, and labor wage, safety, and health care practices; and

"(ii) the impacts any risk or disruption identified in clause (i) would have on the issuer's workforce, suppliers, and customers;

"(B) the issuer's business continuity or other contingency plans that will be implemented in the case of a supply chain disruption in order to mitigate such risks and impacts; and

"(C) all other material information.

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''(2) UPDATES.—Disclosures required under this subsection shall be updated when there are material changes.''.

SEC. 404. DISCLOSURES RELATED TO GLOBAL PANDEMIC RISK.

(a) IN GENERAL.—Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m), as amended by section 403, is further amended by adding at the end the following:

''(t) DISCLOSURES RELATED TO GLOBAL PANDEMIC RISK.—

''(1) IN GENERAL.—Each issuer required to file current reports under subsection (a) shall, in the event the World Health Organization declares a pandemic, file a report with the Commission containing a description of—

''(A) the risks and exposures to the issuer related to the pandemic, including risks to health and worker safety faced by the issuer's employees and independent contractors;

''(B) the steps the issuer is taking to mitigate such risks and exposures, including measures to protect the workforce, including information related to wages, healthcare, and leave;

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''(C) a preliminary view on the effect the pandemic may have on the issuer's business, solvency, and workforce; and

''(D) all other material information.

''(2) UPDATES.—Disclosures required under this subsection shall be updated when there are material changes.

''(3) PUBLIC AVAILABILITY OF REPORTS.—The Commission shall make each report filed to the Commission under paragraph (1) available to the public, including on the website of the Commission.''.

(b) APPLICATION.—Section 13(t) of the Securities Exchange Act of 1934, as added by subsection (a), shall apply to a pandemic declared by the World Health Organization that is in existence on the date of enactment of this Act or that is declared after the date of enactment of this Act.

SEC. 405. OVERSIGHT OF FEDERAL AID RELATED TO COVID–19.

(a) CONGRESSIONAL COVID–19 AID OVERSIGHT PANEL.—

(1) ESTABLISHMENT.—There is hereby established the Congressional COVID–19 Aid Oversight Panel (hereafter in this subsection referred to as the

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''Oversight Panel'') as an establishment in the legislative branch.

(2) DUTIES.—The Oversight Panel shall review the current state of the financial markets and the regulatory system and submit regular reports to Congress on the following:

(A) The use of Federal aid provided during the COVID–19 emergency.

(B) The impact of Federal aid related to COVID–19 on the financial markets and financial institutions.

(3) MEMBERSHIP.—

(A) IN GENERAL.—The Oversight Panel shall consist of 5 members, as follows:

(i) 1 member appointed by the Speaker of the House of Representatives.

(ii) 1 member appointed by the minority leader of the House of Representatives.

(iii) 1 member appointed by the majority leader of the Senate.

(iv) 1 member appointed by the minority leader of the Senate.

(v) 1 member appointed by the Speaker of the House of Representatives and the majority leader of the Senate, after con-

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sultation with the minority leader of the Senate and the minority leader of the House of Representatives.

(B) PAY.—Each member of the Oversight Panel shall each be paid at a rate equal to the daily equivalent of the annual rate of basic pay for level I of the Executive Schedule for each day (including travel time) during which such member is engaged in the actual performance of duties vested in the Commission.

(C) PROHIBITION OF COMPENSATION OF FEDERAL EMPLOYEES.—Members of the Oversight Panel who are full-time officers or employees of the United States or Members of Congress may not receive additional pay, allowances, or benefits by reason of their service on the Oversight Panel.

(D) TRAVEL EXPENSES.—Each member shall receive travel expenses, including per diem in lieu of subsistence, in accordance with applicable provisions under subchapter I of chapter 57 of title 5, United States Code.

(E) QUORUM.—Four members of the Oversight Panel shall constitute a quorum but a lesser number may hold hearings.

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(F) VACANCIES.—A vacancy on the Oversight Panel shall be filled in the manner in which the original appointment was made.

(G) MEETINGS.—The Oversight Panel shall meet at the call of the Chairperson or a majority of its members.

(4) STAFF.—

(A) IN GENERAL.—The Oversight Panel may appoint and fix the pay of any personnel as the Oversight Panel considers appropriate.

(B) EXPERTS AND CONSULTANTS.—The Oversight Panel may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(C) STAFF OF AGENCIES.—Upon request of the Oversight Panel, the head of any Federal department or agency may detail, on a reimbursable basis, any of the personnel of that department or agency to the Oversight Panel to assist it in carrying out its duties under this section.

(5) POWERS.—

(A) HEARINGS AND SESSIONS.—The Oversight Panel may, for the purpose of carrying out this section, hold hearings, sit and act at

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times and places, take testimony, and receive evidence as the Panel considers appropriate and may administer oaths or affirmations to witnesses appearing before it.

(B) POWERS OF MEMBERS AND AGENTS.—Any member or agent of the Oversight Panel may, if authorized by the Oversight Panel, take any action which the Oversight Panel is authorized to take by this section.

(C) OBTAINING OFFICIAL DATA.—The Oversight Panel may secure directly from any department or agency of the United States information necessary to enable it to carry out this section. Upon request of the Chairperson of the Oversight Panel, the head of that department or agency shall furnish that information to the Oversight Panel.

(D) REPORTS.—The Oversight Panel shall receive and consider all reports required to be submitted to the Oversight Panel under this section.

(6) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Oversight Panel such sums as may be necessary for any fiscal year, half of which shall be derived from the

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applicable account of the House of Representatives, and half of which shall be derived from the contingent fund of the Senate.

(7) SUNSET.—The Oversight Panel established by this subsection shall terminate on the date that is two years following the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(8) DEFINITIONS.—In this subsection:

(A) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends one year after the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(B) FEDERAL AID.—The term ''Federal aid'' means any emergency lending provided under section 13(3) of the Federal Reserve Act

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or any Federal financial support in the form of a grant, loan, or loan guarantee.

(b) SPECIAL INSPECTOR GENERAL AUTHORITY OVER FEDERAL AID RELATED TO COVID–19.—Section 121 of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5231) is amended—

(1) in subsection (k)—

(A) in paragraph (1), by striking ''or'' at the end;

(B) in paragraph (2), by striking the period at the end and inserting ''; or''; and

(C) by adding at the end the following:

''(3) the date on which all Federal aid related to the COVID–19 emergency is repaid.''; and

(2) by adding at the end the following:

''(l) RESPONSIBILITY WITH RESPECT TO FEDERAL AID RELATED TO COVID–19.—

''(1) IN GENERAL.—The Special Inspector General shall have the same authority and responsibilities with respect to Federal aid provided during the COVID–19 emergency as the Special Inspector General has with respect to financial assistance (including the purchase of troubled assets) provided under this title.

''(2) DEFINITIONS.—In this section:

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"(A) COVID–19 EMERGENCY.—The term 'COVID–19 emergency' means the period that begins upon the date of the enactment of this Act and ends one year after the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

"(B) FEDERAL AID.—The term 'Federal aid' means any emergency lending provided under section 13(3) of the Federal Reserve Act or any Federal financial support in the form of a grant, loan, or loan guarantee.".

SEC. 406. INTERNATIONAL FINANCIAL INSTITUTIONS.

(a) UNITED STATES PARTICIPATION IN, AND CONTRIBUTIONS TO, THE NINETEENTH REPLENISHMENT OF THE RESOURCES OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION.— The International Development Association Act (22 U.S.C. 284 et seq.) is amended by adding at the end the following:

"SEC. 31. NINETEENTH REPLENISHMENT.

"(a) The United States Governor of the International Development Association is authorized to contribute on

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behalf of the United States $3,004,200,000 to the nineteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.

''(b) In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $3,004,200,000 for payment by the Secretary of the Treasury.''.

(b) UNITED STATES PARTICIPATION IN, AND CONTRIBUTIONS TO, THE FIFTEENTH REPLENISHMENT OF THE RESOURCES OF THE AFRICAN DEVELOPMENT FUND.—The African Development Fund Act (22 U.S.C. 290g et seq.) is amended by adding at the end the following:

''SEC. 226. FIFTEENTH REPLENISHMENT.

''(a) The United States Governor of the Fund is authorized to contribute on behalf of the United States $513,900,000 to the fifteenth replenishment of the resources of the Fund, subject to obtaining the necessary appropriations.

''(b) In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $513,900,000 for payment by the Secretary of the Treasury.''.

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(c) UNITED STATES PARTICIPATION IN, AND CONTRIBUTIONS TO, THE SEVENTH CAPITAL INCREASE FOR THE AFRICAN DEVELOPMENT BANK.— The African Development Bank Act (22 U.S.C. 290i et seq.) is amended by adding at the end the following:

"SEC. 1345. SEVENTH CAPITAL INCREASE.

"(a) SUBSCRIPTION AUTHORIZED.—

"(1) The United States Governor of the Bank may subscribe on behalf of the United States to 532,023 additional shares of the capital stock of the Bank.

"(2) Any subscription by the United States to the capital stock of the Bank shall be effective only to such extent and in such amounts as are provided in advance in appropriations Acts.

"(b) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—

"(1) In order to pay for the increase in the United States subscription to the Bank under subsection (a), there are authorized to be appropriated, without fiscal year limitation, $7,286,587,008 for payment by the Secretary of the Treasury.

"(2) Of the amount authorized to be appropriated under paragraph (1)—

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"(A) $437,190,016 shall be for paid in shares of the Bank; and

"(B) $6,849,396,992 shall be for callable shares of the Bank.".

SEC. 407. CONDITIONS ON FEDERAL AID TO CORPORATIONS.

(a) REQUIREMENTS ON ALL CORPORATIONS UNTIL FEDERAL AID RELATED TO COVID–19 IS REPAID.—Any corporation that receives Federal aid related to COVID–19 shall, until the date on which all such Federal aid is repaid by the corporation to the Federal Government, comply with the following:

(1) RESTRICTIONS ON EXECUTIVE BONUSES.—The corporation may not pay a bonus to any executive of the corporation.

(2) BAN ON EXECUTIVE GOLDEN PARACHUTES.—The corporation may not pay any type of compensation (whether present, deferred, or contingent) to an executive of the corporation, if such compensation is in connection with the termination of employment of the executive.

(3) BAN ON STOCK BUYBACKS.—The corporation may not purchase securities of the corporation.

(4) BAN ON DIVIDENDS.—The corporation may not pay dividends on securities of the corporation.

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(5) BAN ON FEDERAL LOBBYING.—The corporation may not carry out any Federal lobbying activities.

(b) PERMANENT REQUIREMENTS ON ACCELERATED FILERS RECEIVING FEDERAL AID RELATED TO COVID–19.—

(1) IN GENERAL.—An accelerated filer that receives Federal aid related to COVID–19 shall permanently comply with the following:

(A) WORKER BOARD REPRESENTATION.—

(i) IN GENERAL.—At least ⅓ of the members of the accelerated filer's directors are chosen by the employees of the accelerated filer in a one-employee-one-vote election process.

(ii) COMPLIANCE DATE.—An accelerated filer shall comply with the requirements under clause (i) not later than the end of the 2-year period beginning on the date of enactment of this Act.

(iii) DEFINITIONS.—In this subparagraph—

(I) the term ''director'' has the meaning given the term in section 3

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of the Securities Exchange Act of 1934 (15 U.S.C. 78c); and

(II) the term ''employee'' has the meaning given the term in section 2 of the National Labor Relations Act (29 U.S.C. 152).

(B) ADDITIONAL DISCLOSURES.—If the securities of the corporation are traded on a national securities exchange, the corporation shall issue the following disclosures to the Securities and Exchange Commission on a quarterly basis (and make such disclosures available to shareholders of the corporation and the public):

(i) The political spending disclosures required under paragraph (2).

(ii) The human capital management disclosures required under paragraph (3).

(iii) The environmental, social, and governance disclosures required under paragraph (4).

(iv) The Federal aid disclosures required under paragraph (5).

(v) The disclosures of financial performance on a country-by-country basis required under paragraph (6).

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(2) POLITICAL SPENDING DISCLOSURES.—

(A) IN GENERAL.—With respect to an accelerated filer, the disclosures required under this paragraph are—

(i) a description of any expenditure for political activities made during the preceding quarter;

(ii) the date of each expenditure for political activities;

(iii) the amount of each expenditure for political activities;

(iv) if the expenditure for political activities was made in support of or opposed to a candidate, the name of the candidate and the office sought by, and the political party affiliation of, the candidate;

(v) the name or identity of trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code which receive dues or other payments as described in paragraph (1)(A)(i)(III);

(vi) a summary of each expenditure for political activities made during the pre-

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ceding year in excess of $10,000, and each expenditure for political activities for a particular election if the total amount of such expenditures for that election is in excess of $10,000;

(vii) a description of the specific nature of any expenditure for political activities the corporation intends to make for the forthcoming fiscal year, to the extent the specific nature is known to the corporation; and

(viii) the total amount of expenditures for political activities intended to be made by the corporation for the forthcoming fiscal year.

(B) DEFINITIONS.—In this paragraph:

(i) EXPENDITURE FOR POLITICAL ACTIVITIES.—The term ''expenditure for political activities''—

(I) means—

(aa) an independent expenditure (as defined in section 301(17) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101(17)));

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(bb) an electioneering communication (as defined in section 304(f)(3) of that Act (52 U.S.C. 30104(f)(3))) and any other public communication (as defined in section 301(22) of that Act (52 U.S.C. 30101(22))) that would be an electioneering communication if it were a broadcast, cable, or satellite communication; or

(cc) dues or other payments to trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of that Code that are, or could reasonably be anticipated to be, used or transferred to another association or organization for the purposes described in item (aa) or (bb); and

(II) does not include—

(aa) direct lobbying efforts through registered lobbyists em-

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ployed or hired by the corporation;

(bb) communications by a corporation to its shareholders and executive or administrative personnel and their families; or

(cc) the establishment and administration of contributions to a separate segregated fund to be utilized for political purposes by a corporation.

(ii) EXCEPTION.—The term ''corporation'' does not include an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a–8).

(3) HUMAN CAPITAL MANAGEMENT DISCLOSURES.—With respect to an accelerated filer, the disclosures required under this paragraph are the following:

(A) Workforce demographic information, including the number of full-time employees, the number of part-time employees, the number of contingent workers (including temporary and contract workers), and any policies or practices

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relating to subcontracting, outsourcing, and insourcing.

(B) Workforce stability information, including information about the voluntary turnover or retention rate, the involuntary turnover rate, the internal hiring rate, and the internal promotion rate.

(C) Workforce composition, including data on diversity (including racial and gender composition) and any policies and audits related to diversity.

(D) Workforce skills and capabilities, including information about training of employees (including the average number of hours of training and spending on training per employee per year), skills gaps, and alignment of skills and capabilities with business strategy.

(E) Workforce culture and empowerment, including information about—

(i) policies and practices of the corporation relating to freedom of association and work-life balance initiatives;

(ii) any incidents of verified workplace harassment in the previous 5 fiscal years of the corporation;

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(iii) policies and practices of the corporation relating to employee engagement and psychological wellbeing, including management discussion regarding—

(I) the creation of an autonomous work environment;

(II) fostering a sense of purpose in the workforce;

(III) trust in management; and

(IV) a supportive, fair, and constructive workplace.

(F) Workforce health and safety, including information about—

(i) the frequency, severity, and lost time due to injuries, illness, and fatalities;

(ii) the total dollar value of assessed fines under the Occupational Safety and Health Act of 1970;

(iii) the total number of actions brought under section 13 of the Occupational Safety and Health Act of 1970 to prevent imminent dangers; and

(iv) the total number of actions brought against the corporation under sec-

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tion 11(c) of the Occupational Safety and Health Act of 1970.

(G) Workforce compensation and incentives, including information about—

(i) total workforce compensation, including disaggregated information about compensation for full-time, part-time, and contingent workers;

(ii) policies and practices about how performance, productivity, and sustainability are considered when setting pay and making promotion decisions; and

(iii) policies and practices relating to any incentives and bonuses provided to employees below the named executive level and any policies or practices designed to counter any risks create by such incentives and bonuses.

(H) Workforce recruiting, including information about the quality of hire, new hire engagement rate, and new hire retention rate.

(4) ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES.—With respect to an accelerated filer, the disclosures required under this paragraph are disclosures that satisfy the recommendations of

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the Task Force on Climate-related Financial Disclosures of the Financial Stability Board as reported in June, 2017.

(5) FEDERAL AID DISCLOSURES.—With respect to an accelerated filer, the disclosure required under this paragraph is a description of how the Federal aid related to COVID–19 received by the corporation is being used to support the corporation's employees.

(6) DISCLOSURES OF FINANCIAL PERFORMANCE ON A COUNTRY-BY-COUNTRY BASIS.—

(A) IN GENERAL.—With respect to an accelerated filer, the disclosures required under this paragraph are the following:

(i) CONSTITUENT ENTITY INFORMATION.—Information on any constituent entity of the corporation, including the following:

(I) The complete legal name of the constituent entity.

(II) The tax jurisdiction, if any, in which the constituent entity is resident for tax purposes.

(III) The tax jurisdiction in which the constituent entity is orga-

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nized or incorporated (if different from the tax jurisdiction of residence).

(IV) The tax identification number, if any, used for the constituent entity by the tax administration of the constituent entity's tax jurisdiction of residence.

(V) The main business activity or activities of the constituent entity.

(ii) TAX JURISDICTION.—Information on each tax jurisdiction in which one or more constituent entities is resident, presented as an aggregated or consolidated form of the information for the constituent entities resident in each tax jurisdiction, including the following:

(I) Revenues generated from transactions with other constituent entities.

(II) Revenues not generated from transactions with other constituent entities.

(III) Profit or loss before income tax.

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(IV) Total income tax paid on a cash basis to all tax jurisdictions.

(V) Total accrued tax expense recorded on taxable profits or losses.

(VI) Stated capital.

(VII) Total accumulated earnings.

(VIII) Total number of employees on a full-time equivalent basis.

(IX) Net book value of tangible assets, which, for purposes of this section, does not include cash or cash equivalents, intangibles, or financial assets.

(iii) SPECIAL RULES.—The information listed in clause (ii) shall be provided, in aggregated or consolidated form, for any constituent entity or entities that have no tax jurisdiction of residence. In addition, if a constituent entity is an owner of a constituent entity that does not have a jurisdiction of tax residence, then the owner's share of such entity's revenues and profits will be aggregated or consolidated with the

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information for the owner's tax jurisdiction of residence.

(B) DEFINITIONS.—In this paragraph—

(i) the term ''constituent entity'' means, with respect to an accelerated filer, any separate business entity of the accelerated filer;

(ii) the term ''tax jurisdiction''—

(I) means a country or a jurisdiction that is not a country but that has fiscal autonomy; and

(II) includes a territory or possession of the United States that has fiscal autonomy.

(c) PERMANENT REQUIREMENTS ON ALL CORPORATIONS RECEIVING FEDERAL AID RELATED TO COVID–19.—Any corporation that receives Federal aid related to COVID–19 shall permanently comply with the following:

(1) PAID LEAVE FOR WORKERS.—The corporation shall provide at least 14 days of paid leave to workers (employees and contractors, full-time and part-time) who—

(A) are unable to telework;

(B) need to be isolated or quarantined to prevent the spread of COVID–19; or

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(C) need time off to care for the needs of family members.

(2) MINIMUM WAGE.—The corporation shall pay each employee (full-time and part-time) of the corporation a wage of not less than $15 an hour, beginning not later than January 1, 2021.

(3) LIMITATION ON CEO AND EXECUTIVE PAY.—The corporation may not have a CEO to median worker pay ratio of greater than 50 to 1 and no officer or employee of the corporation may received higher compensation than the chief executive officer (or any equivalent position).

(d) REQUIREMENTS ON ALL CORPORATIONS RECEIVING FEDERAL AID RELATED TO COVID–19 UNTIL THE END OF THE EMERGENCY.—Any corporation that receives Federal aid related to COVID–19 shall, until the COVID–19 emergency ends, comply with the following:

(1) WORKFORCE LEVELS AND BENEFITS.—The corporation shall maintain at least the same workforce levels and benefits that existed before the COVID–19 emergency.

(2) MAINTENANCE OF WORKER PAY.—The corporation shall maintain worker (employee or contractor, full-time and part-time) pay throughout the entire duration of the COVID–19 emergency at or

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above the pay level the worker was earning before the emergency.

(3) MAINTENANCE OF COLLECTIVE BARGAINING AGREEMENTS.—The corporation may not alter any collective bargaining agreement that was in place at the beginning of the COVID–19 emergency.

(e) ENFORCEMENT; RULEMAKING.—The Securities and Exchange Commission and the Secretary of the Treasury shall have the authority to enforce this section and may issue such rules as may be necessary to carry out this section.

(f) DEFINITIONS.—In this section:

(1) ACCELERATED FILER.—The Securities and Exchange Commission shall define the term ''accelerated filer'' for purposes of this section.

(2) CEO TO MEDIAN WORKER PAY RATIO.—With respect to an accelerated filer, the term ''CEO to median worker pay ratio'' means the ratio of—

(A) the annual total compensation of the chief executive officer (or any equivalent position) of the corporation; and

(B) the median of the annual total compensation of all employees of the corporation, except the chief executive officer (or any equivalent position) of the corporation.

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(3) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends upon the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19).

(4) FEDERAL AID.—The term ''Federal aid'' means any emergency lending provided under section 13(3) of the Federal Reserve Act or any Federal financial support in the form of a grant, loan, or loan guarantee.

(5) S CORPORATION.—The term ''S corporation'' has the meaning given that term under section 1361(a) of the Internal Revenue Code of 1986.

(6) SECURITIES TERMS.—The terms ''national securities exchange'' and ''security'' have the meaning given those terms, respectively, under section 3 of the Securities Exchange Act of 1934.

SEC. 408. AUTHORITY FOR WARRANTS AND DEBT INSTRUMENTS.

(a) DEFINITIONS.—In this section:

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(1) ASSET.—The term ''asset'' means any financial instrument that the Secretary, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which or the guarantee of which is necessary to promote economic stability.

(2) COMPANY.—The term ''company'' means any entity that is not subject to the prohibitions in subsection (e).

(3) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(b) WARRANT OR SENIOR DEBT INSTRUMENT.—The Secretary may not purchase, or make any commitment to purchase, or guarantee, or make any commitment to guarantee, any asset in response to the coronavirus disease (COVID–19) outbreak, unless the Secretary receives from the company from which such assets are to be purchased or are to be guaranteed—

(1) in the case of a company, the securities of which are traded on a national securities exchange, a warrant giving the right to the Secretary to receive preferred voting stock; or

(2) in the case of any company other than one described in paragraph (1), a warrant for preferred

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voting stock, or a senior debt instrument from such company.

(c) TERMS AND CONDITIONS.—The terms and conditions of any warrant or senior debt instrument required under subsection (b) shall meet the following requirements:

(1) PURPOSES.—Such terms and conditions shall, at a minimum, be designed—

(A) to provide for reasonable participation by the Secretary, for the benefit of taxpayers, in equity appreciation in the case of a warrant or other equity security, or a reasonable interest rate premium, in the case of a debt instrument; and

(B) to provide additional protection for the taxpayer against losses from sale of assets by the Secretary and any associated administrative expenses.

(2) TERMS OF PREFERRED VOTING STOCK.—Any preferred voting stock received from a company should include the following terms:

(A) VOTING RIGHTS.—The Secretary shall have the right to vote on matters brought before the stockholders generally. The Secretary shall control a percentage of votes equal to the

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percentage of the total value of the company the government's share will represent after the investment.

(B) BANKRUPTCY IMMUNITY.—The rights associated with the preferred voting stock shall not be subject to modification, amendment, or any change by the bankruptcy laws of the United States or any other state.

(3) AUTHORITY TO SELL, EXERCISE, OR SURRENDER.—

(A) IN GENERAL.—For the primary benefit of taxpayers, the Secretary may sell, exercise, or surrender a warrant or any senior debt instrument received under this section, based on the conditions established under paragraph (1).

(B) PROCEEDS.—Of any proceeds received through the sale, exercise, or surrender of any warrant or any senior debt instrument—

(i) 65 percent shall be transferred or credited to the Housing Trust Fund established under section 1338 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4568); and

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(ii) 35 percent shall be transferred or credited to the Capital Magnet Fund under section 1339 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4569).

(4) CONVERSION.—The warrant shall provide that if, after the warrant is received by the Secretary under this section, the company that issued the warrant is no longer listed or traded on a national securities exchange or securities association, as described in subsection (b)(1), the Secretary will have an option to convert the warrants to senior debt to ensure that the Treasury is appropriately compensated for the value of the warrant, in an amount determined by the Secretary for the primary benefit of taxpayers.

(5) PROTECTIONS.—Any warrant representing securities to be received by the Secretary under this section shall contain anti-dilution provisions of the type employed in capital market transactions, as determined by the Secretary for the primary benefit of taxpayers. Such provisions shall protect the value of the securities from market transactions such as stock splits, stock distributions, dividends, and other

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distributions, mergers, and other forms of reorganization or recapitalization.

(6) EXERCISE PRICE.—The exercise price for any warrant issued pursuant to this section shall be set by the Secretary, for the primary benefit of taxpayers.

(7) SUFFICIENCY.—The company shall guarantee to the Secretary that it has authorized shares of stock available to fulfill its obligations under this section. Should the company not have sufficient authorized shares, including preferred shares that may carry dividend rights equal to a multiple number of common shares, the Secretary may, to the extent necessary for the primary benefit of taxpayers, accept a senior debt note in an amount, and on such terms as will compensate the Secretary with equivalent value, in the event that a sufficient shareholder vote to authorize the necessary additional shares cannot be obtained.

(d) EXCEPTIONS.—The Secretary may establish an exception to the requirements of this section and appropriate alternative requirements for any participating company that is legally prohibited from issuing securities and debt instruments, so as not to allow circumvention of the requirements of this section.

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(e) PROHIBITIONS OF FOREIGN COMPANIES.—

(1) IN GENERAL.—The Secretary may not purchase, or make any commitment to purchase, or guarantee, or make any commitment to guarantee, any asset in response to the coronavirus disease (COVID–19) outbreak from—

(A) any foreign incorporated entity that the Secretary has determined is an inverted domestic corporation or any subsidiary of such entity; or

(B) any joint venture if more than 10 percent of the joint venture (by vote or value) is held by a foreign incorporated entity that the Secretary has determined is an inverted domestic corporation or any subsidiary of such entity.

(2) INVERTED DOMESTIC CORPORATION.—

(A) IN GENERAL.—For purposes of this subsection, a foreign incorporated entity shall be treated as an inverted domestic corporation if, pursuant to a plan (or a series of related transactions)—

(i) the entity completes on or after May 8, 2014, the direct or indirect acquisition of—

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(I) substantially all of the properties held directly or indirectly by a domestic corporation; or

(II) substantially all of the assets of, or substantially all of the properties constituting a trade or business of, a domestic partnership; and

(ii) after the acquisition, either—

(I) more than 50 percent of the stock (by vote or value) of the entity is held—

(aa) in the case of an acquisition with respect to a domestic corporation, by former shareholders of the domestic corporation by reason of holding stock in the domestic corporation; or

(bb) in the case of an acquisition with respect to a domestic partnership, by former partners of the domestic partnership by reason of holding a capital or profits interest in the domestic partnership; or

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(II) the management and control of the expanded affiliated group which includes the entity occurs, directly or indirectly, primarily within the United States, as determined pursuant to regulations prescribed by the Secretary, and such expanded affiliated group has significant domestic business activities.

(B) EXCEPTION FOR CORPORATIONS WITH SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN COUNTRY OF ORGANIZATION.—

(i) IN GENERAL.—A foreign incorporated entity described in subparagraph (A) shall not be treated as an inverted domestic corporation if after the acquisition the expanded affiliated group which includes the entity has substantial business activities in the foreign country in which or under the law of which the entity is created or organized when compared to the total business activities of such expanded affiliated group.

(ii) SUBSTANTIAL BUSINESS ACTIVITIES.—The Secretary shall establish regu-

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lations for determining whether an affiliated group has substantial business activities for purposes of clause (i), except that such regulations may not treat any group as having substantial business activities if such group would not be considered to have substantial business activities under the regulations prescribed under section 7874 of the Internal Revenue Code of 1986, as in effect on January 18, 2017.

(C) SIGNIFICANT DOMESTIC BUSINESS ACTIVITIES.—

(i) IN GENERAL.—For purposes of subparagraph (A)(ii)(II), an expanded affiliated group has significant domestic business activities if at least 25 percent of—

(I) the employees of the group are based in the United States;

(II) the employee compensation incurred by the group is incurred with respect to employees based in the United States;

(III) the assets of the group are located in the United States; or

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(IV) the income of the group is derived in the United States.

(ii) DETERMINATION.—Determinations pursuant to clause (i) shall be made in the same manner as such determinations are made for purposes of determining substantial business activities under regulations referred to in subparagraph (B) as in effect on January 18, 2017, but applied by treating all references in such regulations to ''foreign country'' and ''relevant foreign country'' as references to ''the United States''. The Secretary may issue regulations decreasing the threshold percent in any of the tests under such regulations for determining if business activities constitute significant domestic business activities for purposes of this subparagraph.

(3) WAIVER.—

(A) IN GENERAL.—The Secretary may waive paragraph (1) if the Secretary determines that the waiver is—

(i) required in the interest of national security; or

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(ii) necessary for the efficient or effective administration of Federal or federally funded—

(I) programs that provide health benefits to individuals; or

(II) public health programs.

(B) REPORT TO CONGRESS.—The Secretary shall, not later than 14 days after issuing such waiver, submit a written notification of the waiver to the relevant authorizing committees of Congress and the Committees on Appropriations of the Senate and the House of Representatives.

(4) DEFINITIONS AND SPECIAL RULES.—

(A) DEFINITIONS.—In this subsection, the terms ''expanded affiliated group'', ''foreign incorporated entity'', ''domestic'', and ''foreign'' have the meaning given those terms in section 835(c) of the Homeland Security Act of 2002 (6 U.S.C. 395(c)).

(B) SPECIAL RULES.—In applying paragraph (2) of this subsection for purposes of paragraph (1) of this subsection, the rules described under 835(c)(1) of the Homeland Secu-

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rity Act of 2002 (6 U.S.C. 395(c)(1)) shall apply.

(5) REGULATIONS REGARDING MANAGEMENT AND CONTROL.—

(A) IN GENERAL.—The Secretary shall, for purposes of this subsection, prescribe regulations for purposes of determining cases in which the management and control of an expanded affiliated group is to be treated as occurring, directly or indirectly, primarily within the United States. The regulations prescribed under the preceding sentence shall apply to periods after May 8, 2014.

(B) EXECUTIVE OFFICERS AND SENIOR MANAGEMENT.—The regulations prescribed under subparagraph (A) shall provide that the management and control of an expanded affiliated group shall be treated as occurring, directly or indirectly, primarily within the United States if substantially all of the executive officers and senior management of the expanded affiliated group who exercise day-to-day responsibility for making decisions involving strategic, financial, and operational policies of the expanded affiliated group are based or primarily

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located within the United States. Individuals who in fact exercise such day-to-day responsibilities shall be treated as executive officers and senior management regardless of their title.

(f) PREEMPTION.—Any State or Federal laws that prohibit the transactions authorized by this statute, including state or federal laws that prohibit company directors from agreeing to the transactions authorized by this statute, are preempted and superseded by this statute.

SEC. 409. AUTHORIZATION TO PARTICIPATE IN THE NEW ARRANGEMENTS TO BORROW OF THE INTERNATIONAL MONETARY FUND.

Section 17 of the Bretton Woods Agreements Act (22 U.S.C. 286e-2) is amended—

(1) in subsection (a)—

(A) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6) and inserting after paragraph (2) the following:

"(3) In order to carry out the purposes of a one-time decision of the Executive Directors of the International Monetary Fund (the Fund) to expand the resources of the New Arrangements to Borrow, established pursuant to the decision of January 27, 1997 referred to in paragraph (1) above, the Secretary of the Treasury is authorized to make loans,

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in an amount not to exceed the dollar equivalent of 28,202,470,000 of Special Drawing Rights, in addition to any amounts previously authorized under this section; except that prior to activation of the New Arrangements to Borrow, the Secretary shall report to Congress on whether supplementary resources are needed to forestall or cope with an impairment of the international monetary system and whether the Fund has fully explored other means of funding to the Fund.''; and

(B) in paragraph (6) (as so redesignated by subparagraph (A) of this paragraph), by striking ''December 16, 2022'' and inserting ''December 31, 2025''; and

(2) in subsection (e)(1), by inserting ''(a)(3),'' after ''(a)(2),''.

SEC. 410. EMERGENCY RELIEF THROUGH LOANS AND LOAN GUARANTEES.

(a) IN GENERAL.—Notwithstanding any other provision of law, to provide liquidity to eligible businesses related to losses incurred as a direct result of coronavirus, the Secretary is authorized to make or guarantee loans to eligible businesses, including women-owned, minority-owned, veteran-owned and rural businesses, that do not, in the aggregate, exceed **[**$150,000,000,000**]** and provide

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the subsidy amounts necessary for such loans and loan guarantees in accordance with the provisions of the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).

(c) LOANS AND LOAN GUARANTEES.—

(1) IN GENERAL.—The Secretary shall review and decide on applications for loans and loan guarantees under this section and may enter into agreements to make or guarantee loans to one or more obligors if the Secretary determines, in the Secretary's discretion, that—

(A) the obligor is a eligible business for which credit is not reasonably available at the time of the transaction;

(B) the intended obligation by the obligor is prudently incurred; and

(C) the loan is sufficiently secured.

(2) TERMS AND LIMITATIONS.—

(A) FORMS; TERMS AND CONDITIONS.—Subject to section 407 of this division, a loan or loan guarantee shall be issued under this section in such form and on such terms and conditions and contain such covenants, representatives, warranties, and requirements (including requirements for audits) as the Secretary determines appropriate. Any loans made

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by the Secretary under this section shall be at a rate not less than a rate determined by the Secretary taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturity.

(B) PROCEDURES.—As soon as practicable, but in no case later than 10 days after the date of enactment of this Act, the Secretary shall publish procedures for application and minimum requirements, which may be supplemented by the Secretary in the Secretary's discretion, for the making of loans and loan guarantees under this section.

(d) FINANCIAL PROTECTION OF GOVERNMENT.—

(1) IN GENERAL.—To the extent feasible and practicable, the Secretary shall ensure that the Federal Government is compensated for the risk assumed in making loans and loan guarantees under this section.

(2) GOVERNMENT PARTICIPATION IN GAINS.—If an eligible business receives a loan or loan guarantee from the Federal Government under this section, the Secretary is authorized to enter into contracts under which the Federal Government, contingent on the fi-

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nancial success of the eligible business, would participate in the gains of the eligible business or its security holders through the use of such instruments as warrants, stock options, common or preferred stock, or other appropriate equity instruments.

(e) DEPOSIT OF PROCEEDS.—Amounts collected by the Secretary under this section, including the proceeds of investments, earnings, and interest collected, shall be deposited in the Treasury as miscellaneous receipts.

(f) ADMINISTRATIVE EXPENSES.—Notwithstanding any other provision of law, the Secretary may use $100,000,000 of the funds made available under this section to pay costs and administrative expenses associated with the provision of direct loans or guarantees authorized under this section.

(g) CONFORMING AMENDMENT.—Section 5302(a)(1) of title 31, United States Code, is amended—

(1) by striking ''and'' before ''section 3''; and

(2) by inserting ''Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations Act,'' before ''and for investing''.

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SEC. 411. LIMITATION ON CERTAIN EMPLOYEE COMPENSATION.

(a) IN GENERAL.—The Secretary may only enter into a loan or loan agreement under section 410(a) with an eligible business after the eligible business enters into a legally binding agreement with the Secretary that, during the period beginning March 1, 2020, and ending March 1, 2022 or the termination of the loan or loan agreement under section 410(a), which is later, no officer or employee of the eligible business—

(1) will receive from the eligible business total compensation which exceeds $425,000, during any 12 consecutive months of such period; and

(2) will receive from the eligible business severance pay or other benefits upon termination of employment with the eligible business which exceeds twice the compensation described in paragraph (1).

(b) TOTAL COMPENSATION DEFINED.—In this section, the term ''total compensation'' includes salary, bonuses, awards of stock, and other financial benefits provided by an eligible business to an officer or employee of the eligible business.

SEC. 412. INTERNATIONAL FINANCE CORPORATION.

The International Finance Corporation Act (22 U.S.C. 282 et seq.) is amended by adding at the end the following:

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"SEC. 18. CAPITAL INCREASES AND AMENDMENT TO THE ARTICLES OF AGREEMENT.

"(a) VOTES AUTHORIZED.—The United States Governor of the Corporation is authorized to vote in favor of—

"(1) a resolution to increase the authorized capital stock of the Corporation by 16,999,998 shares, to implement the conversion of a portion of the retained earnings of the Corporation into paid-in capital, which will result in the United States being issued an additional 3,771,899 shares of capital stock, without any cash contribution;

"(2) a resolution to increase the authorized capital stock of the Corporation on a general basis by 4,579,995 shares; and

"(3) a resolution to increase the authorized capital stock of the Corporation on a selective basis by 919,998 shares.

"(b) AMENDMENT OF THE ARTICLES OF AGREEMENT.—The United States Governor of the Corporation is authorized to agree to and accept an amendment to Article II, Section 2(c)(ii) of the Articles of Agreement of the Corporation that would increase the vote by which the Board of Governors of the Corporation may increase the capital stock of the Corporation from a four-fifths majority to an 85 percent majority.".

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SEC. 413. OVERSIGHT AND REPORTS.

(a) OVERSIGHT.—

(1) SIGTARP.—As provided for under section 405 of this division, the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) shall have oversight of the Secretary's administration of the loans and loan guarantees provided under section 410, the use of the funds by eligible businesses, and compliance with the requirements of section 407.

(2) OVERSIGHT PANEL.—As provided for under section 405 of this division, the Congressional COVID–19 Aid Oversight Panel shall have oversight of the Secretary's administration of the loans and loan guarantees provided under section 410, the use of the funds by eligible businesses, and compliance with the requirements of section 407.

(b) SECRETARY.—The Secretary shall, with respect to the loans and loan guarantees provided under section 410, make such reports as are required under section 5302 of title 31, United States Code.

(c) GOVERNMENT ACCOUNTABILITY OFFICE.—

(1) STUDY.—The Comptroller General of the United States shall conduct a study on the loans and loan guarantees provided under section 410.

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(2) REPORT.—Not later than 9 months after the date of enactment of this Act, and annually thereafter through the year succeeding the last year for which loans or loan guarantees provided under section 410 are in effect, the Comptroller General shall submit to the Committee on Financial Services, the Committee on Appropriations, and the Committee on the Budget of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs, the Committee on Appropriations, and the Committee on the Budget of the Senate a report on the loans and loan guarantees provided under section 410.

(d) DIVERSITY REPORT.—The Congressional COVID–19 Aid Oversight Panel, in conjunction with the SIGTARP, shall collect diversity data from any corporation that receives Federal aid related to COVID–19, and issue a report that will be made publicly available no later than one year after the disbursement of funds. In addition to any other data, the report shall include the following:

(1) EMPLOYEE DEMOGRAPHICS.—The gender, race, and ethnic identity (and to the extent possible, results disaggregated by ethnic group) of the corporation's employees, as otherwise known or provided voluntarily for the total number of employees

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(full- and part-time) and the career level of employees (executive and manager versus employees in other roles).

(2) SUPPLIER DIVERSITY.—The number and dollar value invested with minority- and women-owned suppliers (and to the extent possible, results disaggregated by ethnic group), including professional services (legal and consulting) and asset managers, and deposits and other accounts with minority depository institutions, as compared to all vendor investments.

(3) PAY EQUITY.—A comparison of pay amongst racial and ethnic minorities (and to the extent possible, results disaggregated by ethnic group) as compared to their white counterparts and comparison of pay between men and women for similar roles and assignments.

(4) CORPORATE BOARD DIVERSITY.—Corporate board demographic data, including total number of board members, gender, race and ethnic identity of board members (and to the extent possible, results disaggregated by ethnic group), as otherwise known or provided voluntarily, board position titles, as well as any leadership and subcommittee assignments.

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(5) DIVERSITY AND INCLUSION OFFICES.—The reporting structure of lead diversity officials, number of staff and budget dedicated to diversity and inclusion initiatives.

(e) DIVERSITY AND INCLUSION INITIATIVES.—Any corporation that receives Federal aid related to COVID–19 must maintain officials and budget dedicated to diversity and inclusion initiatives for no less than 5 years after disbursement of funds.

SEC. 414. DEFINITIONS.

In this title:

(1) COVERED LOSS.—The term ''covered loss'' includes losses, direct or incremental, incurred as a result of COVID–19, as determined by the Secretary.

(2) ELIGIBLE BUSINESS.—The term ''eligible business'' means a United States business that has incurred covered losses such that the continued operations of the business are jeopardized, as determined by the Secretary, and that has not otherwise applied for or received economic relief in the form of loans or loan guarantees provided under any other provision of this Act.

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(3) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury, or the designee of the Secretary of the Treasury.

SEC. 415. RULE OF CONSTRUCTION.

Nothing in this title shall be construed to allow the Secretary to provide relief to eligible businesses except in the form of secured loans and loan guarantees as provided in this title and under terms and conditions that are in the interest of the Federal Government.

TITLE V—INVESTING IN A SUSTAINABLE RECOVERY

SEC. 501. IMPROVING CORPORATE GOVERNANCE THROUGH DIVERSITY.

(a) PURPOSE.—The purpose of this section, and the amendment made by this section, is to create accountability to ensure that corporate boards reflect the diversity and perspectives of the communities and consumers impacted by the hardships due to the coronavirus disease (COVID–19) outbreak and future major disasters.

(b) SUBMISSION OF DATA RELATING TO DIVERSITY BY ISSUERS.—

(1) IN GENERAL.—Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) is amended by adding at the end the following:

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"(s) SUBMISSION OF DATA RELATING TO DIVERSITY.—

"(1) DEFINITIONS.—In this subsection—

"(A) the term 'executive officer' has the meaning given the term in section 230.501(f) of title 17, Code of Federal Regulations, as in effect on the date of enactment of this subsection; and

"(B) the term 'veteran' has the meaning given the term in section 101 of title 38, United States Code.

"(2) SUBMISSION OF DISCLOSURE.—Each issuer required to file an annual report under subsection (a) shall disclose in any proxy statement and any information statement relating to the election of directors filed with the Commission the following:

"(A) Data, based on voluntary self-identification, on the racial, ethnic, and gender composition of—

"(i) the board of directors of the issuer;

"(ii) nominees for the board of directors of the issuer; and

"(iii) the executive officers of the issuer.

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''(B) The status of any member of the board of directors of the issuer, any nominee for the board of directors of the issuer, or any executive officer of the issuer, based on voluntary self-identification, as a veteran.

''(C) Whether the board of directors of the issuer, or any committee of that board of directors, has, as of the date on which the issuer makes a disclosure under this paragraph, adopted any policy, plan, or strategy to promote racial, ethnic, and gender diversity among—

''(i) the board of directors of the issuer;

''(ii) nominees for the board of directors of the issuer; or

''(iii) the executive officers of the issuer.

''(3) ALTERNATIVE SUBMISSION.—In any 1-year period in which an issuer required to file an annual report under subsection (a) does not file with the Commission a proxy statement relating to the election of directors or an information statement, the issuer shall disclose the information required under paragraph (2) in the first annual report of issuer

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that the issuer submits to the Commission after the end of that 1-year period.

''(4) ANNUAL REPORT.—Not later than 18 months after the date of the enactment of this subsection, and annually thereafter, the Commission shall submit to the Committee on Financial Services of the House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the Senate and publish on the website of the Commission a report that analyzes the information disclosed pursuant to paragraphs (1), (2), and (3) and identifies any trends in such information.

''(5) BEST PRACTICES.—

''(A) IN GENERAL.—The Director of the Office of Minority and Women Inclusion of the Commission shall, not later than the end of the 3-year period beginning on the date of the enactment of this subsection and every three years thereafter, publish best practices for compliance with this subsection.

''(B) COMMENTS.—The Director of the Office of Minority and Women Inclusion of the Commission may, pursuant to subchapter II of chapter 5 of title 5, United States Code, solicit

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public comments related to the best practices published under subparagraph (A).''.

(2) RULEMAKING.—

(A) IN GENERAL.—The Securities and Exchange Commission shall issue rules to carry out the amendment made by paragraph (1) within the 6-month period beginning on the end of the COVID–19 emergency period.

(B) COVID–19 EMERGENCY PERIOD DEFINED.—In this subsection, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(c) DIVERSITY ADVISORY GROUP.—

(1) ESTABLISHMENT.—The Securities and Exchange Commission shall establish a Diversity Advisory Group (the ''Advisory Group''), which shall be

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composed of representatives from the government, academia, and the private sector.

(2) STUDY AND RECOMMENDATIONS.—The Advisory Group shall—

(A) carry out a study that identifies strategies that can be used to increase gender, racial, and ethnic diversity among members of boards of directors of issuers; and

(B) not later than 9 months after the establishment of the Advisory Group, submit a report to the Commission, the Committee on Financial Services of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate that—

(i) describes any findings from the study conducted pursuant to subparagraph (A); and

(ii) makes recommendations of strategies that issuers could use to increase gender, racial, and ethnic diversity among board members.

(3) ANNUAL REPORT.—Not later than 1 year following the submission of a report pursuant to paragraph (2), and annually thereafter, the Commission shall submit a report to the Committee on Fi-

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nancial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate that describes the status of gender, racial, and ethnic diversity among members of the board of directors of issuers.

(4) PUBLIC AVAILABILITY OF REPORTS.—The Commission shall make all reports of the Advisory Group available to issuers and the public, including on the website of the Commission.

(5) DEFINITIONS.—For the purposes of this subsection:

(A) ISSUER.—The term ''issuer'' has the meaning given the term in section 3 of the Securities Exchange Act of 1934.

(B) COMMISSION.—The term ''Commission'' means the Securities and Exchange Commission.

SEC. 502. DIVERSE INVESTMENT ADVISERS.

(a) FINDINGS.—The Congress finds the following:

(1) Diverse individual-owned and controlled firms continue to face obstacles, such as discrimination and other related barriers, when competing for investment adviser services opportunities, including Federal opportunities.

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(2) The Government Accountability Office found in September 2017 that asset management firms (also known as firms providing investment adviser services) registered in the United States manage more than $70,000,000,000,000 of assets and that minority- and women-owned asset management firms manage less than 1 percent of such assets.

(3) Conscious efforts to facilitate diverse and inclusive firm selection for investment advisers services opportunities are required to overcome obstacles facing diverse individual-owned and controlled firms, especially as women- and minority-owned businesses across the financial services sector struggle to recover from the impacts of the coronavirus disease (COVID–19) outbreak and future major disasters.

(4) Despite evidence that women and minority-owned firms perform as well as and sometimes outperform their industry counterparts, they are not consistently selected to manage institutional assets. Although women and minority-owned firms account for approximately 8.6 percent of the asset management industry, recent reports show that they only manage 1.1 percent of all assets under management or $785 billion out of $71.4 trillion, and are underrepresented as managers in every asset class.

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(b) INVESTMENT ADVISER CONTRACTING BY PERSONS REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.—The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15G the following:

"SEC. 15H. INVESTMENT ADVISER CONTRACTING REQUIREMENTS.

''(a) REQUIRED FOR REGISTRATION.—No broker, dealer, investment adviser, investment company, or self-regulatory organization may be registered with the Commission unless such person—

''(1) does not contract for the services of an investment adviser for externally managed funds; or

''(2) in contracting for the services of an investment adviser for externally managed funds after the date of the enactment of this section, has in place procedures that require the person, before contracting for such services—

''(A) to publish, unless prohibited by law or regulation, a request for proposal for such services; and

''(B) if one or more diverse individual owned and controlled firms submits a proposal to provide such services that satisfies the criteria set forth in the request for proposal, to in-

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vite at least one such diverse individual-owned and controlled firm to present their proposal, or certify to the Commission that no diverse individual-owned and controlled firms submitted a proposal, unless such invitation is prohibited by other law or regulation.

''(b) REPORTS.—

''(1) PERSONS CONTRACTING FOR THE SERVICES OF INVESTMENT ADVISERS FOR EXTERNALLY MANAGED FUNDS.—Each broker, dealer, investment adviser, investment company, and self-regulatory organization who contracts for the services of an investment adviser for externally managed funds and who is registered with the Commission shall, each fiscal year of such person, submit to the Office of Minority and Women Inclusion of the Commission a report that identifies, for the previous fiscal year—

''(A) the percentage of services of investment advisers for externally managed funds the person contracted for that were provided by a diverse individual-owned and controlled firm;

''(B) the dollar value of any contracts with diverse-individual owned and controlled firms providing the services of investment advisers for externally managed funds as a percentage of

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the dollar value of all contracts with all firms providing the services of investment advisers for externally managed funds;

"(C) the efforts made by the person to communicate opportunities for investment adviser services for externally managed funds to diverse-individual owned and controlled firms providing the services of investment advisers for externally managed funds;

"(D) the number of diverse-individual owned and controlled firms that were considered by the person to provide the services of investment advisers for externally managed funds and, with respect to each such firm, the race and gender of the owners of such firm; and

"(E) for any investment adviser for externally managed funds services contract opportunity in which a diverse-individual owned and controlled firm was not considered, a description of why a diverse-individual owned and controlled firm was not considered.

"(2) INCLUSION OF REPORT INFORMATION ON FORM ADV.—Any person who is required to file a report under paragraph (1) shall, in any Form ADV filed by, or required to be filed by such person, in-

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clude all information required to be filed in the report under paragraph (1) in such Form ADV filing.

''(3) ANNUAL REPORT BY THE OFFICE OF MINORITY AND WOMEN INCLUSION.—The Director of the Office of Minority and Women Inclusion of the Commission shall issue an annual report to the Commission and the Congress on the use of diverse individual-owned and controlled firms offering investment advising services for externally managed funds, including a summary of reports received under paragraph (1) and under section 13B(b).

''(4) COMMISSION REPORT TO CONGRESS.—The Commission shall issue a report every 5 years to the Congress on the steps taken by the Commission to implement this section and section 13B.

''(c) EXCEPTION.—This section shall not apply to—

''(1) a contract described in section 15 of the Investment Company Act of 1940, except for an initial contract—

''(A) pursuant to which a person serves or acts as an unaffiliated sub-adviser to a registered investment company; and

''(B) which is exempt from the shareholder approval requirement of section 15 in reliance on an order or rule of the Commission; or

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''(2) a diverse individual-owned and controlled firm with assets under $100,000,000.

''(d) DEFINITIONS.—For the purposes of this section:

''(1) AFFILIATED PERSON.—The term 'affiliated person' has the meaning given that term under section 2(a) of the Investment Company Act of 1940.

''(2) DIVERSE INDIVIDUAL-OWNED AND CONTROLLED FIRM.—The term 'diverse individual-owned and controlled firm' means a firm—

''(A) which is at least 51 percent owned by one or more individuals who are women, minorities, or veterans; or

''(B) whose management and daily business operations are—

''(i) in the case of a firm the shares of which are traded on a national securities exchange, controlled by a board with a majority of members who are women, minorities, or veterans; and

''(ii) in the case of any other firm, at least 51 percent controlled by one or more individuals who are women, minorities, or veterans.

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''(3) INVESTMENT ADVISER.—The term 'investment adviser' has the meaning given the term in section 202(a)(11) of the Investment Advisers Act of 1940.

''(4) MINORITY.—The term 'minority' has the meaning given the term in section 308(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and also includes any indigenous person in the United States or its territories.

''(5) UNAFFILIATED SUB-ADVISER TO A REGISTERED INVESTMENT COMPANY.—With respect to a registered investment company, the term 'unaffiliated sub-adviser to a registered investment company' means a person described under section 2(a)(20)(B) of the Investment Company Act of 1940 that is not an affiliated person of a person described under section 2(a)(20)(A) of the Investment Company Act of 1940.

''(6) VETERAN.—The term 'veteran' has the meaning given the term in section 101 of title 38, United States Code.''.

(c) INVESTMENT ADVISER CONTRACTING BY PERSONS REGISTERING SECURITIES.—The Securities Exchange Act of 1934 is amended by inserting after section 13A the following:

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"SEC. 13B. INVESTMENT ADVISER CONTRACTING REQUIREMENTS.

"(a) IN GENERAL.—Any issuer required to file an annual report under section 13 shall, when contracting for the services of an investment adviser for externally manage funds—

"(1) publish, unless prohibited by law or regulation, a request for proposal for such services; and

"(2) if one or more diverse individual owned and controlled firms submits a proposal to provide such services that satisfies the criteria set forth in the request for proposal, invite at least one such diverse individual-owned and controlled firm to present their proposal, or certify to the Commission that no diverse individual-owned and controlled firms submitted a proposal, unless such invitation is prohibited by other law or regulation.

"(b) REPORT.—Any issuer required to file an annual report under section 13 who contracts for the services of an investment adviser for externally managed funds shall, each fiscal year of such issuer, submit to the Office of Minority and Women Inclusion of the Commission a report that identifies, for the previous fiscal year—

"(1) the percentage of services of investment advisers for externally managed funds the issuer

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contracted for that were provided by a diverse individual-owned and controlled firm;

''(2) the dollar value of any contracts with diverse-individual owned and controlled firms providing the services of investment advisers for externally managed funds as a percentage of the dollar value of all contracts with all firms providing the services of investment advisers for externally managed funds;

''(3) the efforts made by the issuer to communicate investment adviser services for externally managed funds contract opportunities to diverse-individual owned and controlled firms providing the services of investment advisers for externally managed funds;

''(4) the number of diverse-individual owned and controlled firms that were considered by the issuer to provide the services of investment advisers for externally managed funds and, with respect to each such firm, the race and gender of the owners of such firm; and

''(5) for any investment adviser services for externally managed funds contract opportunity in which a diverse-individual owned and controlled firm was not considered, a description of why a diverse-

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individual owned and controlled firm was not considered.

''(c) EXCEPTION.—This section shall not apply to—

''(1) a contract described in section 15 of the Investment Company Act of 1940, except for an initial contract—

''(A) pursuant to which a person serves or acts as an unaffiliated sub-adviser to a registered investment company; and

''(B) which is exempt from the shareholder approval requirement of section 15 in reliance on an order or rule of the Commission; or

''(2) a diverse individual-owned and controlled firm with assets under $100,000,000.

''(d) DEFINITIONS.—In this section, the terms, 'affiliated person', 'diverse individual-owned and controlled firm', 'investment adviser', 'minority', 'unaffiliated sub-adviser to a registered investment company', and 'veteran' have the meaning given such terms in section 15H(d).''.

(d) EFFECTIVE DATE.—The amendments made by section shall take effect after the end of the 180-day period beginning on the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency As-

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sistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

SEC. 503. FINANCIAL LITERACY EDUCATION COMMISSION EMERGENCY RESPONSE.

(a) PURPOSE.—The purpose of this section is to provide financial literacy education, including information on access to banking services and other financial products, for individuals seeking information and resources as they recover from any financial distress caused by the coronavirus disease (COVID–19) outbreak and future major disasters.

(b) FINANCIAL LITERACY AND EDUCATION COMMISSION RESPONSE TO THE COVID–19 EMERGENCY.—

(1) SPECIAL MEETING.—Not later than the end of the 60-day period beginning on the date of enactment of this section, the Financial Literacy and Education Commission (the ''Commission'') shall convene a special meeting to discuss and plan assistance related to the financial impacts of the COVID–19 emergency.

(2) UPDATE OF THE COMMISSION'S WEBSITE.—

(A) IN GENERAL.—Not later than the end of the 60-day period beginning on the date of enactment of this section, the Commission shall update the website of the Commission with a

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full list of tools to help individuals recover from any financial hardship as a result of the COVID–19 emergency.

(B) SPECIFIC REQUIREMENTS.—In performing the update required under subparagraph (A), the Commission shall—

(i) place special emphasis on providing an additional set of tools geared towards women, racial and ethnic minorities, veterans, disabled, and LGBTQ+ communities; and

(ii) provide information in English and Spanish.

(C) INFORMATION FROM MEMBERS.—Not later than the end of the 60-day period beginning on the date of enactment of this section, each Federal department or agency that is a member of the Commission shall provide an update on the website of the Commission disclosing any tools that the department or agency is offering to individuals or to employees of the department or agency related to the COVID–19 emergency.

(3) IMPLEMENTATION REPORT TO CONGRESS.—The Secretary of the Treasury and the Director of

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the Bureau of Consumer Financial Protection shall, jointly and not later than the end of the 30-day period following the date on which the meeting required under paragraph (1) is held and all updates required under paragraph (2) have been completed, report to Congress on the implementation of this section.

(4) COVID–19 EMERGENCY DEFINED.—In this subsection, the term ''COVID–19 emergency'' means the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

SEC. 504. INTERAGENCY PANDEMIC GUIDANCE FOR CONSUMERS.

(a) INTERAGENCY PANDEMIC GUIDANCE.—

(1) GUIDANCE.—Not later than the end of the 60-day period beginning on the date of enactment of this section, the Federal financial regulators shall issue interagency regulatory guidance on preparedness, flexibility, and relief options for consumers in pandemics and major disasters, such as deferment, forbearance, affordable payment plan options, and

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other options such as delays on debt collections and wage garnishments.

(2) UPDATES.—The Federal financial regulators shall update the guidance required under paragraph (1) as necessary to keep such guidance current.

(b) PANDEMIC PREPAREDNESS TESTING.—

(1) IN GENERAL.—Not later than the end of the 2-year period beginning on the date of enactment of this section, and every 5 years thereafter, the Federal financial regulators shall carry out testing along with the institutions regulated by the Federal financial regulators to determine how effectively such institutions will be able to respond to a pandemic or major disaster.

(2) REPORT.—After the end of each test required under paragraph (1), the Federal financial regulators shall, jointly, issue a report to Congress containing the results of such test and any regulatory or legislative recommendations the regulators may have to increase pandemic preparedness.

(c) DEFINITIONS.—In this section:

(1) FEDERAL FINANCIAL REGULATORS.—The term ''Federal financial regulators'' means the Board of Governors of the Federal Reserve System,

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the Bureau of Consumer Financial Protection, the Comptroller of the Currency, the Director of the Federal Housing Finance Agency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Secretary of Agriculture, and the Secretary of Housing and Urban Development.

(2) MAJOR DISASTER.—The term ''major disaster'' means a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174), or section 501 of such Act (42 U.S.C. 5191).

SEC. 505. SEC PANDEMIC GUIDANCE FOR INVESTORS.

(a) PANDEMIC GUIDANCE.—

(1) GUIDANCE.—Not later than the end of the 60-day period beginning on the date of enactment of this section, the Securities and Exchange Commission shall issue regulatory guidance on preparedness, flexibility, relief, and investor protection for investors in pandemics and major disasters, including relevant disclosures.

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(2) UPDATES.—The Commission shall update the guidance required under paragraph (1) as necessary to keep such guidance current.

(b) PANDEMIC PREPAREDNESS TESTING.—

(1) IN GENERAL.—Not later than the end of the 60-day period beginning on the date of enactment of this Act, and every 5 years thereafter, the Securities and Exchange Commission shall carry out testing along with the entities regulated by the Commission to determine how effectively such entities will be able to respond to a pandemic or major disaster.

(2) REPORT.—After the end of each test required under paragraph (1), the Commission shall issue a report to Congress containing the results of such test and any regulatory or legislative recommendations the Commission may have to increase pandemic preparedness.

(c) MAJOR DISASTER DEFINED.—In this section, the term ''major disaster'' means a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174), or section 501 of such Act (42 U.S.C. 5191).

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SEC. 506. UPDATES OF THE PANDEMIC INFLUENZA PLAN AND NATIONAL PLANNING FRAMEWORKS.

(a) IN GENERAL.—Not later than one year following the end of the Declaration of the National Emergency, the President shall ensure that the Pandemic Influenza Plan (2017 Update) and the National Planning Frameworks are updated. The Secretary of the Treasury, in consultation with the Federal financial regulators, shall provide to the President the following:

(1) An assessment of the effectiveness of current plans and strategies to address the economic, financial, and monetary issues arising from a pandemic or other disaster.

(2) A description of the most significant challenges to protecting the economy, the financial system, and consumers, during a pandemic or other disaster, including the specific challenges experienced by women, racial and ethnic minorities, diverse-owned businesses, veterans, and the disabled.

(3) Actions that could be carried out in a crisis, as defined by the preparedness plans described in subsection (a), such as the following:

(A) Significant increases of unemployment insurance benefits (including payment amounts) for all workers under a certain income thresh-

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old, including freelancers and the self-employed, during the crisis.

(B) Loan deference, modification, and forbearance mechanisms of all consumer and business payments, allowing long-term repayment plans and excluding no industries, during the crisis.

(C) Suspension of foreclosure and eviction proceedings taken against individuals or businesses during the crisis.

(D) Suspension of all negative consumer credit reporting during the crisis.

(E) Prohibition of debt collection, repossession, and garnishment of wages during the crisis.

(F) Provision of emergency homeless assistance during the crisis.

(G) An increase in Community Development Block Grants during the crisis and to improve community response.

(H) Reduction of hurdles in the form of waivers and authorities to modify existing housing and homelessness programs to facilitate response to the crisis.

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(I) Expand the size standards for eligible businesses with access no-interest or low-interest loans through the Small Business Administration during the crisis.

(J) Remove the size standard limits on eligible businesses with access no-interest or low-interest loans through the Small Business Administration during the crisis for businesses that agree to maintain their employment workforce and preserve benefits during the crisis.

(K) Support for additional no-interest or low-interest loans for small businesses through the Small Business Administration during the crisis.

(L) Utilization of the Community Development Financial Institutions (CDFI) Fund to support small businesses as well as low-income communities during the crisis.

(M) Support for State, territory, and local government financing during the crisis.

(N) Waiver of matching requirements for municipal governments during the crisis.

(O) Suspension of requirements relating to minimum distributions for retirement plans and

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individual retirement accounts for the calendar years of which the crisis is occurring.

(b) SPECIAL CONSIDERATION FOR DIVERSITY.—In issuing the updates required under subsection (a), the President shall ensure that consideration is given as to how to minimize the economic impacts of a crisis on women, minorities, diverse-owned businesses, veterans, and the disabled.

(c) MAKING PLANS PUBLIC.—The updated plans described in subsection (a) shall be made publicly available, but may have classified information redacted.

(d) DEFINITIONS.—In this section:

(1) DECLARATION OF THE NATIONAL EMERGENCY.—The term ''Declaration of the National Emergency'' means the emergency declared by the President under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191) relating to the COVID–19 pandemic.

(2) FEDERAL FINANCIAL REGULATOR.—The term ''Federal financial regulators'' means the Bureau of Consumer Financial Protection, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Board of Governors of the Federal Reserve System, the Office of the Comptroller

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of the Currency, the National Credit Union Administration, and the Securities and Exchange Commission.

DIVISION J—EDUCATION RELIEF AND OTHER PROGRAMS

TITLE I—EDUCATION PROVISIONS

SEC. 100101. SHORT TITLE.

This title may be cited as the ''COVID–19 Pandemic Education Relief Act of 2020''.

SEC. 100102. DEFINITIONS.

In this title:

(1) CORONAVIRUS.—The term ''coronavirus'' has the meaning given that term in section 506 of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116–123).

(2) INSTITUTION OF HIGHER EDUCATION.—The term ''institution of higher education'' has the meaning given that term in section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002).

(3) QUALIFYING EMERGENCY.—The term ''qualifying emergency'' means—

(A) a public health emergency related to the coronavirus declared by the Secretary of

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Health and Human Services pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d);

(B) an event related to the coronavirus for which the President declared a major disaster or an emergency under section 401 or 501, respectively, of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170 and 5191); or

(C) a national emergency related to the coronavirus declared by the President under section 201 of the National Emergencies Act (50 U.S.C. 1601 et seq.).

(4) SECRETARY.—The term ''Secretary'' means the Secretary of Education.

(5) FOREIGN INSTITUTION.—The term ''foreign institution'' means an institution of higher education located outside the United States that is described in paragraphs (1)(C) and (2) of section 102(a) of the Higher Education Act of 1965 (20 U.S.C. 1002(a)).

SEC. 100103. CAMPUS-BASED AID WAIVERS.

(a) WAIVER OF NON-FEDERAL SHARE REQUIREMENT.—Notwithstanding sections 413C(a)(2) and 443(b)(5) of the Higher Education Act of 1965 (20

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U.S.C. 1070b–2(a)(2) and 1087–53(b)(5)), with respect to funds made available for award years 2019–2020 and 2020–2021, the Secretary shall waive the requirement that a participating institution of higher education provide a non-Federal share to match Federal funds provided to the institution for the programs authorized pursuant to subpart 3 of part A and part C of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070b et seq. and 1087–51 et seq.), except nothing in this subsection shall affect the non-Federal share requirement under section 443(c)(3) of such Act that applies to private for-profit organizations.

(b) AUTHORITY TO REALLOCATE.—Notwithstanding sections 413D, 442, and 488 of the Higher Education Act of 1965 (20 U.S.C. 1070b–3, 1087–52, and 1095), during a period of a qualifying emergency, an institution may transfer up to 100 percent of the institution's unexpended allotment under section 442 of such Act to the institution's allotment under section 413D of such Act, but may not transfer any funds from the institution's unexpended allotment under section 413D of such Act to the institution's allotment under section 442 of such Act.

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SEC. 100104. USE OF SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS FOR EMERGENCY AID.

(a) IN GENERAL.—Notwithstanding section 413B of the Higher Education Act of 1965 (20 U.S.C. 1070b–1), an institution of higher education may reserve any amount of an institution's allocation under subpart 3 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070b et seq.) for a fiscal year to award, in such fiscal year, emergency financial aid grants to assist undergraduate or graduate students for unexpected expenses and unmet financial need as the result of a qualifying emergency.

(b) DETERMINATIONS.—In determining eligibility for and awarding emergency financial aid grants under this section, an institution of higher education may—

(1) waive the amount of need calculation under section 471 of the Higher Education Act of 1965 (20 U.S.C. 1087kk);

(2) allow for a student affected by a qualifying emergency to receive funds in an amount that is not more than the maximum Federal Pell Grant for the applicable award year; and

(3) utilize a contract with a scholarship-granting organization designated for the sole purpose of accepting applications from or disbursing funds to students enrolled in the institution of higher edu-

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cation, if such scholarship-granting organization disburses the full allocated amount provided to the institution of higher education to the recipients.

(c) SPECIAL RULE.—Any emergency financial aid grants to students under this section shall not be treated as other financial assistance for the purposes of section 471 of the Higher Education Act of 1965 (20 U.S.C. 1087kk).

SEC. 100105. FEDERAL WORK-STUDY DURING A QUALIFYING EMERGENCY.

(a) IN GENERAL.—In the event of a qualifying emergency, an institution of higher education participating in the program under part C of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087–51 et seq.) may make payments under such part to affected work-study students, for the period of time (not to exceed one academic year) in which affected students were unable to fulfill the students' work-study obligation for all or part of such academic year due to such qualifying emergency, as follows:

(1) Payments may be made under such part to affected work-study students in an amount equal to or less than the amount of wages such students would have been paid under such part had the students been able to complete the work obligation nec-

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essary to receive work study funds, as a one time grant or as multiple payments.

(2) Payments shall not be made to any student who was not eligible for work study or was not completing the work obligation necessary to receive work study funds under such part prior to the occurrence of the qualifying emergency.

(3) Any payments made to affected work-study students under this subsection shall meet the matching requirements of section 443 of the Higher Education Act of 1965 (20 U.S.C. 1087–53), unless such matching requirements are waived by the Secretary.

(b) DEFINITION OF AFFECTED WORK-STUDY STUDENT.—In this section, the term ''affected work-study student'' means a student enrolled at an eligible institution participating in the program under part C of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087–51 et seq.) who—

(1) received a work-study award under section 443 of the Higher Education Act of 1965 (20 U.S.C. 1087–53) for the academic year during which a qualifying emergency occurred;

(2) earned Federal work-study wages from such eligible institution for such academic year; and

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(3) was prevented from fulfilling the student's work-study obligation for all or part of such academic year due to such qualifying emergency.

SEC. 100106. ADJUSTMENT OF SUBSIDIZED LOAN USAGE LIMITS.

Notwithstanding section 455(q)(3) of the Higher Education Act of 1965 (20 U.S.C. 1087e(q)(3)), the Secretary shall exclude from a student's period of enrollment for purposes of loans made under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) any semester (or the equivalent) that the student does not complete due to a qualifying emergency, if the Secretary is able to administer such policy in a manner that limits complexity and the burden on the student.

SEC. 100107. EXCLUSION FROM FEDERAL PELL GRANT DURATION LIMIT.

The Secretary shall exclude from a student's Federal Pell Grant duration limit under section 401(c)(5) of the Higher Education Act of 1965 (2 U.S.C. 1070a(c)(5)) any semester (or the equivalent) that the student does not complete due to a qualifying emergency if the Secretary is able to administer such policy in a manner that limits complexity and the burden on the student.

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SEC. 100108. INSTITUTIONAL REFUNDS AND FEDERAL STUDENT LOAN FLEXIBILITY.

(a) INSTITUTIONAL WAIVER.—

(1) IN GENERAL.—The Secretary shall waive the institutional requirement under section 484B of the Higher Education Act of 1965 (20 U.S.C. 1091b) with respect to the amount of grant or loan assistance (other than assistance received under part C of title IV of such Act) to be returned under such section if a recipient of assistance under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) withdraws from the institution of higher education during the payment period or period of enrollment as a result of a qualifying emergency.

(2) WAIVERS.—The Secretary shall require each institution using a waiver relating to the withdrawal of recipients under this subsection to report the number of such recipients, the amount of grant or loan assistance (other than assistance received under part C of title IV of such Act) associated with each such recipient, and the total amount of grant or loan assistance (other than assistance received under part C of title IV of such Act) for which each institution has not returned assistance under title IV to the Secretary.

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(b) STUDENT WAIVER.—The Secretary shall waive the amounts that students are required to return under section 484B of the Higher Education Act of 1965 (20 U.S.C. 1091b) with respect to Federal Pell Grants or other grant assistance if the withdrawals on which the returns are based are withdrawals by students who withdrew from the institution of higher education as a result of a qualifying emergency.

(c) CANCELING LOAN OBLIGATION.—Notwithstanding any other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), the Secretary shall cancel the borrower's obligation to repay the entire portion of a loan made under part D of title IV of such Act (20 U.S.C. 1087a et seq.) associated with a payment period for a recipient of such loan who withdraws from the institution of higher education during the payment period as a result of a qualifying emergency.

(d) APPROVED LEAVE OF ABSENCE.—Notwithstanding any other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), for purposes of receiving assistance under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.), an institution of higher education may, as a result of a qualifying emergency, provide a student with an approved leave of absence that does not require the student to return at the same point in the

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academic program that the student began the leave of absence if the student returns within the same semester (or the equivalent).

SEC. 100109. SATISFACTORY ACADEMIC PROGRESS.

Notwithstanding section 484 of the Higher Education Act of 1965 (20 U.S.C. 1091), in determining whether a student is maintaining satisfactory academic progress for purposes of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.), an institution of higher education may, as a result of a qualifying emergency, exclude from the quantitative component of the calculation any attempted credits that were not completed by such student without requiring an appeal by such student.

SEC. 100110. CONTINUING EDUCATION AT AFFECTED FOREIGN INSTITUTIONS.

(a) IN GENERAL.—Notwithstanding section 481(b) of the Higher Education Act of 1965 (20 U.S.C. 1088(b)), with respect to a foreign institution, in the case of a public health emergency, major disaster or emergency, or national emergency declared by the applicable government authorities in the country in which the foreign institution is located, the Secretary may permit any part of an otherwise eligible program to be offered via distance education for the duration of such emergency or disaster and the

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following payment period for purposes of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

(b) ELIGIBILITY.—An otherwise eligible program that is offered in whole or in part through distance education by a foreign institution between March 1, 2020, and the date of enactment of this Act shall be deemed eligible for the purposes of part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) for the duration of the emergency or disaster affecting the institution as described in subsection (a) and the following payment period for purposes of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.). An institution of higher education that uses the authority provided in the previous sentence shall report such use to the Secretary—

(1) for the 2019–2020 award year, not later than June 30, 2020; and

(2) for an award year subsequent to the 2019–2020 award year, not later than 30 days after such use.

(c) REPORT.—Not later than 180 days after the date of enactment of this Act, and every 180 days thereafter for the duration of the applicable disaster or emergency and the following payment period, the Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C.

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1003)) a report that identifies each foreign institution that carried out a distance education program authorized under this section.

(d) WRITTEN ARRANGEMENTS.—

(1) IN GENERAL.—Notwithstanding section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002), with respect to a foreign institution, in the case of a public health emergency, major disaster or emergency, or national emergency declared by the applicable government authorities in the country in which the foreign institution is located, the Secretary may allow a foreign institution to enter into a written arrangement with an institution of higher education located in the United States that participates in the Federal Direct Loan Program under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.), for the duration of such emergency or disaster and the following payment period, for the purpose of allowing a student of the foreign institution who is a borrower of a loan made under such part to take courses from the institution of higher education located in the United States.

(2) FORM OF ARRANGEMENTS.—

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(A) PUBLIC OR OTHER NONPROFIT INSTITUTIONS.—A foreign institution that is a public or other nonprofit institution may enter into a written arrangement under paragraph (1) only with an institution of higher education described in section 101 of such Act (20 U.S.C. 1001).

(B) OTHER INSTITUTIONS.—A foreign institution that is a graduate medical school, nursing school, or a veterinary school and that is not a public or other nonprofit institution may enter into a written arrangement under paragraph (1) with an institution of higher education described in section 101 or section 102 of such Act (20 U.S.C. 1001 and 1002).

(3) REPORT ON USE.—An institution of higher education that uses the authority described in paragraph (2) shall report such use to the Secretary—

(A) for the 2019–2020 award year, not later than June 30, 2020; and

(B) for an award year subsequent to the 2019–2020 award year, not later than 30 days after such use.

(4) REPORT FROM THE SECRETARY.—Not later than 180 days after the date of enactment of this

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Act, and every 180 days thereafter for the duration of the applicable disaster or emergency and the following payment period, the Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) a report that identifies each foreign institution that entered into a written arrangement authorized under paragraph (1).

SEC. 100111. HBCU CAPITAL FINANCING.

(a) DEFERMENT PERIOD.—

(1) IN GENERAL.—Notwithstanding any provision of title III of the Higher Education Act of 1965 (20 U.S.C. 1051 et seq.), or any regulation promulgated under such title, the Secretary may grant a deferment, for the duration of a qualifying emergency, to an institution of higher education that has received a loan under part D of title III of such Act (20 U.S.C. 1066 et seq.).

(2) TERMS.—During the deferment period granted under this subsection—

(A) the institution of higher education shall not be required to pay any periodic installment of principal or interest required under the loan agreement for such loan; and

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(B) the Secretary shall make principal and interest payments otherwise due under the loan agreement.

(3) CLOSING.—At the closing of a loan deferred under this subsection, terms shall be set under which the institution of higher education shall be required to repay the Secretary for the payments of principal and interest made by the Secretary during the deferment, on a schedule that begins upon repayment to the lender in full on the loan agreement, except in no case shall repayment be required to begin before the date that is 1 full fiscal year after the date that is the end of the qualifying emergency.

(b) TERMINATION DATE.—

(1) IN GENERAL.—The authority provided under this section to grant a loan deferment under subsection (a) shall terminate on the date on which the qualifying emergency is no longer in effect.

(2) DURATION.—Any provision of a loan agreement or insurance agreement modified by the authority under this section shall remain so modified for the duration of the period covered by the loan agreement or insurance agreement.

(c) REPORT.—Not later than 180 days after the date of enactment of this Act, and every 180 days thereafter

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during the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency, the Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) a report that identifies each institution of higher education that received assistance under this section.

SEC. 100112. WAIVER AUTHORITY AND REPORTING REQUIREMENT FOR INSTITUTIONAL AID.

(a) WAIVER AUTHORITY.—Notwithstanding any other provision of the Higher Education Act of 1965 (U.S.C. 1001 et seq.), unless enacted with specific reference to this section, for any institution of higher education that was receiving assistance under title III, title V, or subpart 4 of part A of title VII of such Act (20 U.S.C. 1051 et seq.; 1101 et seq.; 1136a et seq.) at the time of a qualifying emergency, the Secretary may, for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency—

(1) waive—

(A) the eligibility data requirements set forth in section 391(d) and 521(e) of the High-

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er Education Act of 1965 (20 U.S.C. 1068(d) and 1103(e));

(B) the wait-out period set forth in section 313(d) of the Higher Education Act of 1965 (20 U.S.C. 1059(d));

(C) the allotment requirements under paragraphs (2) and (3) of subsection 318(e) of the Higher Education Act of 1965 (20 U.S.C. 1059e(e)), and references to ''the academic year preceding the beginning of that fiscal year'' in paragraph (1);

(D) the allotment requirements under subsections (b), (c), and (g) of section 324 of the Higher Education Act of 1965 (20 U.S.C. 1063), and references to ''the end of the school year preceding the beginning of that fiscal year'' under subsection (a) and references to ''the academic year preceding such fiscal year'' under subsection (h) of such section;

(E) subparagraphs (A), (C), (D), and (E) of section 326(f)(3) of the Higher Education Act of 1965 (20 U.S.C. 1063b(f)(3)), and references to ''previous year'' under subparagraph (B) of such section;

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(F) subparagraphs (A), (C), (D), and (E) of section 723(f)(3) and section 724(f)(3) of the Higher Education Act of 1965 (20 U.S.C. 1136a(f)(3) and 1136b(f)(3)), and references to ''previous academic year'' under subparagraph (B) of such sections; and

(G) the allotment restriction set forth in section 318(d)(4) and 323(c)(2) of the Higher Education Act of 1965 (20 U.S.C. 1059e(d)(4) and 1062(c)(2)); and

(2) waive or modify any statutory or regulatory provision to ensure that institutions that were receiving assistance under such titles at the time of a qualifying emergency are not adversely affected by any formula calculation for fiscal year 2020 and for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency, as necessary.

(b) USE OF UNEXPENDED FUNDS.—Any funds paid to an institution under title III, title V, or subpart 4 of part A of title VII of the Higher Education Act of 1965 (20 U.S.C. 1051 et seq.; 1101 et seq.) and not expended or used for the purposes for which the funds were paid to the institution during the 5-year period following the

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date on which the funds were first paid to the institution, may be carried over and expended during the succeeding 5-year period.

(c) REPORT.—Not later than 180 days after the date of enactment of this Act, and every 180 days thereafter for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency, the Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) a report that identifies each institution that received a waiver or modification under this section.

SEC. 100113. AUTHORIZED USES AND OTHER MODIFICATIONS FOR GRANTS.

(a) IN GENERAL.—The Secretary is authorized to modify the required and allowable uses of funds for grants awarded under part A or B of title III, chapters I or II of subpart 2 of part A of title IV, title V, or subpart 4 of part A of title VII of the Higher Education Act of 1965 (20 U.S.C. 1057 et seq.; 1060 et seq.; 1070a–11 et seq.; 1070a–21 et seq.; 1101 et seq.; 1136a et seq.) to an institution of higher education or other grant recipient (not including individual recipients of Federal student financial assistance), at the request of an institution of higher education or other recipient of a grant (not including indi-

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vidual recipients of Federal student financial assistance) as a result of a qualifying emergency, for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency.

(b) MATCHING REQUIREMENT MODIFICATIONS.—Notwithstanding any other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), the Secretary is authorized to modify any Federal share or other financial matching requirement for a grant awarded on a competitive basis, or a grant awarded under part A or B of title III or subpart 4 of part A of title VII of the Higher Education Act of 1965 (20 U.S.C. 1057 et seq.; 1060 et seq.; 1136a et seq.) at the request of an institution of higher education or other grant recipient as a result of a qualifying emergency, for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency.

(c) REPORTS.—Not later than 180 days after the date of enactment of this Act, and every 180 days thereafter for the duration of the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency, the Secretary shall submit to the authorizing

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committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) a report that identifies each institution of higher education or other grant recipient that received a modification under this section.

SEC. 100114. SERVICE OBLIGATIONS FOR TEACHERS.

(a) TEACH GRANTS.—For the purposes of section 420N of the Higher Education Act of 1965 (20 U.S.C. 1070g–2), during a qualifying emergency, the Secretary—

(1) may modify the categories of extenuating circumstances under which a recipient of a grant under subpart 9 of part A of title IV of such Act who is unable to fulfill all or part of the recipient's service obligation may be excused from fulfilling that portion of the service obligation; and

(2) shall consider teaching service that, as a result of a qualifying emergency, is part-time or temporarily interrupted to be full-time service and to fulfill the service obligations under section 420N.

(b) TEACHER LOAN FORGIVENESS.—Notwithstanding section 428J or 460 of the Higher Education Act of 1965 (20 U.S.C. 1078–10; 1087j), the Secretary shall waive the requirements under such sections that years of teaching service shall be consecutive if—

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(1) the teaching service of a borrower is temporarily interrupted due to a qualifying emergency; and

(2) after the temporary interruption due to a qualifying emergency, the borrower resumes teaching service and completes a total of five years of qualifying teaching service under such sections, including qualifying teaching service performed before, during, and after such qualifying emergency.

SEC. 100115. PAYMENTS FOR STUDENT LOAN BORROWERS AS A RESULT OF A NATIONAL EMERGENCY.

(a) PAYMENTS FOR STUDENT LOAN BORROWERS DURING A NATIONAL EMERGENCY.—

(1) IN GENERAL.—Part G of title IV of the Higher Education Act of 1965 (20 U.S.C. 1088 et seq.) is amended by inserting after section 493D the following:

"SEC. 493E. PAYMENTS FOR STUDENT LOAN BORROWERS DURING A NATIONAL EMERGENCY.

''(a) DEFINITIONS.—In this section:

''(1) CORONAVIRUS.—The term 'coronavirus' has the meaning given the term in section 506 of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116–123).

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"(2) INCOME-DRIVEN REPAYMENT.—The term 'income-driven repayment' means—

"(A) income-based repayment authorized under section 493C for loans made, insured, or guaranteed under part B or part D; or

"(B) income contingent repayment authorized under section 455(e) for loans made under part D.

"(3) INVOLUNTARY COLLECTION.—The term 'involuntary collection' means—

"(A) a wage garnishment authorized under section 488A of this Act or section 3720D of title 31, United States Code;

"(B) a reduction of tax refund by amount of debt authorized under section 3720A of title 31, United States Code;

"(C) a reduction of any other Federal benefit payment by administrative offset authorized under section 3716 of title 31, United States Code (including a benefit payment due to an individual under the Social Security Act or any other provision described in subsection (c)(3)(A)(i) of such section); and

"(D) any other involuntary collection activity.

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"(4) NATIONAL EMERGENCY.—The term 'national emergency' means—

"(A) a public health emergency related to the coronavirus that is declared by the Secretary of Health and Human Services pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d); or

"(B) a national emergency related to the coronavirus declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.).

"(b) NATIONAL EMERGENCY STUDENT LOAN REPAYMENT ASSISTANCE.—

"(1) AUTHORITY.—Beginning on the date of enactment of the [Take Responsibility for Workers and Families Act], in the event of a national emergency, the Secretary shall, for each month during the national emergency period and for each borrower of a loan made, insured, or guaranteed under part B, D, or E, pay the total amount due for such month on the loan, based on the payment plan selected by the borrower or the borrower's loan status.

"(2) NO CAPITALIZATION OF INTEREST.—With respect to any loan in repayment during a national emergency period, interest due on loans made, in-

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sured, or guaranteed under part B, D, or E during such period shall not be capitalized at any time during the national emergency.

"(3) APPLICABILITY OF PAYMENTS.—Any payment made by the Secretary under this section shall be considered by the Secretary, or by a lender with respect to a loan made, insured, or guaranteed under part B—

"(A) as a qualifying payment under the public service loan forgiveness program under section 455(m), if the borrower would otherwise qualify under such section;

"(B) in the case of a borrower enrolled in an income-driven repayment plan, as a qualifying payment for the purpose of calculating eligibility for loan forgiveness for the borrower in accordance with section 493C(b)(7) or section 455(d)(1)(D), as the case may be; and

"(C) in the case of a borrower in default, as an on-time monthly payment for purposes of loan rehabilitation pursuant to section 428F(a).

"(4) REPORTING TO CONSUMER REPORTING AGENCIES.—During the period in which the Secretary is making payments on a loan under paragraph (1), the Secretary shall ensure that, for the

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purpose of reporting information about the loan to a consumer reporting agency, any payment made by the Secretary is treated as if it were a regularly scheduled payment made by a borrower.

"(5) NOTICE OF PAYMENTS AND PROGRAM.—Not later than 15 days following the date of enactment of the [Take Responsibility for Workers and Families Act], and monthly thereafter during the period of a national emergency, the Secretary shall provide a notice to all borrowers of loans made, insured, or guaranteed under part B, D, or E—

"(A) informing borrowers of the actions taken under this section;

"(B) providing borrowers with an easily accessible method to opt out of the benefits provided under this section; and

"(C) notifying the borrower that the program under this section is a temporary program and will end after the national emergency ends.

"(6) SUSPENSION OF INVOLUNTARY COLLECTION.—Beginning on the date of enactment of the [Take Responsibility for Workers and Families Act], in the event of a national emergency, the Secretary, or other holder of a loan made, insured, or guaranteed under part B, D, or E, shall immediately

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take action to halt all involuntary collection related to the loan until the date on which the national emergency ends.

''(c) WAIVER OF INTEREST DURING NATIONAL EMERGENCY.—Notwithstanding any other provision of law, the Secretary shall pay any interest that would otherwise be charged or accrue during a national emergency on any loan made, insured, or guaranteed under part B, D, or E.

''(d) TRANSITION PERIOD.—Upon the termination of a national emergency, the Secretary shall carry out a program to provide for a transition period of 90 days, beginning on the day after the last day of the national emergency, during which—

''(1) the Secretary shall provide not less than 3 notices to borrowers indicating when the borrower's normal payment obligations will resume; and

''(2) any missed payments by a borrower under part B, D, or E shall not—

''(A) result in fees or penalties; or

''(B) be reported to any consumer reporting agency or otherwise impact the borrower's credit history.

''(e) IMPLEMENTATION IN FFEL ENTITIES.—To facilitate implementation of this section—

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''(1) lenders and guaranty agencies holding loans made, insured, or guaranteed under part B shall report, to the satisfaction of the Secretary, information to verify at the borrower level the amount of payments made under this section; and

''(2) the Secretary shall have the authority to establish a payment schedule for purposes of this section for loans made, insured, or guaranteed under part B and not held by the Secretary.

''(f) WAIVERS.—In carrying out this section, the Secretary may waive the application of—

''(1) subchapter I of chapter 35 of title 44, United States Code;

''(2) the master calendar requirements under section 482;

''(3) negotiated rulemaking under section 492; and

''(4) the requirement to publish the notices related to the system of records of the agency before implementation required under paragraphs (4) and (11) of section 552a(e) of title 5, United States Code (commonly known as the 'Privacy Act of 1974'), except that the notices shall be published not later than 180 days after the date of enactment of

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the [Take Responsibility for Workers and Families Act].".]

(2) FFEL AMENDMENT.—Section 428(c)(8) of the Higher Education Act of 1965 (20 U.S.C. 1078(c)(8)) is amended by striking "and for which" and all that follows through "this subsection".

(3) APPLICABILITY.—The requirement of the Secretary to make payments under section 493E of the Higher Education Act of 1965, as added by paragraph 1, shall apply to payments due after the date of enactment of this Act.

(b) MINIMUM RELIEF FOR STUDENT LOAN BORROWERS AS A RESULT OF A NATIONAL EMERGENCY.—Part G of title IV the Higher Education Act of 1965 (20 U.S.C. 1088 et seq.), as amended by subsection (a), is further amended by inserting after section 493E the following:

"SEC. 493F. MINIMUM RELIEF FOR STUDENT LOAN BORROWERS AS A RESULT OF A NATIONAL EMERGENCY.

"(a) MINIMUM STUDENT LOAN RELIEF AS A RESULT OF A NATIONAL EMERGENCY.—Not later than 90 days after the conclusion of a national emergency (as defined in section 493E), the Secretary shall, for each borrower of a loan made under part B, D, or E, reduce the total

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outstanding balance due on all such loans of the borrower, by an amount equal to the lesser of—

"(1) the difference between $10,000 and the total amount of payments made by the Secretary under section 493E(b) on such loans of the borrower during the period of such national emergency; or

"(2) the total amount of outstanding principal and interest due on such loans of the borrower, as of the date of the calculation under this subsection.

"(b) DATA TO IMPLEMENT.—Contractors of the Secretary and lenders and guaranty agencies holding loans made, insured, or guaranteed under part B shall report, to the satisfaction of the Secretary, the information necessary to calculate the amount to be applied under subsection (a).".

SEC. 100116. EXCLUSION FROM GROSS INCOME.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139H the following new section:

"SEC. 139I. STUDENT LOAN PAYMENTS RESULTING FROM A NATIONAL EMERGENCY.

"Gross income shall not include any payment made on behalf of the taxpayer under section 493E(b)(1) or 493F of the Higher Education Act of 1965.".

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(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 139H the following new item:

"Sec. 139I.Student loan payments resulting from a national emergency.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 100117. RULE OF CONSTRUCTION.

Except as otherwise provided in this Act or the amendments made by this Act, nothing in this Act shall be construed to provide additional authority to the Secretary of Education to waive any provision of the following:

(1) The Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.).

(2) The Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.).

(3) The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

(4) The Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.)

TITLE II—OTHER PROGRAMS

SEC. 100201. PROVISIONS RELATED TO THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE.

(a) ACCRUAL OF SERVICE HOURS.—

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(1) ACCRUAL THROUGH OTHER SERVICE HOURS.—

(A) IN GENERAL.—Notwithstanding any other provision of the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4950 et seq.) or the National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.), the Corporation for National and Community Service shall allow an individual described in subparagraph (B) to accrue other service hours that will count toward the number of hours needed for the individual's education award.

(B) AFFECTED INDIVIDUALS.—Subparagraph (A) shall apply to any individual serving in a position eligible for an educational award under subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.)—

(i) who is performing limited service due to COVID–19; or

(ii) whose position has been suspended or placed on hold due to COVID–19.

(2) PROVISIONS IN CASE OF EARLY EXIT.—In any case where an individual serving in a position eligible for an educational award under subtitle D of

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title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.) was required to exit the position early at the direction of the Corporation for National and Community Service, the Chief Executive Officer of the Corporation for National and Community Service may—

(A) deem such individual as having met the requirements of the position; and

(B) award the individual the full value of the educational award under such subtitle for which the individual would otherwise have been eligible.

(b) NO REQUIRED RETURN OF GRANT FUNDS.—Notwithstanding section 129(l)(3)(A)(i) of the National and Community Service Act of 1990 (42 U.S.C. 12581(l)(3)(A)(i)), the Chief Executive Officer of the Corporation for National and Community Service may permit fixed-amount grant recipients under such section 129(l) to maintain a pro rata amount of grant funds, at the discretion of the Corporation for National and Community Service, for participants who exited, were suspended, or are serving in a limited capacity due to COVID–19, to enable the grant recipients to maintain operations and to accept participants.

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(c) EXTENSION OF TERMS AND AGE LIMITS.—Notwithstanding any other provision of law, the Corporation for National and Community Service may extend the term of service (for a period not to exceed the 1-year period immediately following the end of the national emergency) or waive any upper age limit (except in no case shall the maximum age exceed 26 years of age) for national service programs carried out by the National Civilian Community Corps under subtitle E of title I of the National and Community Service Act of 1990 (42 U.S.C. 12611 et seq.), and the participants in such programs, for the purposes of—

(1) addressing disruptions due to COVID–19; and

(2) minimizing the difficulty in returning to full operation due to COVID–19 on such programs and participants.

DIVISION K—AGRICULTURE PROVISIONS

TITLE I—COMMODITY SUPPORT AND OTHER AGRICULTURE PROGRAMS

SEC. 110101. SUPPLEMENTAL DAIRY MARGIN COVERAGE.

(a) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary of Agriculture shall pro-

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vide supplemental dairy margin coverage payments to eligible dairy operations described in subsection (b) whenever the average actual dairy production margin (as defined in section 1401 of the Agricultural Act of 2014 (7 U.S.C. 9051)) for a month is less than the coverage level threshold selected by such eligible dairy operation under such section 1406.

(b) ELIGIBLE DAIRY OPERATION DESCRIBED.—An eligible dairy operation described in this subsection is a participating dairy operation (as defined in section 1401 of the Agricultural Act of 2014 (7 U.S.C. 9051)) that—

(1) is located in the United States; and

(2) on the date of the enactment of this section, had a production history established under the dairy margin coverage program described in section 1405 of the Agricultural Act of 2014 (7 U.S.C. 9055) of less than 5 million pounds, as determined in accordance with subsection (c).

(c) SUPPLEMENTAL PRODUCTION HISTORY CALCULATION.—

(1) IN GENERAL.—For purposes of determining the production history of an eligible dairy operation under this subsection, such an operation's production history shall be equal to—

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(A) the production volume of such dairy operation for the 2019 milk marketing year; minus

(B) the production history of such dairy operation established under section 1405 of the Agricultural Act of 2014 (7 U.S.C. 9055).

(2) 5-MILLION POUND LIMITATION.—

(A) IN GENERAL.—The Secretary shall not provide supplemental dairy margin coverage on a dairy operation's actual production for calendar year 2019 such that the total production history of the operation exceeds 5 million pounds.

(B) DETERMINATION OF AMOUNT.—In calculating the total production history of a dairy operation under subparagraph (A), the Secretary shall add the following:

(i) The supplemental production history calculated under paragraph (1) with respect to such dairy operation.

(ii) The dairy margin coverage production history described in paragraph (1)(B) with respect to such dairy operation.

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(d) COVERAGE PERCENTAGE.—For purposes of calculating payments to be issued under this section, an eligible dairy operation's coverage percentage shall be equal to the coverage percentage selected by such eligible dairy operation under section 1406 of the Agricultural Act of 2014 (7 U.S.C. 9056).

(e) PREMIUM COST.—The premium cost for an eligible dairy operation under this section shall be equal to the product of multiplying—

(1) the Tier I premium cost calculated under section 1407(b) of the Agricultural Act of 2014 (7 U.S.C. 9057(b)); by

(2) the production history calculation determined under subsection (c) (such that total production history does not exceed 5 million pounds).

(f) REGULATIONS.—Not later than 45 days after the date of the enactment of this section, the Secretary shall issue regulations to carry out this section.

(g) RETROACTIVITY.—The authority to carry out this section shall begin on January 1, 2020.

SEC. 110102. TARGETED PURCHASES.

(a) IN GENERAL.—The Secretary of Agriculture shall utilize not less than $300,000,000 of the funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) to purchase qualified agricultural products for the

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purpose of donating the products to food assistance programs, including the Emergency Food Assistance Program, of which the Secretary shall utilize—

(1) not less than $150,000,000 to purchase specialty crops;

(2) not less than $75,000,000 to purchase dairy; and

(3) not less than $75,000,000 to purchase meat and poultry products.

(b) QUALIFIED AGRICULTURAL PRODUCT DEFINED.—In this section, the term ''qualified agricultural product'' means a dairy, meat, or poultry product, or a specialty crop—

(1) that was packaged or marketed for sale to commercial or food service industries;

(2) for which decreased demand exists for such a product due to the COVID–19 outbreak; and

(3) the repurposing of which would be impractical for grocery or retail sale.

TITLE II—SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

SEC. 110201. SNAP FUNDING.

There are hereby appropriated to the Secretary of Agriculture, out of any money in the Treasury not other-

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wise appropriated, such sums as maybe necessary to carry out this title and sections 2301 and 2302 of the Families First Coronavirus Response Act (Public Law 116–127).

SEC. 110202. SNAP ALLOTMENTS.

(a) NUTRITION ASSISTANCE ALLOTMENT AMOUNT.—

(1) VALUE OF BENEFITS.—Notwithstanding any other provision of law, beginning on May 1, 2020, the value of benefits determined under section 8(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2017(a)), and consolidated block grants for Puerto Rico and American Samoa determined under section 19(a) of such Act (7 U.S.C. 2028(a)), shall be calculated using 115 percent of the June 2019 value of the thrifty food plan (as defined in section 3 of such Act (7 U.S.C. 2012)) if the value of the benefits and block grants would be greater under that calculation than in the absence of this paragraph.

(2) MINIMUM AMOUNT.—

(A) IN GENERAL.—The minimum value of benefits determined under section 8(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2017(a)) for a household of not more than 2 members shall be $30.

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(B) EFFECTIVENESS.—Subparagraph (A) shall remain in effect until the date on which 8 percent of the value of the thrifty food plan for a household containing 1 member, rounded to the nearest whole dollar increment, is equal to or greater than $30.

(b) REQUIREMENTS FOR THE SECRETARY.—In carrying out this section, the Secretary shall—

(1) consider the benefit increases described in subsection (a) to be a ''mass change'';

(2) require a simple process for States to notify households of the increase in benefits;

(3) not include any errors in the implementation of this section in the payment error rate calculated under section 16(c) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(c));

(4) disregard the additional amount of benefits that a household receives as a result of this section in determining the amount of overissuances under section 13 of the Food and Nutrition Act of 2008 (7 U.S.C. 2022); and

(5) set the tolerance level for excluding small errors for the purposes of section 16(c) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(c)) at $50 through September 30, 2021.

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(c) ADMINISTRATIVE EXPENSES.—

(1) IN GENERAL.—For the costs of State administrative expenses associated with carrying out this section and administering the supplemental nutrition assistance program established under the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.), the Secretary of Agriculture shall make available $150,000,000 for fiscal year 2020 and $150,000,000 for fiscal year 2021.

(2) TIMING FOR FISCAL YEAR 2020.—Not later than 60 days after the date of the enactment of this section, the Secretary shall make available to States amounts for fiscal year 2020 under paragraph (1).

(3) ALLOCATION OF FUNDS.—Funds described in paragraph (1) shall be made available as grants to State agencies for each fiscal year as follows:

(A) 75 percent of the amounts available for each fiscal year shall be allocated to States based on the share of each State of households that participate in the supplemental nutrition assistance program as reported to the Department of Agriculture for the most recent 12-month period for which data are available, adjusted by the Secretary (as of the date of the enactment of this section) for participation in

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disaster programs under section 5(h) of the Food and Nutrition Act of 2008 (7 U.S.C. 2014(h)); and

(B) 25 percent of the amounts available for each fiscal year shall be allocated to States based on the increase in the number of households that participate in the supplemental nutrition assistance program as reported to the Department of Agriculture over the most recent 12-month period for which data are available, adjusted by the Secretary (as of the date of the enactment of this section) for participation in disaster programs under section 5(h) of the Food and Nutrition Act of 2008 (7 U.S.C. 2014(h)).

SEC. 110203. SNAP RULES.

No funds (including fees) made available under this Act or any other Act for any fiscal year may be used to finalize, implement, administer, enforce, carry out, or otherwise give effect to—

(1) the final rule entitled ''Supplemental Nutrition Assistance Program: Requirements for Able-Bodied Adults Without Dependents'' published in the Federal Register on December 5, 2019 (84 Fed. Reg. 66782);

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(2) the proposed rule entitled ''Revision of Categorical Eligibility in the Supplemental Nutrition Assistance Program (SNAP)'' published in the Federal Register on July 24, 2019 (84 Fed. Reg. 35570); or

(3) the proposed rule entitled ''Supplemental Nutrition Assistance Program: Standardization of State Heating and Cooling Standard Utility Allowances'' published in the Federal Register on October 3, 2019 (84 Fed. Reg. 52809).

SEC. 110204. SNAP HOT FOOD PURCHASES.

During the period beginning 10 days after the date of the enactment of this Act and ending on the termination date of the public health emergency declaration made by the Secretary of Health and Human Services under section 319 of the Public Health Service Act based on an outbreak of coronavirus disease 2019 (COVID–19), the term ''food'', as defined in section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), shall be deemed to exclude ''hot foods or hot food products ready for immediate consumption other than those authorized pursuant to clauses (3), (4), (5), (7), (8), and (9) of this subsection,'' for purposes of such Act, except that such exclusion is limited to retail food stores authorized to accept

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and redeem supplemental nutrition assistance program benefits as of the date of enactment of this Act.

[SEC. 110205. WAIVER.

[Any funds provided in the Third Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 for the Food Distribution Program on Indian Reservations, as authorized by section 4(b) of the Food and Nutrition Act of 2008 (7 U.S.C. 2013(b)), are not subject to the payment of the non-Federal share requirement described in section 4(b)(4)(A) of the Food and Nutrition Act of 2008 (7 U.S.C. 2013(b)(4)(A)).]

DIVISION L—ACCESS ACT

SEC. 120001. SHORT TITLE.

This division may be cited as the ''American Coronavirus/COVID–19 Election Safety and Security Act'' or the ''ACCESS Act''.

SEC. 120002. REQUIREMENTS FOR FEDERAL ELECTION CONTINGENCY PLANS IN RESPONSE TO NATURAL DISASTERS AND EMERGENCIES.

(a) IN GENERAL.—

(1) ESTABLISHMENT.—Not later than 30 days after the date of the enactment of this Act, each State and each jurisdiction in a State which is responsible for administering elections for Federal office shall establish and make publicly available a

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contingency plan to enable individuals to vote in elections for Federal office during a state of emergency, public health emergency, or national emergency which has been declared for reasons including—

(A) a natural disaster; or

(B) an infectious disease.

(2) UPDATING.—Each State and jurisdiction shall update the contingency plan established under this subsection not less frequently than every 5 years.

(b) REQUIREMENTS RELATING TO SAFETY.—The contingency plan established under subsection (a) shall include initiatives to provide equipment and resources needed to protect the health and safety of poll workers and voters when voting in person.

(c) REQUIREMENTS RELATING TO RECRUITMENT OF POLL WORKERS.—The contingency plan established under subsection (a) shall include initiatives by the chief State election official and local election officials to recruit poll workers from resilient or unaffected populations, which may include—

(1) employees of other State and local government offices; and

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(2) in the case in which an infectious disease poses significant increased health risks to elderly individuals, students of secondary schools and institutions of higher education in the State.

(d) STATE.—For purposes of this section, the term ''State'' includes the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

(e) ENFORCEMENT.—

(1) ATTORNEY GENERAL.—The Attorney General may bring a civil action against any State or jurisdiction in an appropriate United States District Court for such declaratory and injunctive relief (including a temporary restraining order, a permanent or temporary injunction, or other order) as may be necessary to carry out the requirements of this section.

(2) PRIVATE RIGHT OF ACTION.—

(A) IN GENERAL.—In the case of a violation of this section, any person who is aggrieved by such violation may provide written notice of the violation to the chief election official of the State involved.

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(B) RELIEF.—If the violation is not corrected within 20 days after receipt of a notice under subparagraph (A), or within 5 days after receipt of the notice if the violation occurred within 120 days before the date of an election for Federal office, the aggrieved person may, in a civil action, obtain declaratory or injunctive relief with respect to the violation.

(C) SPECIAL RULE.—If the violation occurred within 5 days before the date of an election for Federal office, the aggrieved person need not provide notice to the chief election official of the State involved under subparagraph (A) before bringing a civil action under subparagraph (B).

(f) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

SEC. 120003. EARLY VOTING AND VOTING BY MAIL.

(a) REQUIREMENTS.—Title III of the Help America Vote Act of 2002 (52 U.S.C. 21081 et seq.) is amended by adding at the end the following new subtitle:

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"Subtitle C—Other Requirements

"SEC. 321. EARLY VOTING.

''(a) REQUIRING ALLOWING VOTING PRIOR TO DATE OF ELECTION.—

''(1) IN GENERAL.—Each State shall allow individuals to vote in an election for Federal office during an early voting period which occurs prior to the date of the election, in the same manner as voting is allowed on such date.

''(2) LENGTH OF PERIOD.—The early voting period required under this subsection with respect to an election shall consist of a period of consecutive days (including weekends) which begins on the 15th day before the date of the election (or, at the option of the State, on a day prior to the 15th day before the date of the election) and ends on the date of the election.

''(b) MINIMUM EARLY VOTING REQUIREMENTS.—Each polling place which allows voting during an early voting period under subsection (a) shall—

''(1) allow such voting for no less than 10 hours on each day;

''(2) have uniform hours each day for which such voting occurs; and

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''(3) allow such voting to be held for some period of time prior to 9:00 a.m (local time) and some period of time after 5:00 p.m. (local time).

''(c) LOCATION OF POLLING PLACES.—

''(1) PROXIMITY TO PUBLIC TRANSPORTATION.—To the greatest extent practicable, a State shall ensure that each polling place which allows voting during an early voting period under subsection (a) is located within walking distance of a stop on a public transportation route.

''(2) AVAILABILITY IN RURAL AREAS.—The State shall ensure that polling places which allow voting during an early voting period under subsection (a) will be located in rural areas of the State, and shall ensure that such polling places are located in communities which will provide the greatest opportunity for residents of rural areas to vote during the early voting period.

''(d) STANDARDS.—

''(1) IN GENERAL.—The Commission shall issue standards for the administration of voting prior to the day scheduled for a Federal election. Such standards shall include the nondiscriminatory geographic placement of polling places at which such voting occurs.

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''(2) DEVIATION.—The standards described in paragraph (1) shall permit States, upon providing adequate public notice, to deviate from any requirement in the case of unforeseen circumstances such as a natural disaster, terrorist attack, or a change in voter turnout.

''(e) BALLOT PROCESSING AND SCANNING REQUIREMENTS.—

''(1) IN GENERAL.—The State shall begin processing and scanning ballots cast during early voting for tabulation at least 14 days prior to the date of the election involved.

''(2) LIMITATION.—Nothing in this subsection shall be construed to permit a State to tabulate ballots in an election before the closing of the polls on the date of the election.

''(f) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

''SEC. 322. PROMOTING ABILITY OF VOTERS TO VOTE BY MAIL.

''(a) UNIFORM AVAILABILITY OF ABSENTEE VOTING TO ALL VOTERS.—

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"(1) IN GENERAL.—If an individual in a State is eligible to cast a vote in an election for Federal office, the State may not impose any additional conditions or requirements on the eligibility of the individual to cast the vote in such election by absentee ballot by mail, including—

"(A) requiring any form of identification as a condition of obtaining the absentee ballot; or

"(B) requiring notarization or witness signature or other formal authentication (other than voter attestation) as a condition of the acceptance of the ballot by an election official.

"(2) PERMITTING CERTAIN REQUIREMENTS.—Notwithstanding paragraph (1)—

"(A) a State shall require an individual to meet signature verification in accordance with subsection (b); and

"(B) the State may impose a deadline for requesting the ballot and related voting materials from the appropriate State or local election official and for returning the ballot to the appropriate State or local election official.

"(b) REQUIRING SIGNATURE VERIFICATION.—

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"(1) REQUIREMENT.—A State may not accept and process an absentee ballot submitted by any individual with respect to an election for Federal office unless the State verifies the identification of the individual by comparing the individual's signature on the absentee ballot with the individual's signature on the official list of registered voters in the State, in accordance with such procedures as the State may adopt (subject to the requirements of paragraph (2)).

"(2) DUE PROCESS REQUIREMENTS.—

"(A) NOTICE AND OPPORTUNITY TO CURE DISCREPANCY.—If an individual submits an absentee ballot and the appropriate State or local election official determines that a discrepancy exists between the signature on such ballot and the signature of such individual on the official list of registered voters in the State, such election official, prior to making a final determination as to the validity of such ballot, shall make a good faith effort to immediately notify such individual by mail, telephone, and (if available) electronic mail that—

"(i) a discrepancy exists between the signature on such ballot and the signature

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of such individual on the official list of registered voters in the State;

''(ii) such individual may provide the official with information to cure such discrepancy, either in person, by telephone, or by electronic methods; and

''(iii) if such discrepancy is not cured prior to the expiration of the 7-day period which begins on the date of the election, such ballot will not be counted.

''(B) OPPORTUNITY TO PROVIDE MISSING SIGNATURE.—If an individual submits an absentee ballot without a signature, the State shall notify the individual and give the individual an opportunity to provide the missing signature on a form proscribed by the State.

''(C) OTHER REQUIREMENTS.—An election official may not make a determination that a discrepancy exists between the signature on an absentee ballot and the signature of the individual who submits the ballot on the official list of registered voters in the State unless—

''(i) at least 2 election officials make the determination; and

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"(ii) each official who makes the determination has received training in procedures used to verify signatures.

"(3) REPORT.—

"(A) IN GENERAL.—Not later than 120 days after the end of a Federal election cycle, each chief State election official shall submit to Congress a report containing the following information for the applicable Federal election cycle in the State:

"(i) The number of ballots invalidated due to a discrepancy under this subsection.

"(ii) Description of attempts to contact voters to provide notice as required by this subsection.

"(iii) Description of the cure process developed by such State pursuant to this subsection, including the number of ballots determined valid as a result of such process.

"(B) FEDERAL ELECTION CYCLE DEFINED.—For purposes of this subsection, the term 'Federal election cycle' means the period beginning on January 1 of any odd numbered

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year and ending on December 31 of the following year.

''(c) METHODS AND TIMING FOR TRANSMISSION OF BALLOTS AND BALLOTING MATERIALS TO VOTERS.—

''(1) METHOD FOR REQUESTING BALLOT.—In addition to such other methods as the State may establish for an individual to request an absentee ballot, the State shall permit an individual to submit a request for an absentee ballot online. The State shall be considered to meet the requirements of this paragraph if the website of the appropriate State or local election official allows an absentee ballot request application to be completed and submitted online and if the website permits the individual—

''(A) to print the application so that the individual may complete the application and return it to the official; or

''(B) request that a paper copy of the application be transmitted to the individual by mail or electronic mail so that the individual may complete the application and return it to the official.

''(2) ENSURING DELIVERY PRIOR TO ELECTION.—If an individual requests to vote by absentee ballot in an election for Federal office, the appro-

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priate State or local election official shall ensure that the ballot and relating voting materials are received by the individual prior to the date of the election so long as the individual's request is received by the official not later than 5 days (excluding Saturdays, Sundays, and legal public holidays) before the date of the election, except that nothing in this paragraph shall preclude a State or local jurisdiction from allowing for the acceptance and processing of ballot requests submitted or received after such required period.

"(3) SPECIAL RULES IN CASE OF EMERGENCY PERIODS.—

"(A) AUTOMATIC MAILING OF ABSENTEE BALLOTS TO ALL VOTERS.—If the area in which an election is held is in an area in which an emergency or disaster which is described in subparagraph (A) or (B) of section 1135(g)(1) of the Social Security Act (42 U.S.C. 1320b-5(g)(1)) is declared during the period described in subparagraph (C)—

"(i) paragraphs (1) and (2) shall not apply with respect to the election; and

"(ii) not later than 2 weeks before the date of the election, the appropriate State

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or local election official shall transmit absentee ballots and balloting materials for the election to all individuals who are registered to vote in such election.

''(B) AFFIRMATION.—If an individual receives an absentee ballot from a State or local election official pursuant to subparagraph (A) and returns the voted ballot to the official, the ballot shall not be counted in the election unless the individual includes with the ballot a signed affirmation that—

''(i) the individual has not and will not cast another ballot with respect to the election; and

''(ii) acknowledges that a material misstatement of fact in completing the ballot may constitute grounds for conviction of perjury.

''(C) PERIOD DESCRIBED.—The period described in this subparagraph with respect to an election is the period which begins 120 days before the date of the election and ends 30 days before the date of the election.

''(D) APPLICATION TO NOVEMBER 2020 GENERAL ELECTION.—Because of the public

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health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) resulting from the COVID–19 pandemic, the special rules set forth in this paragraph shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 in each State.

''(d) ACCESSIBILITY FOR INDIVIDUALS WITH DISABILITIES.—The State shall ensure that all absentee ballots and related voting materials in elections for Federal office are accessible to individuals with disabilities in a manner that provides the same opportunity for access and participation (including with privacy and independence) as for other voters.

''(e) REQUIREMENTS FOR ENVELOPES.—

''(1) PREPAYMENT OF POSTAGE.—Consistent with regulations of the United States Postal Service, the State or the unit of local government responsible for the administration of an election for Federal office shall prepay the postage on any ballot in the election which is cast by mail.

''(2) USE OF SELF-SEALING ENVELOPE.—The State or unit of local government shall provide with any absentee ballot transmitted to a voter by mail a self-sealing return envelope.

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''(f) UNIFORM DEADLINE FOR ACCEPTANCE OF MAILED BALLOTS.—If a ballot submitted by an individual by mail with respect to an election for Federal office in a State is postmarked on or before the date of the election, the State may not refuse to accept or process the ballot on the grounds that the individual did not meet a deadline for returning the ballot to the appropriate State or local election official.

''(g) METHODS OF RETURNING BALLOTS.—

''(1) IN GENERAL.—The State shall permit an individual to whom a ballot in an election was provided under this section to cast the ballot by delivering the ballot at such times and to such locations as the State may establish, including—

''(A) permitting the individual to deliver the ballot to a polling place on the date of the election; and

''(B) permitting the individual to deliver the ballot to a designated ballot drop-off location.

''(2) PERMITTING VOTERS TO DESIGNATE OTHER PERSON TO RETURN BALLOT.—The State—

''(A) shall permit a voter to designate any person to return a voted and sealed absentee ballot to the post office, a ballot drop-off loca-

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tion, tribally designated building, or election office so long as the person designated to return the ballot does not receive any form of compensation based on the number of ballots that the person has returned and no individual, group, or organization provides compensation on this basis; and

''(B) may not put any limit on how many voted and sealed absentee ballots any designated person can return to the post office, a ballot drop off location, tribally designated building, or election office.

''(h) BALLOT PROCESSING AND SCANNING REQUIREMENTS.—

''(1) IN GENERAL.—The State shall begin processing and scanning ballots cast by mail for tabulation at least 14 days prior to the date of the election involved.

''(2) LIMITATION.—Nothing in this subsection shall be construed to permit a State to tabulate ballots in an election before the closing of the polls on the date of the election.

''(i) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to affect the authority of States

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to conduct elections for Federal office through the use of polling places at which individuals cast ballots.

''(j) NO EFFECT ON BALLOTS SUBMITTED BY ABSENT MILITARY AND OVERSEAS VOTERS; TREATMENT OF BLANK ABSENTEE BALLOTS TRANSMITTED TO CERTAIN VOTERS.—Nothing in this section may be construed to affect the treatment of any ballot submitted by an individual who is entitled to vote by absentee ballot under the Uniformed and Overseas Citizens Absentee Voting Act (52 U.S.C. 20301 et seq.), and any blank absentee ballot transmitted to an individual by mail or electronically in accordance with section 102(f) of such Act shall be treated in the same manner as any other absentee ballot for purposes of this section.

''(k) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

''SEC. 323. ABSENTEE BALLOT TRACKING PROGRAM.

''(a) REQUIREMENT.—Each State shall carry out a program to track and confirm the receipt of absentee ballots in an election for Federal office under which the State or local election official responsible for the receipt of voted absentee ballots in the election carries out procedures to track and confirm the receipt of such ballots, and makes

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information on the receipt of such ballots available to the individual who cast the ballot, by means of online access using the Internet site of the official's office.

''(b) INFORMATION ON WHETHER VOTE WAS COUNTED.—The information referred to under subsection (a) with respect to the receipt of an absentee ballot shall include information regarding whether the vote cast on the ballot was counted, and, in the case of a vote which was not counted, the reasons therefor.

''(c) USE OF TOLL-FREE TELEPHONE NUMBER BY OFFICIALS WITHOUT INTERNET SITE.—A program established by a State or local election official whose office does not have an Internet site may meet the requirements of subsection (a) if the official has established a toll-free telephone number that may be used by an individual who cast an absentee ballot to obtain the information on the receipt of the voted absentee ballot as provided under such subsection.

''(d) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

''SEC. 324. RULES FOR COUNTING PROVISIONAL BALLOTS.

''(a) STATEWIDE COUNTING OF PROVISIONAL BALLOTS.—

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"(1) IN GENERAL.—For purposes of section 302(a)(4), notwithstanding the precinct or polling place at which a provisional ballot is cast within the State, the appropriate election official shall count each vote on such ballot for each election in which the individual who cast such ballot is eligible to vote.

"(2) EFFECTIVE DATE.—This subsection shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

"(b) UNIFORM AND NONDISCRIMINATORY STANDARDS.—

"(1) IN GENERAL.—Consistent with the requirements of section 302, each State shall establish uniform and nondiscriminatory standards for the issuance, handling, and counting of provisional ballots.

"(2) EFFECTIVE DATE.—This subsection shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

"SEC. 325. COVERAGE OF COMMONWEALTH OF NORTHERN MARIANA ISLANDS.

"In this subtitle, the term 'State' includes the Commonwealth of the Northern Mariana Islands.

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"SEC. 326. MINIMUM REQUIREMENTS FOR EXPANDING ABILITY OF INDIVIDUALS TO VOTE.

''The requirements of this subtitle are minimum requirements, and nothing in this subtitle may be construed to prevent a State from establishing standards which promote the ability of individuals to vote in elections for Federal office, so long as such standards are not inconsistent with the requirements of this subtitle or other Federal laws.''.

(b) CONFORMING AMENDMENT RELATING TO ISSUANCE OF VOLUNTARY GUIDANCE BY ELECTION ASSISTANCE COMMISSION.—Section 311(b) of such Act (52 U.S.C. 21101(b)) is amended—

(1) by striking ''and'' at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting ''; and''; and

(3) by adding at the end the following new paragraph:

''(4) in the case of the recommendations with respect to subtitle C, June 30, 2020.''.

(c) ENFORCEMENT.—

(1) COVERAGE UNDER EXISTING ENFORCEMENT PROVISIONS.—Section 401 of such Act (52 U.S.C. 21111) is amended by striking ''and 303'' and inserting ''303, and subtitle C of title III''.

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(2) AVAILABILITY OF PRIVATE RIGHT OF ACTION.—Title IV of such (52 U.S.C. 21111 et seq.) is amended by adding at the end the following new section:

"SEC. 403. PRIVATE RIGHT OF ACTION FOR VIOLATIONS OF CERTAIN REQUIREMENTS.

"(a) IN GENERAL.—In the case of a violation of subtitle C of title III, section 402 shall not apply and any person who is aggrieved by such violation may provide written notice of the violation to the chief election official of the State involved.

"(b) RELIEF.—If the violation is not corrected within 20 days after receipt of a notice under subsection (a), or within 5 days after receipt of the notice if the violation occurred within 120 days before the date of an election for Federal office, the aggrieved person may, in a civil action, obtain declaratory or injunctive relief with respect to the violation.

"(c) SPECIAL RULE.—If the violation occurred within 5 days before the date of an election for Federal office, the aggrieved person need not provide notice to the chief election official of the State involved under subsection (a) before bringing a civil action under subsection (b).".

(d) CLERICAL AMENDMENT.—The table of contents of such Act is amended—

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(1) by adding at the end of the items relating to title III the following:

"Subtitle C—Other Requirements

"Sec. 321. Early voting.
"Sec. 322. Promoting ability of voters to vote by mail.
"Sec. 323. Absentee ballot tracking program.
"Sec. 324. Rules for counting provisional ballots.
"Sec. 325. Coverage of Commonwealth of Northern Mariana Islands.
"Sec. 326. Minimum requirements for expanding ability of individuals to vote."; and

(2) by adding at the end of the items relating to title IV the following new item:

"Sec. 403. Private right of action for violations of certain requirements.".

SEC. 120004. POSTAGE-FREE ABSENTEE BALLOTS.

(a) IN GENERAL.—Chapter 34 of title 39, United States Code, is amended by adding after section 3406 the following:

"§ 3407. Absentee ballots

"(a) Any absentee ballot for any election for Federal office shall be carried expeditiously, with postage prepaid by the State or unit of local government responsible for the administration of the election.

"(b) As used in this section, the term 'absentee ballot' means any ballot transmitted by a voter by mail in an election for Federal office, but does not include any ballot covered by section 3406.".

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(b) CLERICAL AMENDMENT.—The table of sections for chapter 34 of such title is amended by inserting after the item relating to section 3406 the following:

"3407. Absentee ballots carried free of postage.".

SEC. 120005. REQUIRING TRANSMISSION OF BLANK ABSENTEE BALLOTS UNDER UOCAVA TO CERTAIN VOTERS.

(a) IN GENERAL.—The Uniformed and Overseas Citizens Absentee Voting Act (52 U.S.C. 20301 et seq.) is amended by inserting after section 103B the following new section:

"SEC. 103C. TRANSMISSION OF BLANK ABSENTEE BALLOTS TO CERTAIN OTHER VOTERS.

"(a) IN GENERAL.—

"(1) STATE RESPONSIBILITIES.—Subject to paragraph (2), each State shall transmit blank absentee ballots by mail and electronically to qualified individuals in the same manner and under the same terms and conditions under which the State transmits such ballots to absent uniformed services voters and overseas voters under section 102(f).

"(2) REQUIREMENTS.—Any blank absentee ballot transmitted to a qualified individual under this section—

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"(A) must comply with the language requirements under section 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503); and

"(B) must comply with the disability requirements under section 508 of the Rehabilitation Act of 1973 (29 U.S.C. 794d).

"(3) AFFIRMATION.—The State may not transmit a ballot to a qualified individual under this section unless the individual provides the State with a signed affirmation in electronic form that—

"(A) the individual is a qualified individual (as defined in subsection (b));

"(B) the individual has not and will not cast another ballot with respect to the election; and

"(C) acknowledges that a material misstatement of fact in completing the ballot may constitute grounds for conviction of perjury.

"(4) CLARIFICATION REGARDING FREE POSTAGE.—An absentee ballot obtained by a qualified individual under this section shall be considered balloting materials as defined in section 107 for purposes of section 3406 of title 39, United States Code.

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''(5) PROHIBITING REFUSAL TO ACCEPT BALLOT FOR FAILURE TO MEET CERTAIN REQUIREMENTS.—A State shall not refuse to accept and process any otherwise valid blank absentee ballot which was transmitted to a qualified individual under this section and used by the individual to vote in the election solely on the basis of the following:

''(A) Notarization or witness signature requirements.

''(B) Restrictions on paper type, including weight and size.

''(C) Restrictions on envelope type, including weight and size.

''(b) QUALIFIED INDIVIDUAL.—

''(1) IN GENERAL.—In this section, except as provided in paragraph (2), the term 'qualified individual' means any individual who is otherwise qualified to vote in an election for Federal office and who meets any of the following requirements:

''(A) The individual—

''(i) has requested an absentee ballot from the State or jurisdiction in which such individual is registered to vote; and

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"(ii) has not received such absentee ballot at least 2 days before the date of the election.

"(B) The individual—

"(i) resides in an area of a State with respect to which an emergency or public health emergency has been declared by the chief executive of the State or of the area involved within 5 days of the date of the election under the laws of the State due to reasons including a natural disaster, including severe weather, or an infectious disease; and

"(ii) has not requested an absentee ballot.

"(C) The individual expects to be absent from such individual's jurisdiction on the date of the election due to professional or volunteer service in response to a natural disaster or emergency as described in subparagraph (B).

"(D) The individual is hospitalized or expects to be hospitalized on the date of the election.

"(E) The individual is an individual with a disability (as defined in section 3 of the Ameri-

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cans with Disabilities Act of 1990 (42 U.S.C. 12102)) and resides in a State which does not offer voters the ability to use secure and accessible remote ballot marking. For purposes of this subparagraph, a State shall permit an individual to self-certify that the individual is an individual with a disability.

''(2) EXCLUSION OF ABSENT UNIFORMED SERVICES AND OVERSEAS VOTERS.—The term 'qualified individual' shall not include an absent uniformed services voter or an overseas voter.

''(c) STATE.—For purposes of this section, the term 'State' includes the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

''(d) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.''.

(b) CONFORMING AMENDMENT.—Section 102(a) of such Act (52 U.S.C. 20302(a)) is amended—

(1) by striking ''and'' at the end of paragraph (10);

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(2) by striking the period at the end of paragraph (11) and inserting ''; and''; and

(3) by adding at the end the following new paragraph:

''(12) meet the requirements of section 103C with respect to the provision of blank absentee ballots for the use of qualified individuals described in such section.''.

(c) CLERICAL AMENDMENTS.—The table of contents of such Act is amended by inserting the following after section 103:

''Sec. 103A. Procedures for collection and delivery of marked absentee ballots of absent overseas uniformed services voters.
''Sec. 103B. Federal voting assistance program improvements.
''Sec. 103C. Transmission of blank absentee ballots to certain other voters.''.

SEC. 120006. VOTER REGISTRATION.

(a) REQUIRING AVAILABILITY OF INTERNET FOR VOTER REGISTRATION.—

(1) REQUIRING AVAILABILITY OF INTERNET FOR REGISTRATION.—The National Voter Registration Act of 1993 (52 U.S.C. 20501 et seq.) is amended by inserting after section 6 the following new section:

''SEC. 6A. INTERNET REGISTRATION.

''(a) REQUIRING AVAILABILITY OF INTERNET FOR ONLINE REGISTRATION.—

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"(1) AVAILABILITY OF ONLINE REGISTRATION AND CORRECTION OF EXISTING REGISTRATION INFORMATION.—Each State, acting through the chief State election official, shall ensure that the following services are available to the public at any time on the official public websites of the appropriate State and local election officials in the State, in the same manner and subject to the same terms and conditions as the services provided by voter registration agencies under section 7(a):

"(A) Online application for voter registration.

"(B) Online assistance to applicants in applying to register to vote.

"(C) Online completion and submission by applicants of the mail voter registration application form prescribed by the Election Assistance Commission pursuant to section 9(a)(2), including assistance with providing a signature as required under subsection (c).

"(D) Online receipt of completed voter registration applications.

"(b) ACCEPTANCE OF COMPLETED APPLICATIONS.—A State shall accept an online voter registration application provided by an individual under this section, and en-

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sure that the individual is registered to vote in the State, if—

"(1) the individual meets the same voter registration requirements applicable to individuals who register to vote by mail in accordance with section 6(a)(1) using the mail voter registration application form prescribed by the Election Assistance Commission pursuant to section 9(a)(2); and

"(2) the individual meets the requirements of subsection (c) to provide a signature in electronic form (but only in the case of applications submitted during or after the second year in which this section is in effect in the State).

"(c) SIGNATURE REQUIREMENTS.—

"(1) IN GENERAL.—For purposes of this section, an individual meets the requirements of this subsection as follows:

"(A) In the case of an individual who has a signature on file with a State agency, including the State motor vehicle authority, that is required to provide voter registration services under this Act or any other law, the individual consents to the transfer of that electronic signature.

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''(B) If subparagraph (A) does not apply, the individual submits with the application an electronic copy of the individual's handwritten signature through electronic means.

''(C) If subparagraph (A) and subparagraph (B) do not apply, the individual executes a computerized mark in the signature field on an online voter registration application, in accordance with reasonable security measures established by the State, but only if the State accepts such mark from the individual.

''(2) TREATMENT OF INDIVIDUALS UNABLE TO MEET REQUIREMENT.—If an individual is unable to meet the requirements of paragraph (1), the State shall—

''(A) permit the individual to complete all other elements of the online voter registration application;

''(B) permit the individual to provide a signature at the time the individual requests a ballot in an election (whether the individual requests the ballot at a polling place or requests the ballot by mail); and

''(C) if the individual carries out the steps described in subparagraph (A) and subpara-

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graph (B), ensure that the individual is registered to vote in the State.

''(3) NOTICE.—The State shall ensure that individuals applying to register to vote online are notified of the requirements of paragraph (1) and of the treatment of individuals unable to meet such requirements, as described in paragraph (2).

''(d) CONFIRMATION AND DISPOSITION.—

''(1) CONFIRMATION OF RECEIPT.—Upon the online submission of a completed voter registration application by an individual under this section, the appropriate State or local election official shall send the individual a notice confirming the State's receipt of the application and providing instructions on how the individual may check the status of the application.

''(2) NOTICE OF DISPOSITION.—Not later than 7 days after the appropriate State or local election official has approved or rejected an application submitted by an individual under this section, the official shall send the individual a notice of the disposition of the application.

''(3) METHOD OF NOTIFICATION.—The appropriate State or local election official shall send the notices required under this subsection by regular

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mail, and, in the case of an individual who has provided the official with an electronic mail address, by both electronic mail and regular mail.

''(e) PROVISION OF SERVICES IN NONPARTISAN MANNER.—The services made available under subsection (a) shall be provided in a manner that ensures that, consistent with section 7(a)(5)—

''(1) the online application does not seek to influence an applicant's political preference or party registration; and

''(2) there is no display on the website promoting any political preference or party allegiance, except that nothing in this paragraph may be construed to prohibit an applicant from registering to vote as a member of a political party.

''(f) PROTECTION OF SECURITY OF INFORMATION.—In meeting the requirements of this section, the State shall establish appropriate technological security measures to prevent to the greatest extent practicable any unauthorized access to information provided by individuals using the services made available under subsection (a).

''(g) ACCESSIBILITY OF SERVICES.—A state shall ensure that the services made available under this section are made available to individuals with disabilities to the

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same extent as services are made available to all other individuals.

''(h) USE OF ADDITIONAL TELEPHONE-BASED SYSTEM.—A State shall make the services made available online under subsection (a) available through the use of an automated telephone-based system, subject to the same terms and conditions applicable under this section to the services made available online, in addition to making the services available online in accordance with the requirements of this section.

''(i) NONDISCRIMINATION AMONG REGISTERED VOTERS USING MAIL AND ONLINE REGISTRATION.—In carrying out this Act, the Help America Vote Act of 2002, or any other Federal, State, or local law governing the treatment of registered voters in the State or the administration of elections for public office in the State, a State shall treat a registered voter who registered to vote online in accordance with this section in the same manner as the State treats a registered voter who registered to vote by mail.''.

(2) SPECIAL REQUIREMENTS FOR INDIVIDUALS USING ONLINE REGISTRATION.—

(A) TREATMENT AS INDIVIDUALS REGISTERING TO VOTE BY MAIL FOR PURPOSES OF FIRST-TIME VOTER IDENTIFICATION REQUIRE-

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MENTS.—Section 303(b)(1)(A) of the Help America Vote Act of 2002 (52 U.S.C. 21083(b)(1)(A)) is amended by striking ''by mail'' and inserting ''by mail or online under section 6A of the National Voter Registration Act of 1993''.

(B) REQUIRING SIGNATURE FOR FIRST-TIME VOTERS IN JURISDICTION.—Section 303(b) of such Act (52 U.S.C. 21083(b)) is amended—

(i) by redesignating paragraph (5) as paragraph (6); and

(ii) by inserting after paragraph (4) the following new paragraph:

''(5) SIGNATURE REQUIREMENTS FOR FIRST-TIME VOTERS USING ONLINE REGISTRATION.—

''(A) IN GENERAL.—A State shall, in a uniform and nondiscriminatory manner, require an individual to meet the requirements of subparagraph (B) if—

''(i) the individual registered to vote in the State online under section 6A of the National Voter Registration Act of 1993; and

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"(ii) the individual has not previously voted in an election for Federal office in the State.

"(B) REQUIREMENTS.—An individual meets the requirements of this subparagraph if—

"(i) in the case of an individual who votes in person, the individual provides the appropriate State or local election official with a handwritten signature; or

"(ii) in the case of an individual who votes by mail, the individual submits with the ballot a handwritten signature.

"(C) INAPPLICABILITY.—Subparagraph (A) does not apply in the case of an individual who is—

"(i) entitled to vote by absentee ballot under the Uniformed and Overseas Citizens Absentee Voting Act (52 U.S.C. 20302 et seq.);

"(ii) provided the right to vote otherwise than in person under section 3(b)(2)(B)(ii) of the Voting Accessibility for the Elderly and Handicapped Act (52 U.S.C. 20102(b)(2)(B)(ii)); or

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''(iii) entitled to vote otherwise than in person under any other Federal law.''.

(C) CONFORMING AMENDMENT RELATING TO EFFECTIVE DATE.—Section 303(d)(2)(A) of such Act (52 U.S.C. 21083(d)(2)(A)) is amended by striking ''Each State'' and inserting ''Except as provided in subsection (b)(5), each State''.

(3) CONFORMING AMENDMENTS.—

(A) TIMING OF REGISTRATION.—Section 8(a)(1) of the National Voter Registration Act of 1993 (52 U.S.C. 20507(a)(1)) is amended—

(i) by striking ''and'' at the end of subparagraph (C);

(ii) by redesignating subparagraph (D) as subparagraph (E); and

(iii) by inserting after subparagraph (C) the following new subparagraph:

''(D) in the case of online registration through the official public website of an election official under section 6A, if the valid voter registration application is submitted online not later than the lesser of 28 days, or the period provided by State law, before the date of the election (as determined by treating the date on

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which the application is sent electronically as the date on which it is submitted); and''.

(B) INFORMING APPLICANTS OF ELIGIBILITY REQUIREMENTS AND PENALTIES.—Section 8(a)(5) of such Act (52 U.S.C. 20507(a)(5)) is amended by striking ''and 7'' and inserting ''6A, and 7''.

(b) SAME DAY REGISTRATION.—

(1) IN GENERAL.—Subtitle C of title III of the Help America Vote Act of 2002, as added by section 3(a), is amended—

(A) by redesignating sections 325 and 326 as sections 326 and 327; and

(B) by inserting after section 324 the following new section:

''SEC. 325. SAME DAY REGISTRATION.

''(a) IN GENERAL.—

''(1) REGISTRATION.—Each State shall permit any eligible individual on the day of a Federal election and on any day when voting, including early voting, is permitted for a Federal election—

''(A) to register to vote in such election at the polling place using a form that meets the requirements under section 9(b) of the National Voter Registration Act of 1993 (or, if the indi-

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vidual is already registered to vote, to revise any of the individual's voter registration information); and

"(B) to cast a vote in such election.

"(2) EXCEPTION.—The requirements under paragraph (1) shall not apply to a State in which, under a State law in effect continuously on and after the date of the enactment of this section, there is no voter registration requirement for individuals in the State with respect to elections for Federal office.

"(b) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term 'eligible individual' means, with respect to any election for Federal office, an individual who is otherwise qualified to vote in that election.

"(c) EFFECTIVE DATE.—Each State shall be required to comply with the requirements of subsection (a) for the regularly scheduled general election for Federal office occurring in November 2020 and for any subsequent election for Federal office.".

(2) CLERICAL AMENDMENT.—The table of contents of such Act, as amended by section 3, is amended—

(A) by redesignating the items relating to sections 325 and 326 as relating to sections 326 and 327; and

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(B) by inserting after the item relating to section 324 the following new item:

''Sec. 325. Same day registration.''.

(c) PROHIBITING STATE FROM REQUIRING APPLICANTS TO PROVIDE MORE THAN LAST 4 DIGITS OF SOCIAL SECURITY NUMBER.—

(1) FORM INCLUDED WITH APPLICATION FOR MOTOR VEHICLE DRIVER'S LICENSE.—Section 5(c)(2)(B)(ii) of the National Voter Registration Act of 1993 (52 U.S.C. 20504(c)(2)(B)(ii)) is amended by striking the semicolon at the end and inserting the following: '', and to the extent that the application requires the applicant to provide a Social Security number, may not require the applicant to provide more than the last 4 digits of such number;''.

(2) NATIONAL MAIL VOTER REGISTRATION FORM.—Section 9(b)(1) of such Act (52 U.S.C. 20508(b)(1)) is amended by striking the semicolon at the end and inserting the following: '', and to the extent that the form requires the applicant to provide a Social Security number, the form may not require the applicant to provide more than the last 4 digits of such number;''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to the regularly scheduled general election for Federal of-

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fice held in November 2020 and each succeeding election for Federal office.

SEC. 120007. ACCOMMODATIONS FOR VOTERS RESIDING IN INDIAN LANDS.

(a) ACCOMMODATIONS DESCRIBED.—

(1) DESIGNATION OF BALLOT PICKUP AND COLLECTION LOCATIONS.—Given the widespread lack of residential mail delivery in Indian Country, an Indian Tribe may designate buildings as ballot pickup and collection locations with respect to an election for Federal office at no cost to the Indian Tribe. An Indian Tribe may designate one building per precinct located within Indian lands. The applicable State or political subdivision shall collect ballots from those locations. The applicable State or political subdivision shall provide the Indian Tribe with accurate precinct maps for all precincts located within Indian lands 60 days before the election.

(2) PROVISION OF MAIL-IN AND ABSENTEE BALLOTS.—The State or political subdivision shall provide mail-in and absentee ballots with respect to an election for Federal office to each individual who is registered to vote in the election who resides on Indian lands in the State or political subdivision in-

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volved without requiring a residential address or a mail-in or absentee ballot request.

(3) USE OF DESIGNATED BUILDING AS RESIDENTIAL AND MAILING ADDRESS.—The address of a designated building that is a ballot pickup and collection location with respect to an election for Federal office may serve as the residential address and mailing address for voters living on Indian lands if the tribally designated building is in the same precinct as that voter. If there is no tribally designated building within a voter's precinct, the voter may use another tribally designated building within the Indian lands where the voter is located. Voters using a tribally designated building outside of the voter's precinct may use the tribally designated building as a mailing address and may separately designate the voter's appropriate precinct through a description of the voter's address, as specified in section 9428.4(a)(2) of title 11, Code of Federal Regulations.

(4) LANGUAGE ACCESSIBILITY.—In the case of a State or political subdivision that is a covered State or political subdivision under section 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503), that State or political subdivision shall provide ab-

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sentee or mail-in voting materials with respect to an election for Federal office in the language of the applicable minority group as well as in the English language, bilingual election voting assistance, and written translations of all voting materials in the language of the applicable minority group, as required by section 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503), as amended by subsection (b).

(5) CLARIFICATION.—Nothing in this section alters the ability of an individual voter residing on Indian lands to request a ballot in a manner available to all other voters in the State.

(6) DEFINITIONS.—In this section:

(A) INDIAN.—The term ''Indian'' has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5304).

(B) INDIAN LANDS.—The term ''Indian lands'' includes—

(i) any Indian country of an Indian Tribe, as defined under section 1151 of title 18, United States Code;

(ii) any land in Alaska owned, pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), by an

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Indian Tribe that is a Native village (as defined in section 3 of that Act (43 U.S.C. 1602)) or by a Village Corporation that is associated with an Indian Tribe (as defined in section 3 of that Act (43 U.S.C. 1602));

(iii) any land on which the seat of the Tribal Government is located; and

(iv) any land that is part or all of a Tribal designated statistical area associated with an Indian Tribe, or is part or all of an Alaska Native village statistical area associated with an Indian Tribe, as defined by the Census Bureau for the purposes of the most recent decennial census.

(C) INDIAN TRIBE.—The term ''Indian Tribe'' has the meaning given the term ''Indian tribe'' in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5304).

(D) TRIBAL GOVERNMENT.—The term ''Tribal Government'' means the recognized governing body of an Indian Tribe.

(7) ENFORCEMENT.—

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(A) ATTORNEY GENERAL.—The Attorney General may bring a civil action in an appropriate district court for such declaratory or injunctive relief as is necessary to carry out this subsection.

(B) PRIVATE RIGHT OF ACTION.—

(i) A person or Tribal Government who is aggrieved by a violation of this subsection may provide written notice of the violation to the chief election official of the State involved.

(ii) An aggrieved person or Tribal Government may bring a civil action in an appropriate district court for declaratory or injunctive relief with respect to a violation of this subsection, if—

(I) that person or Tribal Government provides the notice described in clause (i); and

(II)(aa) in the case of a violation that occurs more than 120 days before the date of an election for Federal office, the violation remains and 90 days or more have passed since the date on which the chief election offi-

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cial of the State receives the notice under clause (i); or

(bb) in the case of a violation that occurs 120 days or less before the date of an election for Federal office, the violation remains and 20 days or more have passed since the date on which the chief election official of the State receives the notice under clause (i).

(iii) In the case of a violation of this section that occurs 30 days or less before the date of an election for Federal office, an aggrieved person or Tribal Government may bring a civil action in an appropriate district court for declaratory or injunctive relief with respect to the violation without providing notice to the chief election official of the State under clause (i).

(b) BILINGUAL ELECTION REQUIREMENTS.—Section 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503) is amended—

(1) in subsection (b)(3)(C), by striking ''1990'' and inserting ''2010''; and

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(2) by striking subsection (c) and inserting the following:

''(c) PROVISION OF VOTING MATERIALS IN THE LANGUAGE OF A MINORITY GROUP.—

''(1) IN GENERAL.—Whenever any State or political subdivision subject to the prohibition of subsection (b) of this section provides any registration or voting notices, forms, instructions, assistance, or other materials or information relating to the electoral process, including ballots, it shall provide them in the language of the applicable minority group as well as in the English language.

''(2) EXCEPTIONS.—

''(A) IN GENERAL.—

''(i) In the case of a minority group that is not American Indian or Alaska Native and the language of that minority group is oral or unwritten, the State or political subdivision shall only be required to furnish, in the covered language, oral instructions, assistance, translation of voting materials, or other information relating to registration and voting.

''(ii) In the case of a minority group that is American Indian or Alaska Native,

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the State or political subdivision shall only be required to furnish in the covered language oral instructions, assistance, or other information relating to registration and voting, including all voting materials, if the Tribal Government of that minority group has certified that the language of the applicable American Indian or Alaska Native language is presently unwritten or the Tribal Government does not want written translations in the minority language.

''(3) WRITTEN TRANSLATIONS FOR ELECTION WORKERS.—Notwithstanding paragraph (2), the State or political division may be required to provide written translations of voting materials, with the consent of any applicable Indian Tribe, to election workers to ensure that the translations from English to the language of a minority group are complete, accurate, and uniform.''.

(c) EFFECTIVE DATE.—This section and the amendments made by this section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

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SEC. 120008. PAYMENTS BY ELECTION ASSISTANCE COMMISSION TO STATES TO ASSIST WITH COSTS OF COMPLIANCE.

(a) AVAILABILITY OF GRANTS.—Subtitle D of title II of the Help America Vote Act of 2002 (52 U.S.C. 21001 et seq.) is amended by adding at the end the following new part:

"PART 7—PAYMENTS TO ASSIST WITH COSTS OF COMPLIANCE WITH ACCESS ACT

"SEC. 297. PAYMENTS TO ASSIST WITH COSTS OF COMPLIANCE WITH ACCESS ACT.

''(a) AVAILABILITY AND USE OF PAYMENTS.—

''(1) IN GENERAL.—The Commission shall make a payment to each eligible State to assist the State with the costs of complying with the American Coronavirus/COVID–19 Election Safety and Security Act and the amendments made by such Act, including the provisions of such Act and such amendments which require States to pre-pay the postage on absentee ballots and balloting materials.

''(2) PUBLIC EDUCATION CAMPAIGNS.—For purposes of this part, the costs incurred by a State in carrying out a campaign to educate the public about the requirements of the American Coronavirus/COVID–19 Election Safety and Security Act and the amendments made by such Act

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shall be included as the costs of complying with such Act and such amendments.

''(b) PRIMARY ELECTIONS.—

''(1) PAYMENTS TO STATES.—In addition to any payments under subsection (a), the Commission shall make a payment to each eligible State to assist the State with the costs incurred in voluntarily electing to comply with the American Coronavirus/COVID–19 Election Safety and Security Act and the amendments made by such Act with respect to primary elections for Federal office held in the State in 2020.

''(2) STATE POLITICAL PARTY-RUN PRIMARIES.—In addition to any payments under paragraph (1), in the case of a State voluntarily electing to comply with the American Coronavirus/COVID–19 Election Safety and Security Act and the amendments made by such Act with respect to primary elections for Federal office held in the State in 2020, the Commission shall make a payment to each eligible political party of the State for the costs incurred by the party in transmitting absentee ballots and balloting materials with respect to such elections (including the costs relating to pre-paying the post-

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age on the return envelopes for such ballots and materials).

''(c) PASS-THROUGH OF FUNDS TO LOCAL JURISDICTIONS.—

''(1) IN GENERAL.—If a State receives a payment under this part for costs that include costs incurred by a local jurisdiction or Tribal government within the State, the State shall pass through to such local jurisdiction or Tribal government a portion of such payment that is equal to the amount of the costs incurred by such local jurisdiction or Tribal government.

''(2) TRIBAL GOVERNMENT DEFINED.—In this subsection, the term 'Tribal Government' means the recognized governing body of an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5304).

''(d) SCHEDULE OF PAYMENTS.—As soon as practicable after the date of the enactment of this part and not less frequently than once each calendar year thereafter, the Commission shall make payments under this part.

''(e) COVERAGE OF COMMONWEALTH OF NORTHERN MARIANA ISLANDS.—In this part, the term 'State' in-

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cludes the Commonwealth of the Northern Mariana Islands.

''(f) LIMITATION.—No funds may be provided to a State under this part for costs attributable to the electronic return of marked ballots by any voter.

''SEC. 297A. AMOUNT OF PAYMENT.

''(a) IN GENERAL.—Except as provided in section 297C, the amount of a payment made to an eligible State for a year under this part shall be determined by the Commission.

''(b) CONTINUING AVAILABILITY OF FUNDS AFTER APPROPRIATION.—A payment made to an eligible State or eligible unit of local government under this part shall be available without fiscal year limitation.

''SEC. 297B. REQUIREMENTS FOR ELIGIBILITY.

''(a) APPLICATION.—Except as provided in section 297C, each State that desires to receive a payment under this part for a fiscal year, and each political party of a State that desires to receive a payment under section 297(b)(2), shall submit an application for the payment to the Commission at such time and in such manner and containing such information as the Commission shall require.

''(b) CONTENTS OF APPLICATION.—Each application submitted under subsection (a) shall—

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"(1) describe the activities for which assistance under this part is sought; and

"(2) provide such additional information and certifications as the Commission determines to be essential to ensure compliance with the requirements of this part.

"SEC. 297C. SPECIAL RULES FOR PAYMENTS FOR ELECTIONS SUBJECT TO EMERGENCY RULES.

"(a) SUBMISSION OF ESTIMATED COSTS.—If the special rules in the case of an emergency period under section 322(c)(3) apply to an election, not later than the applicable deadline under subsection (c), the State shall submit to the Commission a request for a payment under this part, and shall include in the request the State's estimate of the costs the State expects to incur in the administration of the election which are attributable to the application of such special rules to the election.

"(b) PAYMENT.—Not later than 7 days after receiving a request from the State under subsection (a), the Commission shall make a payment to the State in an amount equal to the estimate provided by the State in the request.

"(c) APPLICABLE DEADLINE.—The applicable deadline under this paragraph with respect to an election is—

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''(1) with respect to the regularly scheduled general election for Federal office held in November 2020, 15 days after the date of the enactment of this part; and

''(2) with respect to any other election, 15 days after the emergency or disaster described in section 322(c)(3) is declared.

''SEC. 297D. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated for payments under this part—

''(1) in the case of payments made under section 297C, such sums as may be necessary for fiscal year 2020 and each succeeding fiscal year; and

''(2) in the case of any other payments, such sums as may be necessary for fiscal year 2020.

''SEC. 297E. REPORTS.

''(a) REPORTS BY RECIPIENTS.—Not later than 6 months after the end of each fiscal year for which an eligible State received a payment under this part, the State shall submit a report to the Commission on the activities conducted with the funds provided during the year.

''(b) REPORTS BY COMMISSION TO COMMITTEES.—With respect to each fiscal year for which the Commission makes payments under this part, the Commission shall submit a report on the activities carried out under this

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part to the Committee on House Administration of the House of Representatives and the Committee on Rules and Administration of the Senate.''.

(b) CLERICAL AMENDMENT.—The table of contents of such Act is amended by adding at the end of the items relating to subtitle D of title II the following:

''PART 7—PAYMENTS TO ASSIST WITH COSTS OF COMPLIANCE WITH ACCESS ACT

''Sec. 297. Payments to assist with costs of compliance with Access Act.
''Sec. 297A. Amount of payment.
''Sec. 297B. Requirements for eligibility.
''Sec. 297C. Authorization of appropriations.
''Sec. 297D. Reports.''.

SEC. 120009. GRANTS TO STATES FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS OF ELECTIONS.

(a) AVAILABILITY OF GRANTS.—Subtitle D of title II of the Help America Vote Act of 2002 (52 U.S.C. 21001 et seq.), as amended by section 8(a), is further amended by adding at the end the following new part:

''PART 8—GRANTS FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS OF ELECTIONS

''SEC. 298. GRANTS FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS OF ELECTIONS.

''(a) AVAILABILITY OF GRANTS.—The Commission shall make a grant to each eligible State to conduct risk-limiting audits as described in subsection (b) with respect to the regularly scheduled general elections for Federal of-

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fice held in November 2020 and each succeeding election for Federal office.

''(b) RISK-LIMITING AUDITS DESCRIBED.—In this part, a 'risk-limiting audit' is a post-election process—

''(1) which is conducted in accordance with rules and procedures established by the chief State election official of the State which meet the requirements of subsection (c); and

''(2) under which, if the reported outcome of the election is incorrect, there is at least a predetermined percentage chance that the audit will replace the incorrect outcome with the correct outcome as determined by a full, hand-to-eye tabulation of all votes validly cast in that election that ascertains voter intent manually and directly from voter-verifiable paper records.

''(c) REQUIREMENTS FOR RULES AND PROCEDURES.—The rules and procedures established for conducting a risk-limiting audit shall include the following elements:

''(1) Rules for ensuring the security of ballots and documenting that prescribed procedures were followed.

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''(2) Rules and procedures for ensuring the accuracy of ballot manifests produced by election agencies.

''(3) Rules and procedures for governing the format of ballot manifests, cast vote records, and other data involved in the audit.

''(4) Methods to ensure that any cast vote records used in the audit are those used by the voting system to tally the election results sent to the chief State election official and made public.

''(5) Procedures for the random selection of ballots to be inspected manually during each audit.

''(6) Rules for the calculations and other methods to be used in the audit and to determine whether and when the audit of an election is complete.

''(7) Procedures and requirements for testing any software used to conduct risk-limiting audits.

''(d) DEFINITIONS.—In this part, the following definitions apply:

''(1) The term 'ballot manifest' means a record maintained by each election agency that meets each of the following requirements:

''(A) The record is created without reliance on any part of the voting system used to tabulate votes.

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''(B) The record functions as a sampling frame for conducting a risk-limiting audit.

''(C) The record contains the following information with respect to the ballots cast and counted in the election:

''(i) The total number of ballots cast and counted by the agency (including undervotes, overvotes, and other invalid votes).

''(ii) The total number of ballots cast in each election administered by the agency (including undervotes, overvotes, and other invalid votes).

''(iii) A precise description of the manner in which the ballots are physically stored, including the total number of physical groups of ballots, the numbering system for each group, a unique label for each group, and the number of ballots in each such group.

''(2) The term 'incorrect outcome' means an outcome that differs from the outcome that would be determined by a full tabulation of all votes validly cast in the election, determining voter intent manually, directly from voter-verifiable paper records.

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''(3) The term 'outcome' means the winner of an election, whether a candidate or a position.

''(4) The term 'reported outcome' means the outcome of an election which is determined according to the canvass and which will become the official, certified outcome unless it is revised by an audit, recount, or other legal process.

"SEC. 298A. ELIGIBILITY OF STATES.

''A State is eligible to receive a grant under this part if the State submits to the Commission, at such time and in such form as the Commission may require, an application containing—

''(1) a certification that, not later than 5 years after receiving the grant, the State will conduct risk-limiting audits of the results of elections for Federal office held in the State as described in section 298;

''(2) a certification that, not later than one year after the date of the enactment of this section, the chief State election official of the State has established or will establish the rules and procedures for conducting the audits which meet the requirements of section 298(c);

''(3) a certification that the audit shall be completed not later than the date on which the State certifies the results of the election;

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''(4) a certification that, after completing the audit, the State shall publish a report on the results of the audit, together with such information as necessary to confirm that the audit was conducted properly;

''(5) a certification that, if a risk-limiting audit conducted under this part leads to a full manual tally of an election, State law requires that the State or election agency shall use the results of the full manual tally as the official results of the election; and

''(6) such other information and assurances as the Commission may require.

''SEC. 298B. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated for grants under this part $20,000,000 for fiscal year 2020, to remain available until expended.''.

(b) CLERICAL AMENDMENT.—The table of contents of such Act, as amended by section 8(b), is further amended by adding at the end of the items relating to subtitle D of title II the following:

''PART 8—GRANTS FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS OF ELECTIONS

''Sec. 298. Grants for conducting risk-limiting audits of results of elections.
''Sec. 298A. Eligibility of States.
''Sec. 298B. Authorization of appropriations.

(c) GAO ANALYSIS OF EFFECTS OF AUDITS.—

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(1) ANALYSIS.—Not later than 6 months after the first election for Federal office is held after grants are first awarded to States for conducting risk-limiting audits under part 8 of subtitle D of title II of the Help America Vote Act of 2002 (as added by subsection (a)) for conducting risk-limiting audits of elections for Federal office, the Comptroller General of the United States shall conduct an analysis of the extent to which such audits have improved the administration of such elections and the security of election infrastructure in the States receiving such grants.

(2) REPORT.—The Comptroller General of the United States shall submit a report on the analysis conducted under subsection (a) to the appropriate congressional committees.

SEC. 120010. ADDITIONAL APPROPRIATIONS FOR THE ELECTION ASSISTANCE COMMISSION.

(a) IN GENERAL.—In addition to any funds otherwise appropriated to the Election Assistance Commission for fiscal year 2020, there is authorized to be appropriated $3,000,000 for fiscal year 2020 in order for the Commission to provide additional assistance and resources to States for improving the administration of elections.

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(b) AVAILABILITY OF FUNDS.—Amounts appropriated pursuant to the authorization under this subsection shall remain available without fiscal year limitation.

DIVISION M—OVERSIGHT AND ACCOUNTABILITY

SEC. 130001. CORONAVIRUS ACCOUNTABILITY AND TRANSPARENCY COMMITTEE.

(a) ESTABLISHMENT OF THE CORONAVIRUS ACCOUNTABILITY AND TRANSPARENCY COMMITTEE.—There is established the Coronavirus Accountability and Transparency Committee within the Council of the Inspectors General on Integrity and Efficiency to coordinate and support Inspectors General in conducting oversight of covered funds to detect and prevent fraud, waste, and abuse.

(b) COMPOSITION OF COMMITTEE.—

(1) CHAIRPERSON.—The Chairperson of the Committee shall be an Inspector General, identified in paragraph (2)(A) with experience managing oversight of large organizations and expenditures and shall be selected by the Chair of the Council of the Inspectors General on Integrity and Efficiency.

(2) MEMBERS.—The members of the Committee shall include—

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(A) the Inspectors General of the Departments of Commerce, Defense, Education, Health and Human Services, Homeland Security, Labor, Transportation, Treasury, Treasury Inspector General for Tax Administration, Veterans Affairs, and the Small Business Administration; and

(B) any other Inspector General as designated by the Chair of the Council of the Inspectors General on Integrity and Efficiency.

(c) FUNCTIONS OF THE COMMITTEE.—

(1) FUNCTIONS.—

(A) IN GENERAL.—The Committee shall coordinate and assist Inspectors General in the oversight of covered funds and the response of the Executive Branch to the Coronavirus Pandemic in order to prevent fraud, waste, and abuse.

(B) SPECIFIC FUNCTIONS.—The functions of the Committee shall include—

(i) developing a strategic plan to ensure Inspectors General effectively and efficiently conduct comprehensive oversight over all aspects of the covered funds and

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the response by the Executive Branch to the Coronavirus;

(ii) serving as a liaison to the Director of the Office of Management and Budget, Secretary of the Treasury, and other officials responsible for implementing this Act;

(iii) supporting audits and investigations of covered funds to determine whether wasteful spending, poor contract or grant management, or other abuses are occurring and referring matters the Committee considers appropriate for audit or investigation to the Inspector General for the agency that disbursed the covered funds or more than one Inspector General, as appropriate;

(iv) supporting reviews of contracts, grants, and other assistance that use using covered funds or that are otherwise related to Coronavirus by assessing whether—

(I) the contracts, grants, and other assistance meet applicable standards;

(II) the contracts, grants, and other assistance adequately specify the

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purpose of the contract, grant, or other assistance, as well as applicable measures of performance; and

(III) there are sufficient qualified acquisition and grant personnel overseeing the use of covered funds; and

(v) reviewing whether there are appropriate mechanisms for interagency collaboration relating to covered funds, including coordinating and collaborating to the extent practicable with State and local government entities.

(2) REPORTS.—

(A) REPORTS.—The Committee shall submit to the President and Congress, including the appropriate congressional committees, timely alerts on current or potential management and funding problems that require immediate attention. The Committee also shall submit to Congress such other reports as the Committee considers appropriate on the use and benefits of covered funds and the response of the Executive Branch to the Coronavirus.

(B) BIANNUAL REPORTS.—The Committee shall submit reports every six months to the

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President and the appropriate congressional committees, summarizing the findings of the Committee and Inspectors General of agencies. The Committee may submit additional reports as appropriate.

(C) PUBLIC AVAILABILITY.—

(i) IN GENERAL.—All reports submitted under this paragraph shall be made publicly available and posted on the website established by subsection (e).

(ii) REDACTIONS.—Any portion of a report submitted under this paragraph may be redacted when made publicly available, if that portion would disclose information that is not subject to disclosure under sections 552 and 552a of title 5, United States Code.

(3) RECOMMENDATIONS.—

(A) IN GENERAL.—The Committee, in coordination with the member Inspectors General, shall make recommendations to agencies and to Congress, including the appropriate committees, on measures to prevent fraud, waste, and abuse relating to covered funds.

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(B) RESPONSIVE REPORTS.—Not later than 30 days after receipt of a recommendation under subparagraph (A), an agency shall submit a report to the President, the congressional committees of jurisdiction, and the appropriate congressional committees, on—

(i) whether the agency agrees or disagrees with the recommendations; and

(ii) any specific action or action plan the agency will take to implement the recommendations.

(d) POWERS AND AUTHORITIES OF THE COMMITTEE.—

(1) IN GENERAL.—The Committee shall coordinate and support investigations, audits and reviews of spending of covered funds to avoid duplication and overlap of work and ensure that there are not gaps in oversight activities by the member Inspectors General. If a gap in oversight is identified, the Committee shall request that an Inspector General or more than one Inspector General, designated by the Chair, conduct the appropriate audit or review.

(2) AUDITS AND INVESTIGATIONS.—The Committee may—

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(A) provide all necessary support to an Inspector General or Inspectors General in the conduct of investigations, audits, evaluations, and reviews relating to covered funds and Coronavirus response; and

(B) collaborate on investigations, audits and reviews relating to covered funds and Coronavirus response with any Inspector General of an agency or more than one Inspectors General.

(3) AUTHORITIES.—

(A) AUDITS AND INVESTIGATIONS.—In providing assistance to Inspectors General in the conduct of investigations, audits and reviews, the Committee shall have the authorities provided under section 6 of the Inspector General Act of 1978 (5 U.S.C. App.). The Committee may issue subpoenas to compel the testimony of persons and may enforce subpoenas in the event of a refusal to obey by order of any appropriate United States district court as provided for Inspector General subpoenas under section 6 of the Inspector General Act of 1978 (5 U.S.C. App.).

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(B) STANDARDS AND GUIDELINES.—The Committee shall carry out the powers under paragraphs (1) and (2) in accordance with section 4(b)(1) of the Inspector General Act of 1978 (5 U.S.C. App.).

(C) REPORT OF REFUSALS.—Whenever information or assistance requested by the Committee or an Inspector General, is unreasonably refused or not provided, the Committee shall immediately report the circumstances to the appropriate committees.

(D) INFORMATION AND ASSISTANCE.—Upon request of the Committee for information or assistance from any agency or other entity of the Federal Government, or any recipient under this Act, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, and consistent with section 6 of the Inspector General Act of 1978, as amended, furnish such information or assistance to the Committee.

(4) CONTRACTS.—The Council may enter into contracts to enable the Committee to discharge its duties under this Act, including contracts for audits, studies, analyses, and other services with public

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agencies and private persons, and make such payments as may be necessary to carry out the duties of the Committee.

(5) TRANSFER OF FUNDS.—The Council may transfer funds appropriated to the Council under this section for administrative support services and any audits, investigations, reviews, or other activities to any office of Inspector General.

(6) EMPLOYMENT AND PERSONNEL AUTHORITIES.—

(A) IN GENERAL.—

(i) AUTHORITIES.—The Council may exercise the authorities of subsections (b) through (i) of section 3161 of title 5, United States Code, (without regard to subsection (a) of that section) to carry out the Committee's functions under this section.

(ii) APPLICATION.—For purposes of exercising the authorities described under clause (i), the term ''Chairperson of the Council'' shall be substituted for the term ''head of a temporary organization''.

(iii) CONSULTATION.—In exercising the authorities described under clause (i),

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the Chairperson shall consult with members of the Committee.

(iv) EMPLOYMENT AUTHORITIES.—In exercising the employment authorities under subsection (b) of section 3161 of title 5, United States Code, paragraph (2) of subsection (b) of section 3161 of that title (relating to periods of appointments) shall not apply and no period of appointment may exceed the date on which the Committee terminates under subsection (i).

(v) DETAIL OF PERSONNEL.—In addition to the authority provided by subsection (c) of section 3161 of title 5, United States Code, upon the request of an Inspector General, the Council may detail, on a nonreimbursable basis, any personnel of the Committee to that Inspector General to assist in carrying out any audit or investigation referred to the Inspector General by the Committee.

(vi) REHIRING ANNUITANTS.—The Committee may employ annuitants covered by section 9902(g) of title 5, United States Code, for purposes of the oversight of cov-

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ered funds or the Coronavirus response. The employment of annuitants under this subparagraph shall be subject to the provisions of section 9902(g) of title 5, United States Code, as if the Committee was the Department of Defense.

(vii) COMPETITIVE STATUS.—A person employed by the Committee shall acquire competitive status for appointment to any position in the competitive service for which the employee possesses the required qualifications upon the completion of 2 years of continuous service as an employee under this subsection. No person who is first employed more than 2 years after the date of the enactment of this Act may acquire competitive status under this authority.

(e) COMMITTEE WEBSITE.—

(1) ESTABLISHMENT.—The Committee shall utilize www.Oversight.gov to establish and maintain, no later than 30 days after the enactment of this Act, a public-facing website for accountability and transparency in the use of covered funds.

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(2) PURPOSE.—The website established and maintained under paragraph (1) shall provide information relating to implementation of this Act and provide connections to other government websites with related information.

(3) CONTENT AND FUNCTION.—In establishing the website established and maintained under paragraph (1), the Committee shall ensure the website—

(A) provides materials explaining what this Act means for citizens in plain language and shall be regularly updated;

(B) provides accountability information, including findings from audits, investigations, or reviews conducted by the Committee, Inspectors General, and the Government Accountability Office;

(C) provides data made available in a searchable, sortable, downloadable, and machine-readable format;

(D) provides—

(i) data on how funds provided under this Act are spent including through relevant economic, financial, grant, subgrant, contract, subcontract, loan, and other relevant information with a unique, trackable

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identification number for each project where applicable; and

(ii) information about the process that was used for the award of loans, grants, or contracts, and for contracts over $150,000, an explanation of the contract agreement where applicable;

(E) includes searchable, sortable, downloadable, machine-readable reports on covered funds obligated by month to each State and congressional district where applicable;

(F) includes detailed information on Federal Government contracts, grants, and loans that expend covered funds, using, where applicable, the data elements required by the Digital Access and Transparency Act (Public Law 113–101), and shall allow for aggregate reporting on awards below $50,000 or to individuals, as prescribed by the Director of the Office of Management and Budget;

(G) includes appropriate links to other government websites with information concerning covered funds, including Federal agency and State websites;

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(H) provides information on Federal allocations of formula grants and awards of competitive grants using covered funds;

(I) provides, if applicable, information on Federal allocations of mandatory and other entitlement programs by State, county, or other appropriate geographical unit;

(J) be enhanced and updated as necessary to carry out the purposes of this section; and

(K) presents the data such that funds subawarded by recipients are not double counted in search results, data visualizations or other reports.

(4) WAIVER.—The Committee may exclude posting contractual or other information on the website on a case-by-case basis when necessary to protect information that is not subject to disclosure under sections 552 and 552a of title 5, United States Code.

(f) INDEPENDENCE OF INSPECTORS GENERAL.—

(1) INDEPENDENT AUTHORITY.—Nothing in this section shall affect the independent authority of an Inspector General or the Comptroller General to determine whether to conduct an audit or investigation of covered funds.

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(2) REQUESTS BY COMMITTEE.—If the Committee requests that an Inspector General conduct or refrain from conducting an audit or investigation and such Inspector General rejects such request in whole or in part, such Inspector General shall, not later than 30 days after rejecting the request, submit a report to the appropriate congressional committees. The report shall state the reasons that such Inspector General has rejected the request in whole or in part.

(g) COORDINATION WITH THE COMPTROLLER GENERAL AND STATE AUDITORS.—The Committee shall coordinate its oversight activities with the Comptroller General of the United States and State and local auditors.

(h) AUTHORIZATION OF APPROPRIATIONS.—For the purposes of carrying out the mission of the Council of the Inspectors General on Integrity and Efficiency under section 11 of the Inspector General Act of 1978 (5 U.S.C. App.) and to carry out this section, there are authorized to be appropriated into the revolving fund described in subsection (c)(3)(B) of such section, out of any amount in the Treasury not otherwise appropriated, $60,000,000 to carry out the duties and functions of the Council.

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(i) TERMINATION OF THE COMMITTEE.—The Committee and its authorities and responsibilities shall terminate on the later of—

(1) the date the last grant administered under this Act is expended;

(2) the date the last contract administered under this Act expires;

(3) the date the last loan or loan guarantee provided under this Act matures or expires, as appropriate; or

(4) the date the last instrument or asset acquired by the Federal Government has been sold or transferred out of the ownership or control of the Federal Government, or otherwise disposed of.

(j) DEFINITIONS.—In this section:

(1) COMMITTEE.—The term ''Committee'' means the Coronavirus Accountability and Transparency Committee established in subsection (a).

(2) COVERED FUNDS.—The term ''covered funds'' means any funds that are made available, in any form, under this Act.

(3) RECIPIENT.—The term ''recipient'' means a recipient of Federal funds under this Act.

(4) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional com-

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mittees'' means the Committees on Appropriations and Homeland Security of the Senate and Committees on Appropriations and Oversight and Reform in the House of Representatives.

SEC. 130002. GAO OVERSIGHT AND AUDIT AUTHORITY.

(a) AUTHORITY.—The Comptroller General shall conduct monitoring and oversight of the exercise of authorities under this Act or any other Act to prepare for, respond to, and recover from the Coronavirus pandemic and the effect of the pandemic on the health, economy, and public and private institutions of the United States, including public health and homeland security efforts by the Federal Government and the use of selected funds under this or any other Act related to the Coronavirus pandemic.

(b) BRIEFINGS AND REPORTS.—In conducting monitoring and oversight under subsection (a), the Comptroller General shall—

(1) during the period beginning on the date of enactment of this Act and ending on the date on which the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) with respect to the Coronavirus Disease 2019 expires, offer regular briefings on not less frequently than a monthly basis to the appro-

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priate congressional committees regarding Federal public health and homeland security efforts;

(2) publish reports regarding the ongoing monitoring and oversight efforts, which, along with any audits and investigations conducted by the Comptroller General, shall be submitted to the appropriate congressional committees and posted on the website of the Government Accountability Office—

(A) not later than 90 days after the date of enactment of this Act, every other month thereafter until the date that is 1 year after the date of enactment of this Act; and

(B) after the period described in subparagraph (A), on a periodic basis; and

(3) submit to the appropriate congressional committees additional reports as warranted by the findings of the monitoring and oversight activities of the Comptroller General.

(c) ACCESS TO INFORMATION.—

(1) RIGHT OF ACCESS.—In conducting monitoring and oversight activities under this section, the Comptroller General shall have access to records, upon request, of any Federal, State, or local agency, contractor, grantee, recipient, or subrecipient pertaining to any Federal effort or assistance of any

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type related to Coronavirus under this Act or any other Act, including private entities receiving such assistance.

(2) COPIES.—The Comptroller General may make and retain copies of any records accessed under paragraph (1) as the Comptroller General determines appropriate.

(3) INTERVIEWS.—In addition to such other authorities as are available, the Comptroller General or a designee of the Comptroller General may interview Federal, State, or local officials, contractor staff, grantee staff, recipients, or subrecipients pertaining to any Federal effort or assistance of any type related to Coronavirus under this or any other Act, including private entities receiving such assistance.

(4) INSPECTION OF FACILITIES.—As determined necessary by the Comptroller General, the Government Accountability Office may inspect facilities at which Federal, State, or local officials, contractor staff, grantee staff, or recipients or subrecipients carry out their responsibilities related to Coronavirus.

(5) ENFORCEMENT.—Access rights under this subsection shall be subject to enforcement consistent with section 716 of title 31, United States Code.

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(d) RELATIONSHIP TO EXISTING AUTHORITY.—Nothing in this section shall be construed to limit, amend, supersede, or restrict in any manner any existing authority of the Comptroller General.

[(e) APPROPRIATIONS FOR GOVERNMENT ACCOUNTABILITY OFFICE.—Out of amounts in the Treasury not otherwise appropriated, there is appropriated, for an additional amount for ''Government Accountability Office—Salaries and Expenses'', $50,000,000, to remain available until expended, for audits and investigations relating to—

[(1) Coronavirus or similar pandemics; and

[(2) any related stimulus funding to assist the response of the United States to the major health and economic vulnerabilities of the United States to pandemics.]

(f) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means—

(A) the Committee on Appropriations of the Senate;

(B) the Committee on Homeland Security and Governmental Affairs of the Senate;

(C) the Committee on Health, Education, Labor, and Pensions of the Senate;

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(D) the Committee on Appropriations of the House of Representatives;

(E) the Committee on Homeland Security of the House of Representatives;

(F) the Committee on Oversight and Reform of the House of Representatives; and

(G) the Committee on Energy and Commerce of the House of Representatives.

(2) COMPTROLLER GENERAL.—The term ''Comptroller General'' means the Comptroller General of the United States.

DIVISION N—U.S. POSTAL SERVICE PROVISIONS

SEC. 140001. ELIMINATION OF USPS DEBT; ADDITIONAL BORROWING AUTHORITY.

(a) IN GENERAL.—Notwithstanding any other provision of law—

(1) any outstanding debt of the United States Postal Service owed to the Treasury pursuant to sections 2005 and 2011 of title 5, United States Code, on the date of the enactment of this Act is hereby cancelled; and

(2) after the date of the enactment of this Act, the United States Postal Service is authorized to borrow money from the Treasury in an amount not

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to exceed $15,000,000,000 to carry out the duties and responsibilities of the Postal Service, including those under title 39, United States Code, and the Secretary of the Treasury shall lend up to such amount at the request of the Postal Service.

(b) REPEAL OF FISCAL YEAR BORROWING LIMIT.—Section 2005(a)(1) of title 39, United States Code, is amended by striking ''In any one fiscal year,'' and all that follows through the period.

SEC. 140002. PRIORITIZATION OF DELIVERY FOR MEDICAL PURPOSES DURING COVID–19 EMERGENCY.

Notwithstanding any other provision of law, the United States Postal Service—

(1) shall prioritize delivery of postal products for medical purposes during the emergency, declared by the President under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191) on March 13, 2020, based on the outbreak of COVID–19;

(2) may establish temporary delivery points, in such form and manner as the Postal Service determines necessary, to protect employees of the Postal Service and individuals receiving deliveries from the Postal Service; and

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(3) may institute flexible delivery, in such form and manner as the Postal Service determines necessary, in the event operations or employees of the Postal Service are impacted by the COVID–19 outbreak described in paragraph (1).

DIVISION O—FEDERAL WORKFORCE PROVISIONS

SEC. 150001. REIMBURSEMENT FOR CHILD AND FAMILY CARE FOR FEDERAL EMPLOYEES DURING COVID–19 PANDEMIC.

(a) IN GENERAL.—During the period beginning on the date of enactment of this Act and ending on December 31, 2020, any employee who is unable to care for a dependent child of the employee or a relative of the employee who has COVID–19 as a result of the employee being required to report to their duty station (either permanent or temporary) or to telework shall be entitled to reimbursement for the costs of such care.

(b) APPLICATION.—

(1) IN GENERAL.—Any payment provided by operation of subsection (a) shall be paid on a monthly basis, with payments being made to the employee on the last day of each month.

(2) SUBMISSION OF RECEIPTS.—For purposes of determining reimbursement amounts, each em-

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ployee shall submit to their employing office receipts or other documents as the office may require.

(3) LIMIT.—Reimbursement may not be paid to any employee under this section for any month in an amount greater than $2,000 per child or relative.

(c) DEFINITIONS.—In this section—

(1) the term ''employee'' means any individual occupying a position in the civil service (as that term is defined in section 2101(1) of title 5, United States Code); and

(2) the terms ''dependent child'' and ''relative'' have the meaning given those terms in paragraphs (2) and (16), respectively, of section 109 of the Ethics in Government Act of 1978 (5 U.S.C. App. 109(2)).

SEC. 150002. FEDERAL CONTRACTOR REIMBURSEMENT.

Not later than 10 calendar days after the date of the enactment of this Act, the Director of the Office of Management and Budget, in consultation with the Administrator of the Office of Federal Procurement Policy, shall issue guidance to the head of each executive agency to provide equitable adjustment for any contractor under a contract with the Federal Government whose work was disrupted as a result of measures taken with respect to COVID–19. For purposes of this section, work disruption

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shall include denial of access to Federal facilities, supply chain disruptions, use of annual leave by individuals employed to fulfill the contract, and furloughs of individuals employed to fulfill the contract.

SEC. 150003. WEATHER AND SAFETY LEAVE FOR COVID–19.

(a) IN GENERAL.—Beginning on the date of enactment of this Act and ending on December 31, 2020, subsection (b)(3) of section 6329c of title 5, United States Code, shall be applied by substituting ''approved location, including by reason of the inability to travel or access work stations as a result of COVID–19'' for ''approved location''.

(b) APPROVED LOCATION.—Such section is amended in subsection (a)—

(1) by striking ''and'' at the end of paragraph (1);

(2) by striking the period at the end of paragraph (2) and inserting ''; and''; and

(3) by adding at the end the following:

''(3) the term 'approved location' means any location at which an employee has been approved to perform work, including any Federal office, a teleworking site, or other location as determined by the head of the agency at which the employee is employed.''.

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(c) RULE OF CONSTRUCTION.—Notwithstanding subparagraph (B) of subsection (a)(2) of such section, intermittent employees described in such subparagraph shall be eligible for the leave provided by operation of subsection (a) of this section.

SEC. 150004. COVID–19 TELEWORKING REQUIREMENTS FOR FEDERAL EMPLOYEES.

(a) MANDATED TELEWORK.—

(1) IN GENERAL.—Effective immediately upon the date of enactment of this Act, the head of any Federal agency shall require any employee of such agency who is authorized to telework under chapter 65 of title 5, United States Code, or any other provision of law to telework during the period beginning on the date of enactment of this Act and ending on December 31, 2020.

(2) DEFINITIONS.—In this subsection—

(A) the term ''employee'' means any individual occupying a position in the civil service (as that term is defined in section 2101(1) of title 5, United States Code); and

(B) the term ''telework'' has the meaning given that term in section 6501(3) of such title.

(b) TELEWORK PARTICIPATION GOALS.—Chapter 65 of title 5, United States Code, is amended as follows:

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(1) In section 6502—

(A) in subsection (b)—

(i) in paragraph (4), by striking ''and'' at the end;

(ii) in paragraph (5), by striking the period at the end and inserting a semicolon; and

(iii) by adding at the end the following:

''(6) include annual goals for increasing the percent of employees of the executive agency participating in teleworking—

''(A) three or more days per pay period;

''(B) one or 2 days per pay period;

''(C) once per month; and

''(D) on an occasional, episodic, or short-term basis; and

''(7) include methods for collecting data on, setting goals for, and reporting costs savings to the executive agency achieved through teleworking, consistent with the guidance developed under section 2(c) of the [_____ Act].''; and

(B) by adding at the end the following:

''(d) NOTIFICATION FOR REDUCTION IN TELEWORKING PARTICIPATION.—Not later than 30 days before

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the date that an executive agency implements or modifies a teleworking plan that would reduce the percentage of employees at the agency who telework, the head of the executive agency shall provide written notification, including a justification for the reduction in telework participation and a description of how the agency will pay for any increased costs resulting from that reduction, to—

''(1) the Director of the Office of Personnel Management;

''(2) the Committee on Oversight and Reform of the House of Representatives; and

''(3) the Committee on Homeland Security and Governmental Affairs of the Senate.

''(e) PROHIBITION ON AGENCY-WIDE LIMITS ON TELEWORKING.—An agency may not prohibit any delineated period of teleworking participation for all employees of the agency, including the periods described in subparagraphs (A) through (D) of subsection (b)(6). The agency shall make any teleworking determination with respect to an employee or group of employees at the agency on a case-by-case basis.''.

(2) In section 6506(b)(2)—

(A) in subparagraph (F)(vi), by striking ''and'' at the end;

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(B) in subparagraph (G), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following:

''(H) agency cost savings achieved through teleworking, consistent with the guidance developed under section 2(c) of the Telework Metrics and Cost Savings Act; and

''(I) a detailed explanation of a plan to increase the Government-wide teleworking participation rate above such rate applicable to fiscal year 2016, including agency-level plans to maintain or improve such rate for each of the teleworking frequency categories listed under subparagraph (A)(iii).''.

(c) GUIDANCE.—Not later than 90 days after the date of the enactment of this Act, the Director of the Office of Personnel Management, in collaboration with the Chief Human Capital Officer Council, shall establish uniform guidance for agencies on how to collect data on, set goals for, and report cost savings achieved through, teleworking. Such guidance shall account for cost savings related to travel, energy use, and real estate.

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(d) TECHNICAL CORRECTION.—Section 6506(b)(1) of title 5, United States Code, is amended by striking ''with Chief'' and inserting ''with the Chief''.

SEC. 150005. PAY DIFFERENTIAL FOR DUTY RELATED TO COVID–19.

(a) IN GENERAL.—Section 5545 of title 5, United States Code, is amended by adding at the end the following:

''(e)(1) The Office shall establish a schedule or schedules of pay differentials for duty during which an employee is exposed to an individual who has (or who has been exposed to) COVID–19.

''(2) Under such regulations as the Office may prescribe, during the period beginning on March 15, 2020, and ending on September 30, 2020, an employee to whom chapter 51 and subchapter III of chapter 53 applies, and an employee appointed under chapter 73 or 74 of title 38, is entitled to be paid the differential under paragraph (1) for any period in which the employee is carrying out the duty described in such paragraph.''.

(b) TSA EMPLOYEES.—Section 111(d)(2) of the Aviation and Transportation Security Act (49 U.S.C. 44935 note) is amended by adding at the end the following:

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"(C) HAZARDOUS DUTY PAY FOR COVID–19.—The provisions of section 5545(e) of title 5, United States Code, shall to apply to any individual appointed under paragraph (1).".

DIVISION P—FEDERAL EMPLOYEE COLLECTIVE BARGAINING AND OFFICIAL TIME

SEC. 160001. SHORT TITLE.

This division may be cited as the "Protecting Collective Bargaining and Official Time for Federal Workers Act".

SEC. 160002. FINDINGS.

Congress finds the following:

(1) Federal Unions play a critical role in protecting the rights of Federal workers by allowing members to have a collective voice on the job and in the legislative process, advance issues for working families, ensure equal opportunities for all workers, and raise the standards by which all professional and technical workers are employed.

(2) Collective bargaining is essential to the union process, because it provides mutual agreement between all parties that fosters harmonious relationships between the Federal Government and its employees and protects the interest of both parties.

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(3) The current administration has acted through Executive Orders and official memorandums to dismantle Federal Unions and undermine their collective bargaining rights across the Federal workforce and these directives have already negatively impacted labor contracts, both signed and under active negotiation.

(4) These orders set an aggressive schedule for unions to engage in collective bargaining, while also slashing the unions official time for performing union duties by over 91 percent in some cases. These actions are limiting the ability for unions to prepare for negotiations and perform their legally required employee representational duties.

(5) Section 7101(a) of title 5, United States Code, states, ''Congress finds that labor organizations and collective bargaining in the civil service are in the public interest.''. Attempting to eliminate the Union by eliminating almost all its official time repudiates the statutory position that unions are in the public interest.

(6) Through these orders, agencies are required to comply with artificial bargaining schedules, which undermine good faith negotiations and divert the decision-making to an impasse panel, which has no

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union representation on it and does not represent both parties.

(7) Collectively, the administration's actions have violated Congressional intent, undermined the ability of unions to engage in collective bargaining, and threatened the rights and benefits of millions of Federal workers.

SEC. 160003. NULLIFICATION OF EXECUTIVE ORDERS RELATING TO FEDERAL EMPLOYEE COLLECTIVE BARGAINING.

Each of the following Executive Orders and presidential memorandum are rescinded and shall have no force or effect:

(1) Executive Order 13837 (relating to the use of official time).

(2) Executive Order 13836 (relating to Federal collective bargaining).

(3) Executive Order 13839 (relating to the Merit Systems Protection Board).

(4) The Presidential Memorandum on the Delegation of Certain Authority under the Federal Service Labor-Management Relations Statute, issued to the Secretary of Defense on January 29, 2020.

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DIVISION Q—STUDENT VETERAN CORONAVIRUS RESPONSE ACT OF 2020

SEC. 170001. SHORT TITLE.

This division may be cited as the ''Student Veteran Coronavirus Response Act of 2020''.

SEC. 170002. PAYMENT OF WORK-STUDY ALLOWANCES DURING EMERGENCY SITUATIONS.

Section 3485 of title 38, United States Code, is amended by adding at the end the following new subsection:

''(f)(1) In case of an individual who is in receipt of work-study allowance pursuant to an agreement described in subsection (a)(3) as of the date on which an emergency situation occurs and who is unable to continue to perform qualifying work-study activities described in subsection (a)(4) by reason of the emergency situation—

''(A) the Secretary may continue to pay work-study allowance under this section or make deductions described in subsection (e)(1) during the period of such emergency situation, notwithstanding the inability of the individual to perform such work-study activities by reason of such emergency situation; and

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''(B) at the option of the individual, the Secretary shall extend the agreement described in subsection (a)(3) with the individual for any subsequent period of enrollment initiated during the emergency situation, notwithstanding the inability of the individual to perform work-study activities described in subsection (a)(4) by reason of such emergency situation.

''(2) The amount of work-study allowance payable to an individual under paragraph (1)(A) during the period of an emergency situation shall be an amount determined by the Secretary but may not exceed the amount that would be payable under subsection (a)(2) if the individual worked 25 hours per week paid during such period.''.

SEC. 170003. PAYMENT OF ALLOWANCES TO VETERANS ENROLLED IN EDUCATIONAL INSTITUTIONS CLOSED FOR EMERGENCY SITUATIONS.

(a) TEMPORARY PROVISION.—

(1) IN GENERAL.—During the period beginning on March 1, 2020, and ending on December 21, 2020, the Secretary may pay allowances to an eligible veteran or eligible person under section 3680(a)(2)(A) of title 38, United States Code, if the veteran or person is enrolled in a program or course of education that—

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(A) is provided by an educational institution that is closed by reason of an emergency situation; or

(B) is suspended by reason of an emergency situation.

(2) AMOUNT OF ALLOWANCE.—The total number of weeks for which allowances may be paid under this section may not exceed four weeks.

(3) NOT COUNTED FOR PURPOSES OF LIMITATION.—Any amount paid under this section shall not be counted for purposes of the limitation on allowanced under section 3680(a)(2)(A) of title 38, United States Code.

(b) PERMANENT PROVISION.—Section 3680(a)(2) of title 38, United States Code, is amended—

(1) in subparagraph (A), by striking ''12-month'' and inserting ''six-month''; and

(2) in subparagraph (B)—

(A) by striking ''or following'' and inserting ''during periods following''; and

(B) by inserting after ''section 3699(b)(1)(B) of this title,'' the following: '', or during periods when a course of study or program of education is temporarily closed or terminated by reason of an emergency situation,''.

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SEC. 170004. PROHIBITION OF CHARGE TO ENTITLEMENT OF STUDENTS UNABLE TO PURSUE A PROGRAM OF EDUCATION DUE TO AN EMERGENCY SITUATION.

Section 3699(b)(1) of title 38, United States Code, is amended—

(1) in subparagraph (A), by striking ''or'' at the end;

(2) in subparagraph (B)(ii), by striking ''and'' at the end and inserting ''or'' ; and

(3) by adding at the end the following new subparagraph:

''(C) the temporary closure of an educational institution or the temporary closure or termination of a course or program of education by reason of an emergency situation; and''.

SEC. 170005. EXTENSION OF TIME LIMITATIONS FOR USE OF ENTITLEMENT.

(a) MONTGOMERY GI BILL.—Section 3031 of title 38, United States Code, is amended by adding at the end the following new subsection:

''(i) In the case of an individual eligible for educational assistance under this chapter who is prevented from pursuing the individual's chosen program of education before the expiration of the 10-year period for the use of entitlement under this chapter otherwise applicable

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under this section because the educational institution closed (temporarily or permanently) under an established policy based on an Executive order of the President or due to an emergency situation, such 10-year period—

''(1) shall not run during the period the individual is so prevented from pursuing such program; and

''(2) shall again begin running on the first day after the individual is able to resume pursuit of a program of education with educational assistance under this chapter.''.

(b) POST-9/11 EDUCATIONAL ASSISTANCE.—

(1) IN GENERAL.—Section 3321(b)(1) of such title is amended—

(A) by inserting ''(A)'' before ''Subsections'';

(B) by striking ''and (d)'' and inserting ''(d), and (i)''; and by adding at the end the following new subparagraph:

''(B) Subsection (i) of section 3031 shall apply with respect to the running of the 15-year period described in paragraphs (4)(A) and (5)(A) of this subsection in the same manner as such subsection applies under section 3031 with respect to the running of the 10-year period described in section 3031(a).''.

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(2) TRANSFER PERIOD.—Section 3319(h)(5) is amended—

(A) in subparagraph (A) by inserting ''or (C)'' after ''subparagraph (B)''; and

(B) by adding at the end the following new subparagraph:

''(C) EMERGENCY SITUATIONS.—In any case in which the Secretary determines that an individual to whom entitlement is transferred under this section has been prevented from pursuing the individual's chosen program of education before the individual attains the age of 26 years because the educational institution closed (temporarily or permanently) under an established policy based on an Executive order of the President or due to an emergency situation, the Secretary shall extend the period during which the individual may use such entitlement for a period equal to the number of months that the individual was so prevented from pursuing the program of education, as determined by the Secretary.''.

(c) VOCATIONAL REHABILITATION AND TRAINING.—

(1) PERIOD FOR USE.—Section 3103 of such title is amended—

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(A) in subsection (a), by striking ''or (e)'' and inserting ''(e), or (g)''; and

(B) by adding at the end the following new subsection:

''(g) In any case in which the Secretary determines that a veteran has been prevented from participating in a vocational rehabilitation program under this chapter within the twelve-year period of eligibility prescribed in subsection (a) by reason of an Executive order of the President or due to an emergency situation, such twelve-year period—

''(1) shall not run during the period the individual is so prevented from participating such program; and

''(2) shall again begin running on the first day after the individual is able to resume participation in such program.''.

(2) DURATION OF PROGRAM.—Section 3105(b) of such title is amended—

(A) in paragraph (1), by striking ''paragraph (2)'' and inserting ''paragraphs (2) and (3)''; and

(B) by adding at the end the following new paragraph:

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''(3)(A) In any case in which the Secretary determines that a veteran has been prevented from participating in counseling and placement and postplacement services described in section 3104(a)(2) and (5) of this title by reason of an Executive order of the President or due to an emergency situation, the Secretary shall extend the period during which the Secretary may provide such counseling and placement and postplacement services for the veteran for a period equal to the number of months that the veteran was so prevented from participating in such counseling and services, as determined by the Secretary.

''(B) In any case in which the Secretary determines that a veteran has been prevented from participating in a vocational rehabilitation program under this chapter by reason of an Executive order of the President or due to an emergency situation, the Secretary shall extend the period of the veteran's vocational rehabilitation program for a period equal to the number of months that the veteran was so prevented from participating in the vocational rehabilitation program, as determined by the Secretary.''.

(d) EDUCATIONAL ASSISTANCE FOR MEMBERS OF THE SELECTED RESERVE.—Section 16133(b) of title 10, United States Code, is amended by adding at the end the following new paragraph:

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''(5) In any case in which the Secretary concerned determines that a person entitled to educational assistance under this chapter has been prevented from using such person's entitlement by reason of an Executive order of the President or due to an emergency situation, the Secretary concerned shall extend the period of entitlement prescribed in subsection (a) for a period equal to the number of months that the person was so prevented from using such entitlement, as determined by the Secretary.''.

SEC. 170006. RESTORATION OF ENTITLEMENT TO REHABILITATION PROGRAMS FOR VETERANS AFFECTED BY SCHOOL CLOSURE OR DISAPPROVAL.

(a) ENTITLEMENT.—Section 3699 of title 38, United States Code, is amended by striking ''chapter 30,'' each time it appears and inserting ''chapter 30, 31,''.

(b) PAYMENT OF SUBSISTENCE ALLOWANCES.—Section 3680(a)(2)(B) of title 38, United States Code, is amended—

(1) by inserting ''or a subsistence allowance described in section 3108'' before '', during''; and

(2) by inserting ''or allowance'' after ''such a stipend''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply as if included in the enactment

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of section 109 of the Harry W. Colmery Veterans Educational Assistance Act of 2017 (Public Law 115–48; 131 Stat. 978).

SEC. 170007. EXTENSION OF PAYMENT OF VOCATIONAL REHABILITATION SUBSISTENCE ALLOWANCES.

In the case of any veteran who the Secretary of Veterans Affairs determines is satisfactorily following a program of employment services provided under section 3104(a)(5) of title 38, United States Code, during period beginning on March 1, 2020, and ending on December 21, 2020, the Secretary may pay the veteran a subsistence allowance, as prescribed in section 3108 of such title for full-time training for the type of program that the veteran was pursuing, for two additional months.''.

SEC. 170008. INCREASE OF AMOUNT OF DEPARTMENT OF VETERANS AFFAIRS PAYMENTS FOR AID AND ATTENDANCE DURING EMERGENCY PERIOD RESULTING FROM COVID–19 PANDEMIC.

(a) IN GENERAL.—During the covered period, the Secretary of Veterans Affairs shall apply each of the following provisions of title 38, United States Code, by substituting for the dollar amount in such provision the amount equal to 125 percent of the dollar amount that was in effect under such provision on the date of the enactment of this Act:

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(1) Subsections (l), (m), and (r) of section 1114.

(2) Paragraphs (1) and (2) of subsection (d) of section 1521.

(3) Paragraphs (2) and (4) of subsection (f) of section 1521.

(b) COVERED PERIOD.—In this section, the covered period is the period that begins on the date of the enactment of this Act and ends 60 days after the last day of the emergency period (as defined in section 1135(g)(1) of the Social Security Act (42 U.S.C. 1320b-5(g)(1))) resulting from the COVID–19 pandemic.

SEC. 170009. TREATMENT OF WORK INJURY COMPENSATION CLAIMS FILED BY EMPLOYEES OF THE DEPARTMENT OF VETERANS AFFAIRS FOR COVID–19.

(a) ELIGIBILITY.—Notwithstanding section 7425(b) of title 38, United States Code, or any other provision of law, each employee of the Department of Veterans Affairs (including employees under chapter 74 of such title) shall be treated as an employee under chapter 81 of title 5, United States Code, for purposes of making claims under such chapter relating to coronavirus disease 2019 (COVID–19).

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(b) PRESUMPTION.—If an employee of the Department of Veterans Affairs described in subsection (a) contracts coronavirus disease 2019 (COVID–19), such disease shall be presumed to have been proximately caused by the employment of the employee for purposes of claims made under chapter 81 of title 5, United States Code.

SEC. 170010. DEFERRAL OF CERTAIN DEBTS ARISING FROM LAWS ADMINISTERED BY THE SECRETARY OF VETERANS AFFAIRS.

(a) IN GENERAL.—With regard to a covered debt, the Secretary of Veterans Affairs, during the covered period, may not take any of the following actions:

(1) Collect a payment (including by the offset of any payment by the Secretary).

(2) Record such a debt.

(3) Issue notice of such a debt to an individual or a consumer reporting agency.

(4) Allow any interest to accrue.

(5) Apply any administrative fee.

(b) EXCEPTION.—Notwithstanding subsection (a), the Secretary may collect a payment regarding a covered debt (including interest or any administrative fee) from an individual who elects to make such a payment during the covered period.

(c) DEFINITIONS.—In this section:

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(1) The term ''consumer reporting agency'' has the meaning given that term in section 5701 of title 38, United States Code.

(2) The term ''covered debt'' means a debt owed—

(A) by an individual to the United States; and

(B) arising from a covered law.

(3) The term ''covered law'' means any law administered by the Secretary of Veterans Affairs through—

(A) the Under Secretary for Health; or

(B) the Under Secretary of Benefits.

(4) The term ''covered period'' means—

(A) the COVID–19 emergency period; and

(B) the 60 days immediately following the date of the end of the COVID–19 emergency period.

(5) The term ''COVID–19 emergency period'' means the emergency period described in section 1135(g)(1)(B) of the Social Security Act (42 U.S.C. 1320b-5(g)(1)(B)).

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DIVISION R—AVIATION WORKER RELIEF

SEC. 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the ''Emergency Pension Plan Relief Act of 2020''.

(b) TABLE OF CONTENTS.—The table of contents for this division is as follows:

DIVISION _____—AVIATION WORKER RELIEF

Sec. 1. Short title; table of contents.
Sec. 2. Definitions.

TITLE I—AVIATION WORKER RELIEF

Sec. 101. Pandemic relief for aviation workers.
Sec. 102. Procedures for financial assistance.
Sec. 103. Terms and conditions.
Sec. 104. Reports.
Sec. 105. Coordination.

TITLE II—LABOR PROTECTIONS

Sec. 201. Assistance irrespective of labor costs.
Sec. 202. Collective bargaining and snap-back.
Sec. 203. Protection of organizing activity.
Sec. 204. Working and travel conditions.
Sec. 205. Labor union representation on air carrier boards.
Sec. 206. Furloughed worker protections.
Sec. 207. Healthcare for unprotected workers.
Sec. 208. Employee wages and leave.
Sec. 209. Limitation on rejection of collective bargaining agreements.
Sec. 210. Increased wage priority.
Sec. 211. Rejection of collective bargaining agreements.

TITLE III—AIRLINE INDUSTRY FINANCIAL OVERSIGHT

Sec. 301. Creation of Office of Airline Industry Financial Oversight.
Sec. 302. Responsibilities of Office of Airline Industry Financial Oversight.
Sec. 303. Access to information.
Sec. 304. Reports to Congress.
Sec. 305. Rulemaking authority.
Sec. 306. Authorization of appropriations.

TITLE IV—AIRPORT RELIEF

Sec. 401. Emergency pandemic funding for airports.
Sec. 402. Maintaining pre-crisis airport improvement program levels.
Sec. 403. National aviation preparedness plan.

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TITLE V—SMALL COMMUNITY AIR SERVICE

Sec. 501. Continuation of certain air service.
Sec. 502. Tolling of EAS limitations.
Sec. 503. Sunset.

TITLE VI—CONSUMER PROTECTIONS

Sec. 601. Airline price gouging during disaster or emergency.
Sec. 602. Airline refunds during national disasters or emergencies.
Sec. 603. Conditions on airline ancillary fees.

TITLE VII—ENVIRONMENTAL PROTECTIONS

Sec. 701. Sustainable aviation fuel development program.
Sec. 702. Airline Assistance to Recycle and Save Program.
Sec. 703. Expansion of voluntary airport low emission program.
Sec. 704. Airline carbon emissions offsets and goals.
Sec. 705. Research and development of sustainable aviation fuels.
Sec. 706. Improving consumer information regarding release of greenhouse gases from flights.
Sec. 707. Study on certain climate change mitigation efforts.

TITLE VIII—MISCELLANEOUS

Sec. 801. Separability.
Sec. 802. Application of law.

SEC. 2. DEFINITIONS.

Unless otherwise specified, the terms in section 40102(a) of title 49, United States Code, shall apply to this division, except that—

(1) the term ''contractor'' means a person that performs airport ground support or catering functions under contract with a passenger air carrier; and

(2) the term ''employee'' means an individual, other than a corporate officer, who is employed by an air carrier or contractor.

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TITLE I—AVIATION WORKER RELIEF

SEC. 101. PANDEMIC RELIEF FOR AVIATION WORKERS.

(a) FINANCIAL ASSISTANCE.—Notwithstanding any other provision of law, the President shall take the following actions to preserve aviation jobs and compensate airline industry workers:

(1) Issue grants that shall exclusively be used for the continuation of payment of employee wages, salaries, and benefits to—

(A) specified entities, in an aggregate amount equal to $37,000,000,000; and

(B) contractors of air carriers, in an aggregate amount equal to $3,000,000,000.

(2) Subject to section 102(c), issue unsecured loans and loan guarantees to air carriers in amounts that do not, in the aggregate, exceed $21,000,000,000.

(b) ASSURANCES.—To be eligible for assistance under this section, an air carrier shall enter into an agreement with the Secretary of Transportation, or otherwise certify, as determined appropriate by the President, that such air carrier shall comply with any actions required under this division.

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(c) ADMINISTRATIVE EXPENSES.—Notwithstanding any other provision of law, the Secretary may use $100,000,000 of the funds made available under section 101(a)(2) for costs and administrative expenses associated with the provision of loans or guarantees authorized under such section.

(d) SPECIFIED ENTITY DEFINED.—In this section, the term ''specified entity'' means—

(1) an air carrier that is authorized to conduct operations under part 121 of title 14, Code of Federal Regulations; or

(2) an air carrier that is authorized to conduct operations under part 135 of title 14, Code of Federal Regulations, that—

(A) transports passengers by aircraft on a scheduled basis; or

(B) transports property or mail by aircraft on a scheduled or unscheduled basis.

SEC. 102. PROCEDURES FOR FINANCIAL ASSISTANCE.

(a) AWARDABLE AMOUNTS.—The President shall disburse grants under section 101(a)(1)—

(1) to a specified entity (as such term is defined in section 101(d)), in an amount equal to the salaries and benefits reported by the air carrier to the Department of Transportation pursuant to part 241

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of title 14, Code of Federal Regulations, for the period from April 1, 2019, through September 30, 2019;

(2) to a specified entity (as such term is defined in section 101(d)) that does not transmit reports under such part 241, in an amount that such air carrier certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation that such air carrier paid the employees of such air carrier during the period from April 1, 2019, through September 30, 2019; and

(3) to a contractor, in an amount that the contractor certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation that such contractor paid the employees of such contractor during the period from April 1, 2019, through September 30, 2019.

(b) DEADLINES AND PROCEDURES.—

(1) PROCEDURES.—The President shall publish streamlined and expedited procedures—

(A) not later than 5 days after the date of enactment of this Act for air carriers and con-

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tractors to submit requests for compensation under section 101(a)(1); and

(B) not later than 30 days after the date of enactment of this Act for air carriers to submit requests for loans and loan guarantees under section 101(a)(2).

(2) ISSUANCE OF GRANTS.—The President shall award initial grants under section 101(a)(1) not later than 10 days after the date of enactment of this Act.

(3) DISCRETIONARY GRANTS.—For any funds made available under paragraph (1) of section 101(a) that remain available after the issuance of grants pursuant to paragraph (2) of such section, the President shall determine an appropriate method for the timely distribution of the remaining funds in an equitable manner to air carriers for the payment of employee wages, salaries, and benefits.

(c) INTEREST RATES.—A loan issued under section 101(a)(2) shall provide for repayment with no interest for a period of at least 1 year after the loan is issued. The President may otherwise provide for repayment at an interest rate commensurate with the level of risk associated with the loan.

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(d) PRIORITY OF GOVERNMENT CLAIM.—In any proceeding initiated by an air carrier under chapter 7 or 11 of title 11, United States Code, with outstanding debt on a loan provided under section 101(a)(2), any claim by the Government with respect to such debt shall assume the highest status of any other claim against such air carrier, whether secured or unsecured.

(e) AUDITS.—The inspector general of the Department of Transportation may audit certifications under subsection (a)(2).

SEC. 103. TERMS AND CONDITIONS.

(a) SHARE REPURCHASES.—

(1) IN GENERAL.—Notwithstanding any other provision of law, an air carrier receiving assistance under section 101 may not purchase an equity interest of such air carrier on a national securities exchange using such assistance.

(2) NO FORCE OR EFFECT.—Section 240.10b–18 of title 17, Code of Federal Regulations, shall have no force or effect.

(3) RULE OF CONSTRUCTION.—Nothing in this section may be construed to affect tender offers subject to section 240.13e–4 and sections 240.14e–1 through 240.14f–1 of title 17, Code of Federal Regulations.

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(4) DEFINITIONS.—In this subsection:

(A) EXCHANGE.—The term ''exchange'' has the meaning given the terms in section 3 of the Securities Exchange Act of 1934 1(15 U.S.C. 78c).

(B) NATIONAL SECURITIES EXCHANGE.—The term ''national securities exchange'' means an exchange registered under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).

(b) PROHIBITION ON USE OF FUNDS FOR PAYMENTS TO SHAREHOLDERS OR BONDHOLDERS.—An air carrier receiving financial assistance under section 101 may not use the proceeds of such assistance to make any distribution of funds to shareholders or bondholders, including stock dividends.

(c) EXECUTIVE COMPENSATION.—

(1) IN GENERAL.—The President may provide financial assistance under section 101 to an air carrier only if such air carrier enters into a legally binding agreement with the President that, during the 10-year period following the date of enactment of this Act, the air carrier's chief executive officer will receive, from the air carrier—

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(A) during any 12 consecutive months of such 10-year period, total compensation not in excess of an amount that is 50 times the median compensation earned by all employees of such air carrier in calendar year 2019; and

(B) severance pay or other benefits upon termination of employment with the air carrier not in excess of the maximum total compensation received from the air carrier in calendar year 2019.

(2) TOTAL COMPENSATION DEFINED.—In this subsection, the term ''total compensation'' includes salary, bonuses, awards of stock, and other financial benefits provided by an air carrier to an officer or employee of the air carrier.

(d) FINANCIAL PROTECTION OF GOVERNMENT.—

(1) IN GENERAL.—To the extent to which any participating air carrier accepts financial assistance, in the form of accepting the proceeds of any loans guaranteed by the government under this title, the President is authorized to enter into contracts under which the Government, contingent on the financial success of the participating corporation, participate in the gains of the participating corporation or its security holders through the use of such instruments

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as warrants, stock options, common or preferred stock, or other appropriate equity instruments.

(2) DEPOSITS IN TREASURY.—All amounts collected by the President under this subsection shall be deposited in the Treasury as miscellaneous receipts.

(e) AIR CARRIER MAINTENANCE OUTSOURCING.—

(1) IN GENERAL.—A passenger air carrier receiving assistance under section 101 may not apply the proceeds of such assistance toward a contract for heavy maintenance work at a facility located outside of the United States if such contract would increase the proportion of maintenance work performed outside of the United States to all maintenance work performed by or on behalf of such air carrier at any location.

(2) DEFINITION.—In this section, the term ''heavy maintenance work'' has the meaning given the term in section 44733(g)(1) of title 49, United States Code.

SEC. 104. REPORTS.

(a) REPORT.—Not later than October 1, 2020, the President shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transpor-

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tation of the Senate a report on the financial status of the air carrier industry, including a description of each grant or loan issued under section 101.

(b) UPDATE.—Not later than the last day of the 1-year period following the date of enactment of this Act, the President shall update and submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate the report described in subsection (a).

SEC. 105. COORDINATION.

In implementing this title with respect to air carriers, the Secretary shall coordinate with the Secretary of Transportation.

TITLE II—LABOR PROTECTIONS

SEC. 201. ASSISTANCE IRRESPECTIVE OF LABOR COSTS.

The President, or any department, agency, or actor of the Federal government, may not condition the provision of any financial assistance under section 101(a) of this [division] or section 13 of the Federal Reserve Act (12 U.S.C. 261 et seq.) on an air carrier's implementation of measures to reduce labor costs or to enter into negotiations with the certified bargaining representative of a craft or class of employees of the air carrier under section 2

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of the Railway Labor Act (45 U.S.C. 152) regarding pay or other terms and conditions of employment.

SEC. 202. COLLECTIVE BARGAINING AND SNAP-BACK.

(a) IN GENERAL.—Notwithstanding any other provision of law, any contractual relief or reduction to rates of pay, rules, and working conditions agreed to by the authorized representatives of the employees of an air carrier, or otherwise imposed on such employees, during or as result of the pandemic of the coronavirus COVID–19 by an air carrier that receives financial assistance under section 101 shall be terminated within 6 months, unless the authorized representatives of the employees choose to make an alternative agreement with the air carrier.

(b) DEFINITION OF AUTHORIZED REPRESENTATIVE.—In this section, the term ''authorized representative'' means an exclusive representative of employees within the meaning of section of the Railway Labor Act (45 U.S.C. 152).

SEC. 203. PROTECTION OF ORGANIZING ACTIVITY.

A person receiving financial assistance under section 101 shall remain neutral in any communications with employees with respect to any efforts of an employee to organize, recruit, or assist in the organizing a labor organization.

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SEC. 204. WORKING AND TRAVEL CONDITIONS.

A person receiving financial assistance under section 101 shall adhere to guidance published by the Centers for Disease Control and Prevention and applicable public health authorities for the duration of the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19 for providing safe conditions for employees and passengers, including providing employees with adequate and sufficient personal protective equipment and ensuring all aircraft and facilities owned or operated by such air carrier are clean and sanitary.

SEC. 205. LABOR UNION REPRESENTATION ON AIR CARRIER BOARDS.

An air carrier receiving financial assistance under section 101 shall designate at least one seat on the air carrier's board of directors for an individual who is a member or officer of a labor organization representing air carrier employees, with such individual to be named by such organization.

SEC. 206. FURLOUGHED WORKER PROTECTIONS.

An air carrier receiving financial assistance under section 101 shall take such action as is necessary to ensure that, with respect to the national emergency declared by the President under the National Emergencies Act (50

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U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19—

(1) if an employee of such air carrier was provided health insurance benefits or other welfare benefits described in subparagraph (A) or (B) of section 3(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(1)) from the air carrier prior to such emergency, such employee shall retain such benefits at an equivalent rate for the duration of such emergency;

(2) employees of such air carrier are credited any furlough time taken as a result of the pandemic for years of service for purposes of any employee benefit plan (as defined in section 3(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(3)) with respect to which the employee is a participant; and

(3) an employee of such air carrier who is voluntarily or involuntarily furloughed as a result of the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19 may, upon reemployment or recall to such air carrier, be entitled to the following benefits under an employee pension benefit plan that

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such employee would have received if the employee had remained continuously employed with the air carrier, similar to benefit rights under subchapter II of chapter 43 of title 38, United States Code:

(A) An employee shall be treated as not having incurred a break in service with the employer or employers maintaining the plan by reason of the furlough.

(B) The period of furlough shall be deemed to constitute service with the employer or employers maintaining the plan for purposes of vesting, participation, and determining the employee's benefit accruals.

(C) An employee shall be entitled to make-up missed employee contributions or elective deferrals that could have been made to a qualified defined contribution plan during the period of furlough. Makeup contributions under this paragraph may be made during the period beginning on the date of recall and whose duration is three times the period of the furlough, such payment period not to exceed 5 years.

(D) The employer reemploying or recalling such employee shall contribute all employer contributions that the employer would have made

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on behalf of such employee to qualified defined contribution plans, including plans commonly known as 401(k) plans, if the employee had remained continuously employed.

(E) If employer contributions to a plan are contingent on the employee making an employee contribution or elective deferral, the employer contribution is required only to the extent the employee makes the payment to the plan with respect to such contributions or deferrals. No such payment may exceed the amount the employee would have been permitted or required to contribute had the employee remained continuously employed by the employer throughout the period of service. Any payment to the plan described in this paragraph shall be made during the period beginning on the date of recall and whose duration is three times the period of the person's furlough, such payment period not to exceed 5 years.

SEC. 207. HEALTHCARE FOR UNPROTECTED WORKERS.

(a) IN GENERAL.—The Secretary may not provide any financial assistance under this Act to an air carrier unless the air carrier enters into a legally binding agreement with the Secretary that the air carrier will provide,

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and will require any contractor, subcontractor, or affiliate of the air carrier, including any contractor, subcontractor, or affiliate that performs airline catering services, to provide, to all employees, including airline catering employees, health insurance benefits equal to or greater than the hourly health and welfare fringe benefit rate published by the Department of Labor pursuant to the McNamara-O'Hara Service Contract Act of 1965 (41 U.S.C. 6710–6707) and section 4.52 of title 29, Code of Federal Regulations, for all hours worked by each such employee.

(b) EFFECTIVE PERIOD.—Subsection (a) shall apply to an air carrier receiving assistance under section 101 for the 5-year period beginning on the date on which such assistance was awarded.

(c) DEFINITIONS.—

(1) AIRLINE CATERING EMPLOYEE.—The term ''airline catering employee'' means an employee who performs airline catering services.

(2) AIRLINE CATERING SERVICES.—The term ''airline catering services'' means preparation, assembly, or both, of food, beverages, provisions and related supplies for delivery, and the delivery of such items, directly to aircraft or to a location on or near airport property for subsequent delivery to aircraft.

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SEC. 208. EMPLOYEE WAGES AND LEAVE.

(a) WAGES.—Section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) is amended by adding at the end the following:

''(h) EMPLOYEES IN INDUSTRIES SAVED WITH TAXPAYER DOLLARS.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, subject to the requirements of this subsection, the wage rate in effect under section (a)(1) with respect to an employee of an employer described in paragraph (2), or any individual who provides labor or services for remuneration for such employer, regardless of whether the individual is classified as an independent contractor or otherwise by such employer, shall be not less than $15.00 per hour.

''(2) EMPLOYER.—An employer described in this paragraph is an employer who—

''(A) receives financial assistance under section 101 of the Emergency Pension Plan Relief Act of 2020; or

''(B) who provides goods or services under a contract to an employer who receives financial assistance under such section.

''(3) TREATMENT OF NON-EMPLOYEES.—An individual who provides labor or services for remunera-

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tion to an employer as described in paragraph (1) shall be treated as an employee for the purposes of sections 10 through 17 of this Act.

''(4) PERIOD OF APPLICATION.—This subsection shall apply to an employer described in paragraph (2) for the 10-year period beginning on the date such assistance was awarded.''.

(b) BENEFITS AND LEAVE.— Notwithstanding any other provision of law, an air carrier receiving financial assistance under section 101 shall, for the duration of the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19—

(1) satisfy all funding obligations under part 3 of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1081 et seq.) with respect to each plan to which such part applies and to which the air carrier is obligated to contribute for plan years beginning or ending during the duration of such emergency;

(2) provide employees with a guaranteed wage for every workweek that provides each employee continued payments in the amount of 100 percent of the employee's full wages and for the employee's total expected hours per workweek in the event that

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the employee is terminated, furloughed, experiences a reduction in work hours, or otherwise suffers any loss of such wages during such period; and

(3) provide paid medical or sick leave and paid family leave to encourage employees who are diagnosed with or experiencing symptoms of COVID–19 or are under quarantine relating to the coronavirus pandemic, or caring for a dependent or any individual experiencing such symptoms or under such a quarantine.

SEC. 209. LIMITATION ON REJECTION OF COLLECTIVE BARGAINING AGREEMENTS.

(a) DEFINITIONS.—

(1) COVERED AIR CARRIER.—The term ''covered air carrier'' means an air carrier that receives Federal financial assistance.

(2) COVERED PERIOD.—The term ''covered period'', with respect to a covered air carrier, means the period—

(A) beginning on the date on which the covered air carrier first receives Federal financial assistance; and

(B) ending on the date that is 10 years after the date on which the covered air carrier last receives Federal financial assistance.

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(3) DEBTOR IN POSSESSION.—The term ''debtor in possession'' has the meaning given such term in section 1101 of title 11, United States Code.

(4) FEDERAL FINANCIAL ASSISTANCE.—The term ''Federal financial assistance'' means financial assistance or a credit instrument received from the Federal Government under this Act.

(5) TRUSTEE.—The term ''trustee'' means a trustee appointed in a case commenced by, or commenced against, a covered air carrier under title 11, United States Code.

(b) LIMITATION.—If a covered air carrier commences a case or if an involuntary case is commenced against a covered air carrier under title 11, United States Code, during the covered period with respect to the covered air carrier, the covered air carrier, the debtor in possession, or the trustee may not seek a rejection of, or interim relief from, a collective bargaining agreement under—

(1) section 1113 of title 11, United States Code; or

(2) any other provision of law.

SEC. 210. INCREASED WAGE PRIORITY.

Section 507(a) of title 11, United States Code, is amended—

(1) in paragraph (4)—

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(A) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(B) in the matter preceding clause (i), as so redesignated, by inserting ''(A)'' before ''Fourth'';

(C) in subparagraph (A), as so designated, in the matter preceding clause (i), as so redesignated—

(i) by striking ''$10,000'' and inserting ''$20,000'';

(ii) by striking ''within 180 days''; and

(iii) by striking ''or the date of the cessation of the debtor's business, whichever occurs first,''; and

(D) by adding at the end the following:

''(B) Severance pay described in subparagraph(A)(i) shall be deemed earned in full upon the layoff or termination of employment of the individual to whom the severance is owed.'';

(2) in paragraph (5)—

(A) in subparagraph (A)—

(i) by striking ''within 180 days''; and

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(ii) by striking ''or the date of the cessation of the debtor's business, whichever occurs first''; and

(B) by striking subparagraph (B) and inserting the following:

''(B) for each such plan, to the extent of the number of employees covered by each such plan, multiplied by $20,000.''.

SEC. 211. REJECTION OF COLLECTIVE BARGAINING AGREEMENTS.

(a) IN GENERAL.—Section 1113 of title 11, United States Code, is amended by striking subsections (a) through (f) and inserting the following:

''(a) The debtor in possession, or the trustee if one has been appointed under this chapter, other than a trustee in a case covered by subchapter IV of this chapter and by title I of the Railway Labor Act (45 U.S.C. 151 et seq.), may reject a collective bargaining agreement only in accordance with this section. In this section, a reference to the trustee includes the debtor in possession.

''(b) No provision of this title shall be construed to permit the trustee to unilaterally terminate or alter any provision of a collective bargaining agreement before complying with this section. The trustee shall timely pay all monetary obligations arising under the terms of the collec-

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tive bargaining agreement. Any such payment required to be made before a plan confirmed under section 1129 is effective has the status of an allowed administrative expense under section 503.

''(c)(1) If the trustee seeks modification of a collective bargaining agreement, the trustee shall provide notice to the labor organization representing the employees covered by the collective bargaining agreement that modifications are being proposed under this section, and shall promptly provide an initial proposal for modifications to the collective bargaining agreement. Thereafter, the trustee shall confer in good faith with the labor organization, at reasonable times and for a reasonable period in light of the complexity of the case, in attempting to reach mutually acceptable modifications of the collective bargaining agreement.

''(2) The initial proposal and subsequent proposals by the trustee for modification of a collective bargaining agreement shall be based upon a business plan for the reorganization of the debtor, and shall reflect the most complete and reliable information available. The trustee shall provide to the labor organization all information that is relevant for negotiations. The court may enter a protective order to prevent the disclosure of information if disclosure

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could compromise the position of the debtor with respect to the competitors in the industry of the debtor, subject to the needs of the labor organization to evaluate the proposals of the trustee and any application for rejection of the collective bargaining agreement or for interim relief pursuant to this section.

''(3) In consideration of Federal policy encouraging the practice and process of collective bargaining and in recognition of the bargained-for expectations of the employees covered by the collective bargaining agreement, modifications proposed by the trustee—

''(A) shall be proposed only as part of a program of workforce and nonworkforce cost savings devised for the reorganization of the debtor, including savings in management personnel costs;

''(B) shall be limited to modifications designed to achieve a specified aggregate financial contribution for the employees covered by the collective bargaining agreement (taking into consideration any labor cost savings negotiated within the 12-month period before the filing of the petition), and shall be not more than the

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minimum savings essential to permit the debtor to exit bankruptcy, such that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor (or any successor to the debtor) in the short term; and

''(C) shall not be disproportionate or overly burden the employees covered by the collective bargaining agreement, either in the amount of the cost savings sought from such employees or the nature of the modifications.

''(d)(1) If, after a period of negotiations, the trustee and the labor organization have not reached an agreement over mutually satisfactory modifications, and further negotiations are not likely to produce mutually satisfactory modifications, the trustee may file a motion seeking rejection of the collective bargaining agreement after notice and a hearing. Absent agreement of the parties, no such hearing shall be held before the expiration of the 21-day period beginning on the date on which notice of the hearing is provided to the labor organization representing the employees covered by the collective bargaining agreement. Only the debtor and the labor organization may appear and be heard at such hearing. An application for rejection

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shall seek rejection effective upon the entry of an order granting the relief.

''(2) In consideration of Federal policy encouraging the practice and process of collective bargaining and in recognition of the bargained-for expectations of the employees covered by the collective bargaining agreement, the court may grant a motion seeking rejection of a collective bargaining agreement only if, based on clear and convincing evidence—

''(A) the court finds that the trustee has complied with the requirements of subsection (c);

''(B) the court has considered alternative proposals by the labor organization and has concluded that such proposals do not meet the requirements of subsection (c)(3)(B);

''(C) the court finds that further negotiations regarding the proposal of the trustee or an alternative proposal by the labor organization are not likely to produce an agreement;

''(D) the court finds that implementation of the proposal of the trustee shall not—

''(i) cause a material diminution in the purchasing power of the employees cov-

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ered by the collective bargaining agreement;

"(ii) adversely affect the ability of the debtor to retain an experienced and qualified workforce; or

"(iii) impair the labor relations of the debtor such that the ability to achieve a feasible reorganization would be compromised; and

"(E) the court concludes that rejection of the collective bargaining agreement and immediate implementation of the proposal of the trustee is essential to permit the debtor to exit bankruptcy, such that confirmation of a plan of reorganization is not likely to be followed by liquidation, or the need for further financial reorganization, of the debtor (or any successor to the debtor) in the short term.

"(3) If the trustee has implemented a program of incentive pay, bonuses, or other financial returns for insiders, senior executive officers, or the twenty next most highly compensated employees or consultants providing services to the debtor during the bankruptcy, or such a program was implemented within 180 days before the date of the filing of the

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petition, the court shall presume that the trustee has failed to satisfy the requirements of subsection (c)(3)(C).

''(4) In no case shall the court enter an order rejecting a collective bargaining agreement that would result in modifications to a level lower than the level proposed by the trustee in the proposal found by the court to have complied with the requirements of this section.

''(5) At any time after the date on which an order rejecting a collective bargaining agreement is entered, or in the case of a collective bargaining agreement entered into between the trustee and the labor organization providing mutually satisfactory modifications, at any time after that collective bargaining agreement has been entered into, the labor organization may apply to the court for an order seeking an increase in the level of wages or benefits, or relief from working conditions, based upon changed circumstances. The court shall grant the request only if the increase or other relief is not inconsistent with the standard set forth in paragraph (2)(E).

''(e) During a period during which a collective bargaining agreement at issue under this section continues

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in effect and a motion for rejection of the collective bargaining agreement has been filed, if essential to the continuation of the business of the debtor or in order to avoid irreparable damage to the estate, the court, after notice and a hearing, may authorize the trustee to implement interim changes in the terms, conditions, wages, benefits, or work rules provided by the collective bargaining agreement. Any hearing under this subsection shall be scheduled in accordance with the needs of the trustee. The implementation of such interim changes shall not render the application for rejection moot and may be authorized for not more than 14 days in total.

''(f)(1) Rejection of a collective bargaining agreement constitutes a breach of the collective bargaining agreement, and shall be effective no earlier than the entry of an order granting such relief.

''(2) Notwithstanding paragraph (1), solely for purposes of determining and allowing a claim arising from the rejection of a collective bargaining agreement, rejection shall be treated as rejection of an executory contract under section 365(g) and shall be allowed or disallowed in accordance with section 502(g)(1). No claim for rejection damages shall be limited by section 502(b)(7). Economic self-help by a labor organization shall be permitted upon a court

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order granting a motion to reject a collective bargaining agreement under subsection (d) or pursuant to subsection (e), and no provision of this title or of any other provision of Federal or State law may be construed to the contrary.

''(g) The trustee shall provide for the reasonable fees and costs incurred by a labor organization under this section, upon request and after notice and a hearing.

''(h) A collective bargaining agreement that is assumed shall be assumed in accordance with section 365.''.

(b) PROHIBITION ON MODIFICATION OF RETIREE BENEFITS.—Section 1114 of title 11, United States Code, is further amended by adding at the end the following:

''(n) Notwithstanding any other provision in this title, the trustee may not modify retiree benefits if the debtor is an air carrier, as such term is defined in section 40102 of title 49, United States Code, or an affiliate of such air carrier, that received assistance under the Emergency Pension Plan Relief Act of 2020.''.

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TITLE III—AIRLINE INDUSTRY FINANCIAL OVERSIGHT

SEC. 301. CREATION OF OFFICE OF AIRLINE INDUSTRY FINANCIAL OVERSIGHT.

(a) IN GENERAL.—There is hereby established, within the Office of the Secretary of Transportation, the Office of Airline Industry Financial Oversight.

(b) DIRECTOR OF OFFICE.—The office established under this section shall be headed by a Director, who shall be a career employee of the Department of Transportation and selected on the basis of such individual's knowledge of financial markets, airline operations, and finance, and such other qualifications as the Secretary considers relevant.

SEC. 302. RESPONSIBILITIES OF OFFICE OF AIRLINE INDUSTRY FINANCIAL OVERSIGHT.

The Director of the Office of Airline Industry Financial Oversight shall—

(1) assess, not less than once every 12 months, the financial fitness of each passenger air carrier conducting operations under part 121 of title 14, Code of Federal Regulations;

(2) determine and prescribe minimum capital and funding requirements for each such air carrier to ensure that no air carrier would be reasonably

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likely to become insolvent as the result of a substantial reduction in demand for air travel following the occurrence of a terror attack, pandemic, or other national or global event that reduces economic activity;

(3) require each such air carrier to conduct an annual stress test to determine the extent of financial stress that the air carrier can withstand before becoming financially insolvent, using at least 3 sets of assumptions regarding the severity of financial stress and to report the results of such test to the Office for analysis;

(4) based on an analysis of the stress tests performed under paragraph (3), annually adjust the minimum capital and funding requirements imposed under paragraph (2); and

(5) impose such other requirements, including through the issuance of regulations, as the director determines necessary to ensure the continued operations of air carriers despite an event described in paragraph (2).

SEC. 303. ACCESS TO INFORMATION.

(a) IN GENERAL.—In discharging the responsibilities enumerated in section 302, the director or employees of the office may inspect such financial records in an air car-

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rier's possession as the director or employees of the office deem appropriate.

(b) PROTECTION OF TRADE SECRETS.—The Director and employees of the Office of Airline Industry Financial Oversight shall protect, from public disclosure, any material containing trade secrets in the Office's custody, in accordance with section 1905 of title 18, United States Code.

SEC. 304. REPORTS TO CONGRESS.

Not later than February 1 of each calendar year, the Director of the office established under section 301 shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a report describing each action taken under section 302 during the preceding calendar year.

SEC. 305. RULEMAKING AUTHORITY.

The Secretary may issue such regulations as the Secretary determines are necessary to implement the requirements of this title.

SEC. 306. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to the Secretary of Transportation $3,000,000 for each of fiscal years 2020 through 2023 to carry out this title to remain available until expended.

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TITLE IV—AIRPORT RELIEF

SEC. 401. EMERGENCY PANDEMIC FUNDING FOR AIRPORTS.

(a) IN GENERAL.—There is authorized to be appropriated, from the General Fund of the Treasury, $10,000,000,000 for the Secretary of Transportation to issue grants to airport sponsors for the purposes of emergency response, cleaning, sanitization, janitorial services, staffing, workforce retention, paid leave, procurement of protective health equipment and training for employees and contractors, debt service payments, infrastructure projects and airport operations.

(b) METHODOLOGY FOR DISBURSEMENT.—Funds shall be apportioned as set forth in clauses (i) and (ii) of section 47114(c)(1)(C) of title 49, United States Code, and there shall be no maximum apportionment limit. Funds provided under this section shall not be subject to reduced apportionment under section 47114(f) of such title. Any remaining funds shall be distributed to sponsors based on each airport's passenger enplanements compared to total passenger enplanements of all airports, for the most recent calendar year the Secretary apportioned funds pursuant to section 47114(c).

(c) HIGH-NEED AIRPORTS.—The Secretary shall set aside 2 percent of the remaining funds described in sub-

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section (b) to provide grants to commercial service airports or general aviation airports that demonstrate the highest financial need.

(d) WORKFORCE RETENTION.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, all airports receiving funds under subsection (a) shall continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed by the airport as of the date of enactment of this Act.

(2) WAIVER.—The Secretary may waive the workforce retention requirement under this subsection 120 days after the date of enactment of this Act if the Secretary determines—

(A) the airport is experiencing economic hardship as a direct result of the requirement; or

(B) the requirement reduces aviation safety or security.

(3) SMALL AIRPORTS.—This subsection shall not apply to nonhub airports or nonprimary airports receiving funds under subsection (c).

(e) RELIEF TO AIRPORT CONCESSIONS.—An airport sponsor must use at least 2 percent of any funds received under subsection (a) to provide financial relief to airport

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concessionaires experiencing economic hardship (in terms of rent, minimum annual guarantees, lease obligations, or other fees). With respect to funds under this subsection, airport sponsors must show good faith efforts to provide relief to small business concerns owned and controlled by socially and economically disadvantaged businesses, as such term is defined under section 47113 of title 49, United States Code.

(f) COST SHARE.—The Federal share payable of the costs for which a grant is made under this section or under the Consolidated Appropriations Act, 2020 (Public Law 116–94) shall be 100 percent.

(g) QUALITY ASSURANCE.—The Secretary shall institute adequate policies, procedures and internal controls to prevent waste, fraud, abuse and program mismanagement for the distribution of funds under this section.

(h) AVAILABILITY.—Sums authorized to be appropriated under this sections shall remain available for 3 fiscal years.

(i) LIMITATIONS.—The funds made available under this section shall not be subject to any limitation on obligations set forth in an appropriations Act as applied to the heading ''Grants-in-Aid for Airports''.

(j) ADMINISTRATIVE COSTS.—The Secretary may retain up to 0.1 percent of the funds provided under this

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section to fund the award and oversight of grants made under this heading.

(k) DEFINITIONS.—In this section:

(1) AIRPORT CONCESSION.—the term ''airport concession'' means a business, other than air carrier, located on an airport that is engaged in the sale of consumer goods or services to the public under an agreement with an airport, another concessionaire, or the owner or lessee of a terminal.

(2) AIRPORT; GENERAL AVIATION AIRPORT; NONHUB AIRPORT; SPONSOR.—The terms ''airport'', ''general aviation airport'', ''nonhub airport'', and ''sponsor'' have the meanings given those terms in section 47102 of title 49, United States Code.

(3) COMMERCIAL SERVICE AIRPORT.—The term ''commercial service airport'' means a public use airport that reported at least 2500 passenger boardings at such airport during fiscal year 2018.

SEC. 402. MAINTAINING PRE-CRISIS AIRPORT IMPROVEMENT PROGRAM LEVELS.

Section 47114(c)(1) of title 49, United States Code, is amended by adding at the end the following:

''(J) SPECIAL RULE FOR FISCAL YEARS 2021 THROUGH 2023.—Notwithstanding subparagraph (A), the Secretary shall apportion to

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a sponsor of an airport under that subparagraph for each of fiscal years 2021 through 2023 an amount based on the number of passenger boardings at the airport during calendar year 2018 if the number of passenger boardings at the airport during calendar year 2018 are higher than the number of passenger boardings that would be otherwise calculated under subparagraph (A).''.

SEC. 403. NATIONAL AVIATION PREPAREDNESS PLAN.

(a) IN GENERAL.—The Secretary of Transportation, in coordination with the Secretary of Health and Human Services, the Secretary of Homeland Security and other appropriate stakeholders, shall develop a national aviation preparedness plan for communicable disease outbreaks.

(b) CONTENTS OF PLAN.—A plan developed under subsection (a) shall, at a minimum—

(1) require involvement from multiple airports on a national level;

(2) provide airports and air carriers with an adaptable and scalable framework with which to align their individual plans;

(3) improve coordination among airports, air carriers, Customs and Border Patrol, the Centers for Disease Control and Prevention, and other ap-

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propriate Federal stakeholders on developing policies that increase the effectiveness of screening, quarantining, and contact-tracing with respect to inbound passengers; and

(4) fully incorporate elements referenced in the recommendation of the Comptroller General of the United States to the Secretary of Transportation contained in Report No. GAO 16–127.

TITLE V—SMALL COMMUNITY AIR SERVICE

SEC. 501. CONTINUATION OF CERTAIN AIR SERVICE.

(a) ACTION OF SECRETARY.—The Secretary of Transportation shall take appropriate action to ensure that all communities that receive scheduled air service before March 1, 2020, continue to receive adequate air transportation service and that essential air service to small communities continues without interruption and in a manner that maintains well-functioning heath care supply chains, including medical device, medical supplies, and pharmaceutical supply chains.

(b) ANTITRUST IMMUNITY.—The Secretary may grant an exemption under section 41308 of title 49, United States Code, to 2 air carriers for the limited purpose of such cooperation as is necessary to ensure that

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small communities continue to receive an adequate level of air transportation service.

SEC. 502. TOLLING OF EAS LIMITATIONS.

The Secretary may not order the termination of essential air service on the basis of the applicable place failing to meet the definition of an eligible place under subparagraph (B) or (C) of section 41731(a)(1) of title 49, United States Code, if such community was otherwise an eligible place as defined under section 41731 of such title on March 1, 2020.

SEC. 503. SUNSET.

The requirements of this title, and any order issued by the Secretary under this title, shall sunset on the day that is 6 months after the last effective date of a national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19.

TITLE VI—CONSUMER PROTECTIONS

SEC. 601. AIRLINE PRICE GOUGING DURING DISASTER OR EMERGENCY.

(a) IN GENERAL.—Section 41712 of title 49, United States Code, is amended by adding at the end the following:

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''(d) AIRFARE PRICING AND FEES DURING DISASTER OR OTHER EMERGENCY.—

''(1) IN GENERAL.—It shall be an unfair or deceptive practice under subsection (a) for any ticket agent, air carrier, foreign air carrier, or other person selling or offering to sell a ticket for air transportation on a covered flight to—

''(A) impose any unreasonable increase in the price of such ticket, as compared to the ticket price in effect on the day on which a flight becomes a covered flight; and

''(B) charge any fee for a change to, or cancellation of, such ticket, or for any difference in fare for an itinerary change.

''(2) COVERED FLIGHT DEFINED.—In this subsection, the term 'covered flight' means a flight of an air carrier or foreign air carrier departing from, or arriving at, an airport located in an area with respect to which—

''(A) a major disaster or emergency declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.) is in effect and State or local authorities have ordered a mandatory evacuation;

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''(B) a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) is in effect;

''(C) a national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) is in effect; or

''(D) a restriction on air travel is in effect, including restrictions on non-essential air transportation or nationwide bans imposed on air transportation during a disaster, emergency, or pandemic.

''(3) SAVINGS PROVISION.—Nothing in this subsection, or the amendment made by this subsection, may be construed to limit or otherwise affect any responsibility of any ticket agent, air carrier, or foreign air carrier or other person offering to sell a ticket for air transportation during a major disaster or emergency.''.

SEC. 602. AIRLINE REFUNDS DURING NATIONAL DISASTERS OR EMERGENCIES.

(a) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, the Secretary of Transportation shall require that any covered seller who sells a ticket for a passenger to take a covered flight, and either such flight is cancelled by the air carrier or such ticket is can-

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celed by the passenger, such covered seller shall promptly offer the passenger a choice of—

(1) a full monetary refund for such ticket, including any ancillary fees paid; and

(2) an alternative compensation method determined appropriate by the covered seller, including credit, voucher, or other mechanism to compensate a passenger.

(b) CREDIT OR VOUCHER.—An alternative compensation method provided pursuant to subsection (a)(2) may not expire for at least 1 year date of the covered flight.

(c) DEFINITIONS.—In this section, the following definitions apply:

(1) COVERED FLIGHT.—The term ''covered flight'' has the meaning given to such term in section 41712(d) of title 49, United States Code.

(2) COVERED SELLER.—The term ''covered seller'' means a ticket agent, air carrier, foreign air carrier, or other person offering to sell a ticket for air transportation.

SEC. 603. CONDITIONS ON AIRLINE ANCILLARY FEES.

(a) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Secretary of Transportation shall require covered air carriers to report to the Secretary of Transportation, not less than quarterly, all

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ancillary revenues collected by the air carrier during the quarter for which the report is provided.

(b) CONTENTS.—In implementing the requirement under paragraph (1), the Secretary shall require reporting of ancillary revenues from, at a minimum, the following optional fees or charges:

(1) Booking fees, including fees for telephone reservations.

(2) Fees for priority check-in and security screening.

(3) Fees for the transportation of carry-on, first checked, second checked, excess, and oversized or overweight baggage.

(4) Fees for transportation of in-flight medical equipment.

(5) Fees for in-flight entertainment, beverages, and food.

(6) Fees for internet access.

(7) Fees for seating assignments.

(8) Fees for reservation cancellation and change.

(9) Charges for lost tickets.

(10) Revenue from the sale of travel insurance

(11) Fees for unaccompanied minor and passenger assistance.

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(12) Fees for pets.

(c) DEFINITIONS.—In this section, the following definitions apply:

(1) ANCILLARY REVENUES.—The term ''ancillary revenues'' means charges paid by airline passengers that are not included in the standard ticket fare.

(2) COVERED AIR CARRIER.—

(A) IN GENERAL.—The term ''covered air carrier'' means an air carrier covered under part 241 of title 14, Code of Federal Regulations.

(B) EXCLUSION.—The term ''covered air carrier'' excludes air carriers with annual revenues of less than $20,000,000.

TITLE VII—ENVIRONMENTAL PROTECTIONS

SEC. 701. SUSTAINABLE AVIATION FUEL DEVELOPMENT PROGRAM.

(a) IN GENERAL.—The Secretary of Transportation, in consultation with the Department of Agriculture and the Environmental Protection Agency, may make competitive grants to eligible entities to offset the cost of a project to develop, transport, or store sustainable aviation fuels

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that would reduce United States greenhouse gas emissions.

(b) SELECTION.—In making grants under subsection (a), the Secretary shall consider—

(1) the anticipated public benefits of the project;

(2) the potential to increase the commercial application of sustainable aviation fuels among the United States commercial aviation and aerospace industry;

(3) the potential greenhouse gases emitted from the project;

(4) the potential for new job creation; and

(5) the potential the project has in reducing United States greenhouse gas emissions associated with air travel.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $200,000,000 for each of the fiscal years 2021 through 2026 to carry out this section.

(d) REPORT.—Not later than October 1, 2024, the Secretary shall submit to the Committee on Commerce, Science, and Transportation, the Committee on Environment and Public Works, and the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the

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Committee on Transportation and Infrastructure, the Committee on Energy and Commerce, and the Committee on Agriculture of the House of Representatives, a report describing the results of the grant program authorized by this section. The report shall include the following:

(1) A description of the entities and projects that received grants under this section.

(2) Description of whether the program is leading to an increase in commercial application of sustainable aviation fuels by United States aviation and aerospace industry stakeholders.

(3) The economic impacts resulting from the grants to and operation of the project.

(e) ELIGIBILITY.—Entities eligible to receive a grant under this section shall include State and local governments, nongovernmental entities, air carriers, airports, and businesses engaged in the development, transportation, or storage of sustainable aviation fuels.

(f) DEFINITION OF SUSTAINABLE AVIATION FUEL.—The term ''sustainable aviation fuel'' means liquid fuel consisting of synthesized hydrocarbons which meets the requirements of ASTM International Standard D7566 or ASTM International Standard D1655, Annex A1, subsection A.1.2.2, and is derived from biomass (as defined in section 45K(c)(3) of the Internal Revenue Code of

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1986), waste streams, or gaseous carbon oxides, conforms to the standards, recommended practices and guidance agreed to by the United States pursuant to the European Union Emissions Trading Scheme Prohibition Act of 2011 (Public Law 112–200) for addressing aircraft emissions, and achieves at least a 30 percent reduction in greenhouse gas emissions on a lifecycle basis compared to conventional jet fuel.

SEC. 702. AIRLINE ASSISTANCE TO RECYCLE AND SAVE PROGRAM.

(a) ESTABLISHMENT.—Not later than 90 days after the date of enactment of this Act, the Secretary shall establish and carry out a program, to be known as the ''Airline Assistance to Recycle and Save Program'', under which the Secretary shall purchase high-polluting aircraft from air carriers in exchange for commitments from such air carriers to purchase fuel-efficient aircraft.

(b) APPLICATION.—To be eligible for the program established under subsection (a), an air carrier shall submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require, including a description of an high-polluting aircraft of the air carrier.

(c) PROGRAM REQUIREMENTS.—

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(1) LIST OF ELIGIBLE AIRCRAFT.—In carrying out the program established under subsection (a), the Secretary, in consultation with the Administrator, shall prepare, maintain, publicize, and make available through a publicly available website, lists of aircraft that are—

(A) high-polluting aircraft; and

(B) fuel-efficient aircraft that are on the market or in production.

(2) COMMITMENT REQUIREMENT.—In carrying out the program established under subsection (a), the Secretary shall issue such regulations as are necessary to set requirements for the commitment to purchase a fuel-efficient aircraft described in subsection (a), including a timing requirement for the purchase of a fuel-efficient aircraft.

(d) USE OF PURCHASED AIRCRAFT.—Notwithstanding any other provision of law, the Secretary may sell, to an air carrier or eligible foreign air carrier, parts or components of aircraft purchased under this division.

(e) REGULATIONS.—Not later than 30 days after the date of enactment of this Act, the Secretary shall issue such regulations as are necessary to carry out this section.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to carry out the program established under this

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section $1,000,000,000 and such sums shall remain available until expended.

(g) DEFINITIONS.—In this section:

(1) ADMINISTRATOR.—The term ''Administrator'' means the Administrator of the Environmental Protection Agency.

(2) AIRCRAFT MANUFACTURER.—The term ''aircraft manufacturer'' has the meaning given such term in section 44301 of title 49, United States Code.

(3) ELIGIBLE FOREIGN AIR CARRIER.—

(A) IN GENERAL.—The term ''eligible foreign air carrier'' means a foreign air carrier as such term is defined in section 40102 of title 49, United States Code.

(B) EXCLUSION.—The term ''eligible foreign air carrier'' does not include a foreign air carrier that—

(i) is domiciled in a country that is a state sponsor of terrorism; or

(ii) has a majority ownership interest of individuals or entities domiciled in a country that is a state sponsor of terrorism.

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(4) SECRETARY.—The term ''Secretary'' means the Secretary of Transportation.

(5) STATE SPONSOR OF TERRORISM.—The term ''state sponsor of terrorism'' means a country the government of which the Secretary of State determines has repeatedly provided support for international terrorism pursuant to—

(A) section 1754(c)(1)(A) of the Export Control Reform Act of 2018 (50 U.S.C. 4318(c)(1)(A));

(B) section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371);

(C) section 40 of the Arms Export Control Act (22 U.S.C. 2780); or

(D) any other provision of law.

SEC. 703. EXPANSION OF VOLUNTARY AIRPORT LOW EMISSION PROGRAM.

Section 40117 of title 49, United States Code, is amended—

(1) in subsection (a)(3)(G) by striking ''if the airport is located in an air quality nonattainment area (as defined in section 171(2) of the Clean Air Act (42 U.S.C. 7501(2)) or a maintenance area referred to in section 175A of such act (42 U.S.C. 7505a)''; and

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(2) in subsection (b) by adding at the end the following:

"(8) PRIORITY OF PROJECTS.—In carrying out this section, the Secretary shall prioritize funding for airports in areas located in an air quality non-attainment area (as defined in section 171(2) of the Clean Air Act (42 U.S.C. 7501(2)) or a maintenance area referred to in section 175A of such act (42 U.S.C. 7505a).".

SEC. 704. AIRLINE CARBON EMISSIONS OFFSETS AND GOALS.

(a) CARBON OFFSETTING PROGRAM.—

(1) IN GENERAL.—Not later than 90 days after the enactment of this Act, the Administrator of the Federal Aviation Administration shall require each air carrier receiving assistance under section 101, to fully offset the annual carbon emissions of such air carriers for domestic flights beginning in 2025.

(2) VERIFICATION.—In issuing regulations and guidance to carry out to paragraph (1), the Administrator shall develop standards and practices to ensure the use of carbon offsets by air carriers are real, additional, permanent, verifiable, and not double counted and align with standards, recommended practices, assessment tools, and guidance agreed to

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by the United States pursuant to the European Union Emissions Trading Scheme Prohibition Act of 2011 (Public Law 112–200) for addressing aircraft emissions.

(3) AUDITING.—An air carrier covered under this subsection shall take reasonable and continuous measures to ensure any carbon offsets credited to, or purchased by, such carrier continue to be accurate.

(4) CERTIFICATION.—The Administrator shall annually certify that an air carrier's carbon offsetting program aligns with the standards developed pursuant to paragraph (2).

(b) CARBON EMISSIONS GOAL.—

(1) IN GENERAL.—The Administrator of the Federal Aviation Administration shall require each air carrier receiving assistance under section 101 to—

(A) make and achieve a binding commitment to reduce the greenhouse gas emissions attributable to the domestic flights of such air carrier in every calendar year, beginning with 2021, on a path consistent with a 25 percent reduction in the aviation sector's emissions from 2005 levels by 2035, and a 50 percent reduction in the sector's emissions from 2005 lev-

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els by 2050, applying the standards, recommended practices, and guidance agreed to by the United States pursuant to the European Union Emissions Trading Scheme Prohibition Act of 2011 (Public Law 112–200) for addressing aircraft emissions; and

(B) submit to the Administrator, annually, a report containing a plan for meeting the commitment described in subparagraph (A) and evidence of compliance with such commitment, including the annual emissions of the air carrier, use of alternative fuels, and any other means of implementing such commitment.

(2) CERTIFICATION.—

(A) IN GENERAL.—Not later than 5 years after the date of enactment of this Act, and not less frequently than every 5 years thereafter, the Administrator shall certify each air carrier covered under this subsection that is taking such actions as are necessary to meet the requirements established pursuant to paragraph (1).

(B) REMEDIATION.—With respect to any air carrier covered under this subsection that the Administrator does not certify under sub-

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paragraph (A), the Administrator, in consultation with such air carrier, shall, not later than 180 days after the last date on which a certification could have been made under such subparagraph, develop a plan to ensure such air carrier meets the requirements established pursuant to paragraph (1).

(3) PUBLIC INFORMATION.—The Secretary shall make publicly available the reports described in paragraph (1).

(4) LIMITATION.—Nothing in this subsection shall affect or alter the authorities and responsibilities to address greenhouse gases under any other provision of law.

(c) INTERNATIONAL COMPETITIVENESS.—In issuing regulations to carry out to subsection (b) and (c), the Administrator shall create a mechanism that ensures foreign air carriers that enter the national airspace system have an equivalent emissions reductions target or programs such that the United States airline industry is not at a competitive disadvantage.

SEC. 705. RESEARCH AND DEVELOPMENT OF SUSTAINABLE AVIATION FUELS.

There is authorized to be appropriated to the Federal Aviation Administration $100,000,000 for each of fiscal

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years 2021 through 2026 for research and development of sustainable aviation fuels.

SEC. 706. IMPROVING CONSUMER INFORMATION REGARDING RELEASE OF GREENHOUSE GASES FROM FLIGHTS.

(a) IN GENERAL.—Not later than January 1, 2023, the Secretary of Transportation shall develop and implement, by regulation, a program to require air carriers that receive assistance under section 101 provide passengers with information regarding greenhouse gas emissions resulting from each individual flight that is—

(1) customized to account for such emissions associated with each aircraft and the flight route of such aircraft; and

(2) made available on the first display of any website selling any ticket for such flight, following a search of a requested itinerary in a format that is easily visible to the purchaser.

(b) PUBLIC REPORTING.—The Secretary shall publish monthly data and information that anonymously aggregates and analyzes the information provided to individual passengers under to subsection (a). Such information and data shall—

(1) be accessible to the public on the internet; and

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(2) identify and quantify the greenhouse gas emissions and relative climate change impact of each passenger air carrier that receives assistance under section 101.

SEC. 707. STUDY ON CERTAIN CLIMATE CHANGE MITIGATION EFFORTS.

(a) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Secretary of Transportation shall seek to enter into an agreement with the National Academies of Sciences, Engineering, and Medicine (referred to in this section as the ''National Academies'') to conduct a study on climate change mitigation efforts with respect to the civil aviation and aerospace industries.

(b) STUDY CONTENTS.—In conducting the study under subsection (a), the National Academies shall—

(1) identify climate change mitigation efforts, including efforts relating to emerging technologies, in the civil aviation and aerospace industries;

(2) develop and apply an appropriate indicator for assessing the effectiveness of such efforts;

(3) identify gaps in such efforts;

(4) identify barriers preventing expansion of such efforts; and

(5) develop recommendations with respect to such efforts.

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(c) REPORTS.—

(1) FINDINGS OF STUDY.—Not later than 1 year after the date on which the Secretary enters into an agreement for a study pursuant to subsection (a), the Secretary shall submit to the appropriate congressional committees the findings of the study.

(2) ASSESSMENT.—Not later than 180 days after the date on which the Secretary submits the findings pursuant to paragraph (1), the Secretary, acting through the Administrator of the Federal Aviation Administration, shall submit to the appropriate congressional committees a report that contains an assessment of the findings.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary to carry out this section $1,500,000.

(e) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means the Committee on Transportation and Infrastructure of the House of Representatives, the Committee on Commerce, Science, and Transportation of the Senate, and other congressional committees determined appropriate by the Secretary.

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(2) CLIMATE CHANGE MITIGATION EFFORTS.—The term ''climate change mitigation efforts'' means efforts, including the use of technologies, materials, processes, or practices, that contribute to the reduction of greenhouse gas emissions.

TITLE VIII—MISCELLANEOUS

SEC. 801. SEPARABILITY.

If any provision of this division (including any amendment made by this division) or the application thereof to any person or circumstance is held invalid, the remainder of this division (including any amendment made by this division) and the application thereof to other persons or circumstances shall not be affected thereby.

SEC. 802. APPLICATION OF LAW.

Chapter 83 of title 41, United States Code, shall not apply with respect to purchases made in response to—

(1) the public health emergency declared on January 31, 2020 under section 319 of the Public Health Service Act (42 U.S.C. 247d); or

(2) the emergency declared by the President on March 13, 2020, under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191) and under any subsequent major disaster declaration under section 401 of such Act that supersedes such emergency declaration.

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DIVISION S—SBC PROVISIONS
DIVISION T—REVENUE PROVISIONS

SEC. 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the ''Emergency Pension Plan Relief Act of 2020''.

(b) TABLE OF CONTENTS.—The table of contents of this division is as follows:

Sec. 1. Short title; table of contents.

TITLE I—HEALTH-RELATED TAX RELIEF

Sec. 101. Payroll credit for COVID–19 charity care provided by hospitals.
Sec. 102. Payroll credit for COVID–19 hospital facility expenditures.
Sec. 103. Restoration of limitations on reconciliation of tax credits for coverage under a qualified health plan with advance payments of such credit.
Sec. 104. Improving affordability by reducing premium costs for consumers.

TITLE II—ECONOMIC STIMULUS

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TITLE I—HEALTH-RELATED TAX RELIEF

SEC. 101. PAYROLL CREDIT FOR COVID–19 CHARITY CARE PROVIDED BY HOSPITALS.

(a) IN GENERAL.—In the case of an employer which is an eligible hospital, there shall be allowed as a credit against the tax imposed by section 3111(a) of the Internal Revenue Code of 1986 for each calendar quarter an amount equal to 90 percent of the COVID-related charity care furnished by such hospital during such calendar quarter.

(b) LIMITATIONS AND REFUNDABILITY.—

(1) CREDIT LIMITED TO CERTAIN EMPLOYMENT TAXES.—The credit allowed by subsection (a) with respect to any calendar quarter shall not exceed the tax imposed by section 3111(a) of such Code for such calendar quarter (reduced by any credits allowed under subsection (e) or (f) of section 3111 of such Code, or under section 7001 or 7003 of the Families First Coronavirus Response Act, for such quarter) on the wages paid with respect to the employment of all employees of the employer.

(2) REFUNDABILITY OF EXCESS CREDIT.—

(A) IN GENERAL.—If the amount of the credit under subsection (a) exceeds the limita-

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tion of paragraph (1) for any calendar quarter, such excess shall be treated as an overpayment that shall be refunded under sections 6402(a) and 6413(b) of such Code.

(B) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any amounts due to an employer under this paragraph shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

(c) ELIGIBLE HOSPITAL.—For purposes of this section, the term ''eligible hospital'' means a subsection (d) hospital as defined in section 1886(d)(1)(B) of the Social Security Act (42 U.S.C. 1395ww(d)(1)(B)) or a critical access hospital (as defined in section 1861(mm)(1) of such Act (42 U.S.C. 1395x(mm)(1)).

(d) COVID-RELATED CHARITY CARE.—For purposes of this section—

(1) IN GENERAL.—The term ''COVID-related charity care'' means, with respect to any eligible hospital, so much of the specified charity care furnished by such hospital as relates to items and services furnished in the United States for the treatment of COVID–19 or a related condition.

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(2) SPECIFIED CHARITY CARE.—The term ''specified charity care'' means, with respect to an eligible hospital, the cost of charity care of such hospital as defined for purposes of the Medicare Cost Report Worksheet S–10.

(e) SPECIAL RULES.—

(1) DENIAL OF DOUBLE BENEFIT.—For purposes of chapter 1 of the Internal Revenue Code of 1986, any deduction otherwise allowable under such chapter for any COVID-related charity care shall be reduced by the amount of the credit allowed under this section with respect to such care.

(2) DOCUMENTATION.—No credit shall be allowed under this section unless the employer maintains such documentation as the Secretary of the Treasury (or the Secretary's delegate) may prescribe to establish such employer's eligibility for the credit allowed under this section (and the amount thereof).

(3) ELECTION NOT TO HAVE SECTION APPLY.—This section shall not apply with respect to any employer for any calendar quarter if such employer elects (at such time and in such manner as the Secretary of the Treasury (or the Secretary's delegate) may prescribe) not to have this section apply.

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(4) CERTAIN TERMS.—Any term used in this section which is also used in chapter 21 of such Code shall have the same meaning as when used in such chapter.

(f) REGULATIONS.—The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section, including—

(1) regulations or other guidance (prescribed after consultation with the Secretary of Health and Human Services) which identify specific items and services which are considered for purposes of subsection (d)(1) to be for the treatment of COVID–19 or a related condition,

(2) regulations or other guidance to effectuate the purposes of the limitations under this section,

(3) regulations or other guidance to minimize compliance and record-keeping burdens under this section,

(4) regulations or other guidance providing for a waiver of penalties for the failure to deposit taxes imposed under section 3111(a) of such Code in anticipation of the allowance of the credit allowed under this section,

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(5) regulations or other guidance for recapturing the benefit of credits determined under this section in cases where there is a subsequent adjustment to the credit determined under subsection (a), and

(6) regulations or other guidance regarding the treatment of certified professional employer organizations, as described in section 3511 of such Code.

(g) APPLICATION OF SECTION.—

(1) IN GENERAL.—This section shall apply only to COVID-related charity care which is furnished during the period beginning on February 1, 2020, and ending on December 31, 2020.

(2) TREATMENT OF CERTAIN CARE FURNISHED BEFORE DATE OF ENACTMENT.—For purposes of this section, any COVID-related charity care which is furnished after January 31, 2020, and before the calendar quarter which includes the date of the enactment of this Act shall be treated as having been furnished in such calendar quarter.

(h) TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—There are hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social

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Security Act (42 U.S.C. 401) amounts equal to the reduction in revenues to the Treasury by reason of this section (without regard to this subsection). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had this section not been enacted.

(i) COORDINATION WITH DSH PAYMENTS.—Section 1886(r) of the Social Security Act (42 U.S.C. 1395ww(r)) is amended—

(1) n paragraph (2), by inserting ''subject to paragraph (4),'' before ''for fiscal year 2014''; and

(2) by adding at the end the following new paragraph:

''(4) SPECIAL RULE FOR COVID-RELATED CHARITY CARE.—The Secretary shall, beginning in the first fiscal year in which the factor described in paragraph (2)(C) is calculated based on a cost reporting period that includes any portion of calendar year 2020, exclude the amount of the payroll credit for COVID–19 charity care allowed under section 101(a) of the Emergency Pension Plan Relief Act of 2020 provided to a subsection (d) hospital, from the calculation of such factor.''.

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SEC. 102. PAYROLL CREDIT FOR COVID–19 HOSPITAL FACILITY EXPENDITURES.

(a) IN GENERAL.—In the case of an employer which is an eligible hospital, there shall be allowed as a credit against the tax imposed by section 3111(a) of the Internal Revenue Code of 1986 for each calendar quarter an amount equal to 90 percent of the COVID–19 hospital facility expenditures paid or incurred by such hospital during such calendar quarter.

(b) LIMITATIONS AND REFUNDABILITY.—

(1) CREDIT LIMITED TO CERTAIN EMPLOYMENT TAXES.—The credit allowed by subsection (a) with respect to any calendar quarter shall not exceed the tax imposed by section 3111(a) of such Code for such calendar quarter (reduced by any credits allowed under subsection (e) or (f) of section 3111 of such Code, under section 7001 or 7003 of the Families First Coronavirus Response Act, or under the preceding section of this Act, for such quarter) on the wages paid with respect to the employment of all employees of the employer.

(2) REFUNDABILITY OF EXCESS CREDIT.—

(A) IN GENERAL.—If the amount of the credit under subsection (a) exceeds the limitation of paragraph (1) for any calendar quarter, such excess shall be treated as an overpayment

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that shall be refunded under sections 6402(a) and 6413(b) of such Code.

(B) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any amounts due to an employer under this paragraph shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

(c) ELIGIBLE HOSPITAL.—For purposes of this section, the term ''eligible hospital'' means a subsection (d) hospital as defined in section 1886(d)(1)(B) of the Social Security Act (42 U.S.C. 1395ww(d)(1)(B)) or a critical access hospital (as defined in section 1861(mm)(1) of such Act (42 U.S.C. 1395x(mm)(1)).

(d) COVID–19 HOSPITAL FACILITY EXPENDITURES.—For purposes of this section—

(1) IN GENERAL.—The term ''COVID–19 hospital facility expenditures'' means amounts paid or incurred by an eligible hospital for—

(A) the purchase or construction of a temporary structure in the United States for specified COVID-related purposes,

(B) the lease of any structure in the United States for specified COVID-related pur-

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poses if the term of such lease is not greater than 2 years,

(C) the retrofitting of any existing permanent structure in the United States for specified COVID-related purposes, and

(D) any property for use in a structure described in subparagraph (A), (B), or (C) for specified COVID-related purposes if such property is of a character which is subject to the allowance for depreciation provided in section 167 of the Internal Revenue Code of 1986.

(2) SPECIFIED COVID-RELATED PURPOSES.—The term ''specified COVID-related purposes'' means the diagnosis, prevention, or treatment of COVID–19 or a related condition.

(3) TEMPORARY STRUCTURE.—The term ''temporary structure'' means a tent or such other structure which by its design or nature is not suitable to serve as a permanent structure.

(4) COORDINATION WITH GOVERNMENT GRANTS.—The COVID–19 hospital facility expenditures taken into account under this section by any eligible hospital shall be reduced by any amounts provided by any Federal, State, or local government

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for purposes of making or reimbursing such expenditures.

(e) SPECIAL RULES.—

(1) DENIAL OF DOUBLE BENEFIT.—For purposes of the Internal Revenue Code of 1986—

(A) the basis of any property with respect to which a credit is allowed under this section shall be reduced by the amount of such credit, and

(B) such reduction shall be taken into account before determining the amount of any deduction, or allowance for depreciation or amortization, with respect to such property for purposes of such Code.

(2) RECAPTURE OF GAIN.—If an eligible hospital disposes of any property with respect to which a credit was allowed under this section and any gain is determined on such disposition under section 1001 of such Code, the tax imposed under chapter 1 of such Code on such hospital shall be increased by the amount of such gain. The preceding sentence shall apply without regard to whether such eligible hospital is otherwise exempt from, or not subject to, the taxes otherwise imposed under such chapter.

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(3) DOCUMENTATION.—No credit shall be allowed under this section unless the employer maintains such documentation as the Secretary of the Treasury (or the Secretary's delegate) may prescribe to establish such employer's eligibility for the credit allowed under this section (and the amount thereof).

(4) ELECTION NOT TO HAVE SECTION APPLY.—This section shall not apply with respect to any employer for any calendar quarter if such employer elects (at such time and in such manner as the Secretary of the Treasury (or the Secretary's delegate) may prescribe) not to have this section apply.

(5) CERTAIN TERMS.—Any term used in this section which is also used in chapter 21 of such Code shall have the same meaning as when used in such chapter.

(f) REGULATIONS.—The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section, including—

(1) regulations or other guidance to effectuate the purposes of the limitations under this section,

(2) regulations or other guidance to minimize compliance and record-keeping burdens under this section,

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(3) regulations or other guidance providing for a waiver of penalties for the failure to deposit taxes imposed under section 3111(a) in anticipation of the allowance of the credit allowed under this section,

(4) regulations or other guidance for recapturing the benefit of credits determined under this section in cases where there is a subsequent adjustment to the credit determined under subsection (a),

(5) regulations or other guidance (prescribed after consultation with the Secretary of Health and Human Services) which identify specific items and services which are considered for purposes of subsection (d)(2) to be for specified COVID-related purposes, and

(6) regulations or other guidance regarding the treatment of certified professional employer organizations, as described in section 3511 of such Code.

(g) APPLICATION OF SECTION.—

(1) IN GENERAL.—This section shall apply only to COVID–19 hospital facility expenditures which are paid or incurred during the period beginning on February 1, 2020, and ending on December 31, 2020.

(2) TREATMENT OF CERTAIN EXPENDITURES MADE BEFORE DATE OF ENACTMENT.—For pur-

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poses of this section, any COVID–19 hospital facility expenditures which are paid or incurred after January 31, 2020, and before the calendar quarter which includes the date of the enactment of this Act shall be treated as having been furnished in such calendar quarter.

(h) TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—There are hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) amounts equal to the reduction in revenues to the Treasury by reason of this section (without regard to this subsection). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had this section not been enacted.

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SEC. 103. RESTORATION OF LIMITATIONS ON RECONCILIATION OF TAX CREDITS FOR COVERAGE UNDER A QUALIFIED HEALTH PLAN WITH ADVANCE PAYMENTS OF SUCH CREDIT.

(a) IN GENERAL.—Section 36B(f)(2)(B)(i) of the Internal Revenue Code of 1986 is amended to read as follows:

"(i) IN GENERAL.—In the case of a taxpayer whose household income is less than 500 percent of the poverty line for the size of the family involved for the taxable year, the amount of the increase under subparagraph (A) shall in no event exceed the applicable dollar amount determined in accordance with the following table (one-half of such amount in the case of a taxpayer whose tax is determined under section 1(c) for the taxable year):

"If the household income (expressed as a percent of poverty line) is:	The applicable dollar amount is:
Less than 200%	$600
At least 200% but less than 250%	$1,000
At least 250% but less than 300%	$1,500
At least 300% but less than 350%	$2,000
At least 350% but less than 400%	$2,500
At least 400% but less than 450%	$3,000
At least 450% but less than 500%	$3,500.".

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(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 104. IMPROVING AFFORDABILITY BY REDUCING PREMIUM COSTS FOR CONSUMERS.

(a) IN GENERAL.—Section 36B(b)(3)(A) of the Internal Revenue Code of 1986 is amended to read as follows:

"(A) APPLICABLE PERCENTAGE.—The applicable percentage for any taxable year shall be the percentage such that the applicable percentage for any taxpayer whose household income is within an income tier specified in the following table shall increase, on a sliding scale in a linear manner, from the initial premium percentage to the final premium percentage specified in such table for such income tier:

"In the case of household income (expressed as a percent of poverty line) within the following income tier:	The initial premium percentage is—	The final premium percentage is—
Over 100.0 percent up to 150.0 percent	0.0	0.0
150.0 percent up to 200.0 percent	0.0	3.0
200.0 percent up to 250.0 percent	3.0	4.0
250.0 percent up to 300.0 percent	4.0	6.0
300.0 percent up to 400.0 percent	6.0	8.5
400.0 percent and higher	8.5	8.5".

(b) CONFORMING AMENDMENT.—Section 36B(c)(1)(A) of the Internal Revenue Code of 1986 is amended by striking "but does not exceed 400 percent".

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(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2020.

TITLE II—ECONOMIC STIMULUS

Subtitle A—Economic Assistance Payments

SEC. 201. 2020 ECONOMIC ASSISTANCE PAYMENTS TO INDIVIDUALS.

(a) IN GENERAL.—Subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 6431. 2020 ECONOMIC ASSISTANCE PAYMENTS TO INDIVIDUALS.

''(a) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by subtitle A for the first taxable year beginning in 2020 an amount equal to the sum of—

''(1) the base amount, and

''(2) the income supplement amount.

''(b) BASE AMOUNT.—For purposes of this section, the term 'base amount' means, with respect to any taxpayer, the sum of—

''(1) $1,500 ($3,000 in the case of a joint return), plus

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"(2) $1,500 multiplied by the number of qualifying children (within the meaning of section 24(c)) of the taxpayer (not in excess of 3 such children) for the taxpayer's first taxable year beginning in 2020.

"(c) INCOME SUPPLEMENT AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'income supplement amount' means—

"(A) in the case of any taxpayer not described in subparagraph (B), the excess (if any) of—

"(i) adjusted gross income for the taxable year immediately preceding such taxpayer's first taxable year beginning in 2020, over

"(ii) adjusted gross income for such taxpayer's first taxable year beginning in 2020, and

"(B) in the case of any taxpayer whose household income for such taxpayer's first taxable year beginning in 2020 does not exceed the applicable phaseout amount, the greater of—

"(i) the excess (if any) described in subparagraph (A), or

"(ii) the sum of—

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"(I) base amount multiplied by 5,

plus

"(II) $5,000.

"(2) MAXIMUM INCOME SUPPLEMENT AMOUNT.—The income supplement amount determined under this subsection shall not exceed the sum described in paragraph (1)(B)(ii) (determined without regard to paragraph (3)).

"(3) PHASEOUT OF THE MINIMUM INCOME SUPPLEMENT AMOUNT.—The sum described in paragraph (1)(B)(ii) shall be reduced (but not below zero) by the amount which bears the same ratio to such sum as—

"(A) the excess (if any) of the household income for the taxpayer's first taxable year beginning in 2020 over 200 percent of the poverty line for a family of the size involved, bears to

"(B) the excess of the applicable phaseout amount over 200 percent of the poverty line for a family of the size involved.

"(4) DEFINITIONS RELATING TO THE POVERTY LINE.—For purposes of this subsection—

"(A) IN GENERAL.—The terms 'family size' and 'poverty line' have the respective

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meaning given such terms under section 36B(d).

"(B) HOUSEHOLD INCOME.—The term 'household income' has the meaning given such term by section 36B(d)(2)(A) applied by using adjusted gross income (within the meaning of this section) in lieu of modified adjusted gross income (within the meaning of section 36B).

"(d) OVERALL PHASEOUT BASED ON ADJUSTED GROSS INCOME.—

"(1) IN GENERAL.—The amount of the credit allowed by subsection (a) (determined without regard to this subsection and subsection (g)) shall be reduced (but not below zero) by the amount which bears the same ratio to such amount as—

"(A) the excess (if any) of the adjusted gross income for the taxpayer's first taxable year beginning in 2020 over the applicable phaseout amount, bears to

"(B) 50 percent of the applicable phaseout amount.

"(2) APPLICABLE PHASEOUT AMOUNT.—The term 'applicable phaseout amount' means—

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"(A) $150,000 in the case of a joint return or a surviving spouse (as defined in section 2(a)),

"(B) $112,500 in the case of a head of household (as defined in section 2(b)), and

"(C) $75,000 in any other case.

"(e) OTHER DEFINITIONS.—For purposes of this section—

"(1) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means any individual other than—

"(A) any nonresident alien individual,

"(B) any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, and

"(C) an estate or trust.

"(2) ADJUSTED GROSS INCOME.—The term 'adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.

"(f) SPECIAL RULES.—

"(1) CREDIT TREATED AS REFUNDABLE.—The credit allowed by subsection (a) shall be treated as

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allowed by subpart C of part IV of subchapter A of chapter 1.

"(2) TREATMENT OF CREDIT AND ADVANCE PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any credit under subsection (a) and any credit or refund under subsection (h) shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

"(3) IDENTIFICATION NUMBER REQUIREMENT.—An individual shall not be taken into account in determining the amount of the credit allowed under subsection (a) unless the taxpayer identification number of such individual is included on the return of tax for the taxable year.

"(g) COORDINATION WITH ADVANCE REFUNDS OF CREDIT.—

"(1) REDUCTION OF REFUNDABLE CREDIT.—The amount of the credit which would (but for this paragraph) be allowable under subsection (a) shall be reduced (but not below zero) by the aggregate refunds and credits made or allowed to the taxpayer under subsection (h) and the aggregate payments to which the taxpayer is entitled under section 202 of the Emergency Pension Plan Relief Act of 2020.

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Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

''(2) RECAPTURE OF PAYMENTS IN EXCESS OF REFUNDABLE CREDIT.—

''(A) IN GENERAL.—If the sum of the aggregate refunds and credits made or allowed to the taxpayer under subsection (h) and the aggregate payments to which the taxpayer is entitled under section 202 of the Emergency Pension Plan Relief Act of 2020 exceeds the credit allowed under subsection (a) (determined without regard to paragraph (1)), the tax imposed under chapter 1 for the taxpayer's first taxable year beginning in 2020 shall be increased by the amount of such excess.

''(B) ELECTION TO SPREAD RECAPTURE OVER 3 YEARS.—In the case of a taxpayer who elects (at such time and in such manner as the Secretary may provide) the application of this subparagraph, subparagraph (A) shall not apply and the tax imposed under chapter 1 shall be increased by ⅓ of the excess described in subparagraph (A) in the taxpayer's first taxable

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year beginning in 2020 and in each of the 2 immediately following taxable years.

''(3) JOINT RETURNS.—In the case of a refund or credit made or allowed under subsection (h) with respect to a joint return, half of such refund or credit shall be treated as having been made or allowed to each individual filing such return.

''(h) ADVANCE REFUNDS AND CREDITS.—

''(1) IN GENERAL.—Each taxpayer who was an eligible individual for such taxpayer's first taxable year beginning in 2019 shall be treated as having made a payment against the tax imposed by chapter 1 for such first taxable year in an amount equal to the advance refund amount.

''(2) ADVANCE REFUND AMOUNT.—For purposes of this subsection, the term 'advance refund amount' means the sum of—

''(A) the product of the prior-year base amount multiplied by 6, plus

''(B) $5,000.

''(3) TIMING OF PAYMENTS.—

''(A) BASE AMOUNT.—The Secretary shall, subject to the provisions of this title, refund or credit so much of any overpayment attributable

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to paragraph (1) as is not less than the prior-year base amount as rapidly as possible.

"(B) PERIODIC ADDITIONAL PAYMENTS.—To the extent that the Secretary determines feasible, the Secretary shall, subject to the provisions of this title, refund or credit any remaining overpayment in periodic additional amounts. The Secretary, to the maximum extent practicable, shall ensure that the entire overpayment attributable to paragraph (1) is refunded or credited under this paragraph not later than December 31, 2020. For purposes of the preceding sentence, the term 'remaining overpayment' means so much of the overpayment attributable to paragraph (1) as is not refunded or credited under subparagraph (A).

"(C) TERMINATION OF PAYMENT AUTHORITY.—No refund or credit shall be made or allowed under this subsection after December 31, 2020.

"(4) PRIOR-YEAR BASE AMOUNT.—For purposes of this subsection, the term 'prior-year base amount' means the base amount determined under subsection (b) with respect to—

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"(A) the taxpayer's first taxable year beginning in 2019, or

"(B) if information regarding such taxable year is not available to the Secretary, the taxpayer's first taxable year beginning in 2018.

"(5) COORDINATION WITH PAYMENTS TO SOCIAL SECURITY ADMINISTRATION RECIPIENTS.—This subsection shall not apply with respect to any taxpayer entitled to a payment under section 202 of the Emergency Pension Plan Relief Act of 2020.

"(6) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this section.

"(7) INFORMATION PROVIDED TO TAXPAYERS.—As soon as practicable, the Secretary shall—

"(A) make best efforts to inform every taxpayer that amounts received pursuant to this subsection may be subject to recapture under subsection (g)(2), and

"(B) develop an Internet tool allowing taxpayer's to determine the amount of such recapture using input from the taxpayer.

"(i) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary

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or appropriate to carry out the purposes of this section, including—

''(1) regulations or other guidance providing for proper determination of adjusted gross income in the case of an individual whose filing status changes between the taxable years taken into account under this section and in the case of any taxable year which is less than 12 months,

''(2) regulations or other guidance providing taxpayers with respect to whom information for neither taxable year described in subsection (h)(4) is available to the Secretary the opportunity to provide the Secretary information sufficient to allow the Secretary to determine the amount of the credit or refund for such taxpayer under subsection (h), and

''(3) regulations or other guidance providing for proper determination of the treatment of households that include an eligible individual (as defined in section 202(b) of the Emergency Pension Plan Relief Act of 2020).

''(j) OUTREACH.—The Secretary shall carry out a robust and comprehensive outreach program to ensure that all taxpayers described in subsection (i)(2) learn of their eligibility for the advance refunds and credits under subsection (h); are advised of the opportunity to receive such

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advance refunds and credits as provided under subsection (i)(2), and provided assistance in applying for such credits. In conducting this outreach, the Secretary shall coordinate with other government, state, and local agencies; federal partners; and community-based nonprofit organizations that regularly interface with those taxpayers so described.''.

(b) TREATMENT OF CERTAIN POSSESSIONS.—

(1) PAYMENTS TO POSSESSIONS WITH MIRROR CODE TAX SYSTEMS.—The Secretary of the Treasury shall pay to each possession of the United States which has a mirror code tax system amounts equal to the loss (if any) to that possession by reason of the amendments made by this section. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

(2) PAYMENTS TO OTHER POSSESSIONS.—The Secretary of the Treasury shall pay to each possession of the United States which does not have a mirror code tax system amounts estimated by the Secretary of the Treasury as being equal to the aggregate benefits (if any) that would have been provided to residents of such possession by reason of the amendments made by this section if a mirror code

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tax system had been in effect in such possession. The preceding sentence shall not apply unless the respective possession has a plan, which has been approved by the Secretary of the Treasury, under which such possession will promptly distribute such payments to its residents.

(3) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—No credit shall be allowed against United States income taxes under section 6431 of the Internal Revenue Code of 1986 (as amended by this section), nor shall any credit or refund be made or allowed under subsection (h) of such section, to any person—

(A) to whom a credit is allowed against taxes imposed by the possession by reason of the amendments made by this section, or

(B) who is eligible for a payment under a plan described in paragraph (2).

(4) MIRROR CODE TAX SYSTEM.—For purposes of this subsection, the term ''mirror code tax system'' means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by

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reference to the income tax laws of the United States as if such possession were the United States.

(c) ADMINISTRATIVE PROVISIONS.—

(1) DEFINITION OF DEFICIENCY.—Section 6211(b)(4)(A) of the Internal Revenue Code of 1986 is amended by striking ''168(k)(4)'' and inserting ''168(k)(4), and 6431''.

(2) MATHEMATICAL OR CLERICAL ERROR AUTHORITY.—Section 6213(g)(2) of such Code is amended—

(A) by inserting ''or section 6431 (relating to economic assistance payments to individuals)'' before the comma at the end of subparagraph (H), and

(B) by striking ''or 32'' in subparagraph (L) and inserting ''32, or 6431''.

(3) EXEMPTION FROM OFFSETS.—So much of any overpayment, credit, refund, or payment as is attributable to the application of section 6431 of the Internal Revenue Code of 1986 shall not be subject to reduction, offset, or levy under section 6331 or subsections (c), (d), (e), or (f) of section 6402 of such Code or under section 3716 or 3720A of title 31, United States Code.

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(4) TREATMENT OF CREDIT AND ADVANCE PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any credit under section 6431(a) of the Internal Revenue Code of 1986, any credit or refund under section 6431(h) of such Code, and any payment under subsection (b) of this Act, shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section 1324.

(d) APPROPRIATIONS TO CARRY OUT THIS SECTION.—

(1) IN GENERAL.—Immediately upon the enactment of this Act, the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 2020—

(A) For an additional amount for ''Department of the Treasury—Bureau of Fiscal Services—Salaries and Expenses'', $78,600,000, to remain available until December 31, 2020.

(B) For an additional amount for ''Department of the Treasury—Internal Revenue Service—Taxpayer Services'', $301,000,000, to remain available until December 31, 2020.

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(C) For an additional amount for ''Department of the Treasury—Internal Revenue Service—Enforcement'', $37,200,000, to remain available until December 31, 2020.

(D) For an additional amount for ''Department of the Treasury—Internal Revenue Service—Operations Support'', $8,000,000, to remain available until December 31, 2020.

(2) REPORTS.—No later than 15 days after enactment of this Act, the Secretary of the Treasury shall submit a plan to the Committees on Appropriations of the House of Representatives and the Senate detailing the expected use of the funds provided by paragraph (1)(A). Beginning 90 days after enactment of this Act, the Secretary of the Treasury shall submit a quarterly report to the Committees on Appropriations of the House of Representatives and the Senate detailing the actual expenditure of funds provided by paragraph (1)(A) and the expected expenditure of such funds in the subsequent quarter.

SEC. 202. ECONOMIC ASSISTANCE PAYMENTS TO CERTAIN FEDERAL BENEFICIARIES.

(a) PAYMENT AUTHORITIES AND AMOUNTS.—

(1) BASE AMOUNT PAYMENTS.—Subject to subsection (c), the Secretary of the Treasury shall dis-

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burse a base amount payment to each individual who, as of the date of the enactment of this Act, is an eligible individual. Such payment shall be in the amount that would be paid under section 6431(b) of the Internal Revenue Code of 1986 for a single taxpayer with no qualifying children.

(2) INCOME SUPPLEMENT AMOUNT PAYMENTS.—Subject to subsection (c), the Secretary of the Treasury shall disburse income supplement amount payments to each individual who, as of the date of the enactment of this Act, is an eligible individual. The total of such payments to each such individual shall equal the amount defined in 6431(c)(1)(B)(ii) for a single taxpayer with no qualifying children.

(b) ELIGIBLE INDIVIDUAL.—

(1) IN GENERAL.—For purposes of subsection (a), an ''eligible individual'' is an individual who, for the last month that ends prior to the date of enactment of this Act—

(A) is entitled to a social security insurance benefit described in paragraph (2); or

(B) is eligible for a supplemental security income benefit described in paragraph (3).

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(2) SOCIAL SECURITY BENEFIT DESCRIBED.—For purposes of paragraph (1), a social security insurance benefit described in this paragraph is any monthly insurance benefit payable under title II of the Social Security Act (42 U.S.C. 401 et seq.) (other than child's insurance benefits payable under section 202(d)(1)(B)(i) of such Act (42 U.S.C. 402(d)(1)(B)(i)), including payments made pursuant to subsections (g) or (i)(7) of section 223 of such Act (42 U.S.C. 423).

(3) SUPPLEMENTAL SECURITY INCOME BENEFIT DESCRIBED.—For purposes of paragraph (1), a supplemental security income benefit described in this paragraph is a monthly benefit payable under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.) (other than a benefit to an individual described in section 1611(e)(1)(B) or section 1614(a)(3)(C) of such Act (42 U.S.C. 1382(e)(1)(B); 1382c(a)(3)(C)), including—

(A) payments made pursuant to section 1619(a) (42 U.S.C. 1382h) or subsections (a)(4), (a)(7), or (p)(7) of section 1631 (42 U.S.C. 1383) of such Act; and

(B) State supplementary payments of the type referred to in section 1616(a) of such Act

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(42 U.S.C. 1382e(a)) (or payments of the type described in section 212(a) of Public Law 93–66) which are paid by the Commissioner under an agreement referred to in such section 1616(a) (or section 212(a) of Public Law 93–66).

(4) LIMITATION.—Notwithstanding paragraph (1), no individual shall be considered an eligible individual for purposes of subsection (a) if, for the last month that ends prior to the date of enactment of this Act—

(A) the individual is entitled to a social security insurance benefit described in paragraph (2) that was not payable for such month by reason of subsection (x) or (y) of section 202 the Social Security Act (42 U.S.C. 402) or section 1129A of such Act (42 U.S.C. 1320a–8a); or

(B) the individual is eligible for a supplemental security income benefit described in paragraph (3) that was not payable for such month by reason of subsection (e)(1)(A) or (e)(4) of section 1611 (42 U.S.C. 1382) or section 1129A of such Act (42 U.S.C. 1320a–8a).

(c) LIMITATIONS ON PAYMENTS.—

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(1) RESIDENCY REQUIREMENT.—A payment under this section shall be made only to individuals who reside in 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa, or the Northern Mariana Islands, or who are utilizing a foreign or domestic Army Post Office or Fleet Post Office address. For purposes of the preceding sentence, the determination of the individual's residence shall be based on the address of record, as of the date of certification under subsection (d) for a payment under this section, under a program specified in paragraph (b).

(2) TIMING AND MANNER OF PAYMENTS.—

(A) TIMING OF BASE AMOUNT PAYMENT.—The Secretary of the Treasury shall commence disbursing payments under subsection (a)(1) at the earliest practicable date but in no event later than 90 days after the date of enactment of this Act.

(B) TIMING OF INCOME SUPPLEMENT AMOUNT PAYMENTS.—The Secretary of the Treasury shall disburse payments under subsection (a)(2) on a periodic basis in coordination with the timing of refunds and credits

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made under section 6431(h)(3)(B) of the Internal Revenue Code of 1986.

(C) ELECTRONIC DISBURSEMENT.—The Secretary of the Treasury may disburse any payment electronically to an individual in such manner as if such payment were a benefit payment made to such individual under the applicable program described in paragraph (2) or (3) of subsection (b).

(D) NOTICES.—The Commissioner of Social Security shall send one or more notices, as appropriate, in connection with such payments. Such notices shall include the information described in section 6431(h)(7)(A) of the Internal Revenue Code of 1986 relating to such payments being subject to recapture.

(d) IDENTIFICATION OF RECIPIENTS.—The Commissioner of Social Security shall certify the individuals entitled to receive payments under this section and provide the Secretary of the Treasury with the information needed to disburse such payments. A certification of an individual for payment shall be unaffected by any subsequent determination or redetermination of the individual's entitlement to, or eligibility for, a benefit specified in paragraph (2) or (3) of subsection (b).

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(e) TREATMENT OF PAYMENTS.—

(1) PAYMENT DISREGARDED FOR PURPOSES OF ALL FEDERAL AND FEDERALLY ASSISTED PROGRAMS.—A payment under subsection (a) shall not be regarded as income or as a resource for any month for purposes of determining the eligibility of the recipient (or the recipient's spouse or family) for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

(2) PAYMENT NOT CONSIDERED INCOME FOR PURPOSES OF TAXATION.—A payment under subsection (a) shall not be considered as gross income for purposes of the Internal Revenue Code of 1986.

(3) PAYMENTS PROTECTED FROM ASSIGNMENT.—The provisions of sections 207 and 1631(d)(1) of the Social Security Act (42 U.S.C. 407, 1383(d)(1)) shall apply to any payment made under subsection (a) as if such payment was a benefit payment made to such individual under the applicable program described in paragraph (2) or (3) of subsection (b).

(4) PAYMENTS PROTECTED FROM OFFSET AND RECLAMATION.—Notwithstanding paragraph (3), a

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payment under subsection (a) shall not be subject to any reduction, offset, or levy pursuant to—

(A) section 3716 or 3720A of title 31, United States Code;

(B) section 6331 of the Internal Revenue Code of 1986; or

(C) subsection (c), (d), (e), or (f) of section 6402 of the Internal Revenue Code of 1986.

(f) PAYMENT TO REPRESENTATIVE PAYEES.—

(1) IN GENERAL.—In any case in which an individual who is entitled to a payment under subsection (a) and whose benefit described in subsection (b) is paid to a representative payee, the payment under subsection (a) shall be made to the individual's representative payee and the entire payment shall be used only for the benefit of the individual who is entitled to the payment.

(2) ENFORCEMENT.—Section 1129(a)(3) of the Social Security Act (42 U.S.C. 1320a-8(a)(3)) shall apply to any payment under subsection (a) in the same manner as such section applies to a payment under title II or XVI of such Act.

(g) COORDINATION.—The Secretary of the Treasury and the Commissioner of Social Security shall coordinate

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with respect to any payments made under this section or section 6431(h) of the Internal Revenue Code of 1986.

(h) APPROPRIATION.—Out of any money in the Treasury not otherwise appropriated, there is appropriated to the Commissioner of Social Security such sums as may be necessary for payments to individuals certified by the Commissioner of Social Security as entitled to receive a payment under this section, to remain available until expended.

Subtitle B—Earned Income Tax Credit

SEC. 211. STRENGTHENING THE EARNED INCOME TAX CREDIT FOR INDIVIDUALS WITH NO QUALIFYING CHILDREN.

(a) SPECIAL RULES FOR 2020 AND 2021.—Section 32 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(n) SPECIAL RULES FOR INDIVIDUALS WITHOUT QUALIFYING CHILDREN.—In the case of any taxable year beginning in 2020 or 2021—

"(1) DECREASE IN MINIMUM AGE FOR CREDIT.—

"(A) IN GENERAL.—Subsection (c)(1)(A)(ii)(II) shall be applied by substituting 'the applicable minimum age' for 'age 25'.

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"(B) APPLICABLE MINIMUM AGE.—For purposes of this paragraph, the term 'applicable minimum age' means—

"(i) except as otherwise provided in this subparagraph, age 19,

"(ii) in the case of a full-time student (other than a qualified former foster youth or a qualified homeless youth), age 25, and

"(iii) in the case of a qualified former foster youth or qualified homeless youth, age 18.

"(C) FULL-TIME STUDENT.—For purposes of this paragraph, the term 'full-time student' means, with respect to any taxable year, an individual who is an eligible student (as defined in section 25A(b)(3)) during at least 5 calendar months during the taxable year.

"(D) QUALIFIED FORMER FOSTER YOUTH.—For purposes of this paragraph, the term 'qualified former foster youth' means an individual who—

"(i) on or after the date that such individual attained age 14, was in foster care provided under the supervision or administration of a State or tribal agency admin-

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istering (or eligible to administer) a plan under part B or part E of the Social Security Act (without regard to whether Federal assistance was provided with respect to such child under such part E), and

"(ii) provides (in such manner as the Secretary may provide) consent for State and tribal agencies which administer a plan under part B or part E of the Social Security Act to disclose to the Secretary information related to the status of such individual as a qualified former foster youth.

"(E) QUALIFIED HOMELESS YOUTH.—For purposes of this paragraph, the term 'qualified homeless youth' means, with respect to any taxable year, an individual who—

"(i) is certified by a local educational agency or a financial aid administrator during such taxable year as being either an unaccompanied youth who is a homeless child or youth, or as unaccompanied, at risk of homelessness, and self-supporting. Terms used in the preceding sentence which are also used in section 480(d)(1) of

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the Higher Education Act of 1965 shall have the same meaning as when used in such section, and

"(ii) provides (in such manner as the Secretary may provide) consent for local educational agencies and financial aid administrators to disclose to the Secretary information related to the status of such individual as a qualified homeless youth.

"(2) INCREASE IN MAXIMUM AGE FOR CREDIT.—Subsection (c)(1)(A)(ii)(II) shall be applied by substituting 'age 66' for 'age 65'.

"(3) INCREASE IN CREDIT AND PHASEOUT PERCENTAGES.—The table contained in subsection (b)(1) shall be applied by substituting '15.3' for '7.65' each place it appears therein.

"(4) INCREASE IN EARNED INCOME AND PHASEOUT AMOUNTS.—

"(A) IN GENERAL.—The table contained in subsection (b)(2)(A) shall be applied—

"(i) by substituting '$9,570' for '$4,220', and

"(ii) by substituting '$11,310' for '$5,280'.

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"(B) COORDINATION WITH INFLATION ADJUSTMENT.—

"(i) IN GENERAL.—In the case of any taxable year beginning after 2019, the $9,570 and $11,310 amounts in subparagraph (A) shall each be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2018' for '2016' in subparagraph (A)(ii) thereof.

"(ii) ROUNDING.—If any increase under clause (i) is not a multiple of $10, such increase shall be rounded to the nearest multiple of $10.

"(iii) COORDINATION WITH OTHER INFLATION ADJUSTMENT.—Subsection (j) shall not apply to any dollar amount specified in this paragraph.".

(b) INFORMATION RETURN MATCHING.—As soon as practicable, the Secretary of the Treasury (or the Sec-

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retary's delegate) shall develop and implement procedures for checking an individual's claim for a credit under section 32 of the Internal Revenue Code of 1986, by reason of subsection (n)(1) thereof, against any information return made with respect to such individual under section 6050S (relating to returns relating to higher education tuition and related expenses).

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 212. TAXPAYER ELIGIBLE FOR CHILDLESS EARNED INCOME CREDIT IN CASE OF QUALIFYING CHILDREN WHO FAIL TO MEET CERTAIN IDENTIFICATION REQUIREMENTS.

(a) IN GENERAL.—Section 32(c)(1) of the Internal Revenue Code of 1986 is amended by striking subparagraph (F).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 213. CREDIT ALLOWED IN CASE OF CERTAIN SEPARATED SPOUSES.

(a) IN GENERAL.—Section 32(d) of the Internal Revenue Code of 1986 is amended—

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(1) by striking ''MARRIED INDIVIDUALS.—In the case of'' and inserting the following: ''MARRIED INDIVIDUALS.—

''(1) IN GENERAL.—In the case of'', and

(2) by adding at the end the following new paragraph:

''(2) DETERMINATION OF MARITAL STATUS.—For purposes of this section—

''(A) IN GENERAL.—Except as provided in subparagraph (B), marital status shall be determined under section 7703(a).

''(B) SPECIAL RULE FOR SEPARATED SPOUSE.—An individual shall not be treated as married if such individual—

''(i) is married (as determined under section 7703(a)) and does not file a joint return for the taxable year,

''(ii) lives with a qualifying child of the individual for more than one-half of such taxable year, and

''(iii)(I) during the last 6 months of such taxable year, does not have the same principal place of abode as the individual's spouse, or

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"(II) has a decree, instrument, or agreement (other than a decree of divorce) described in section 121(d)(3)(C) with respect to the individual's spouse and is not a member of the same household with the individual's spouse by the end of the taxable year.".

(b) CONFORMING AMENDMENTS.—

(1) Section 32(c)(1)(A) of such Code is amended by striking the last sentence.

(2) Section 32(c)(1)(E)(ii) of such Code is amended by striking "(within the meaning of section 7703)".

(3) Section 32(d)(1) of such Code, as amended by subsection (a), is amended by striking "(within the meaning of section 7703)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 214. ELIMINATION OF DISQUALIFIED INVESTMENT INCOME TEST.

(a) IN GENERAL.—Section 32 of the Internal Revenue Code of 1986 is amended by striking subsection (i).

(b) CONFORMING AMENDMENTS.—

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(1) Section 32(j)(1) of such Code is amended by striking ''subsections (b)(2) and (i)(1)'' and inserting ''subsection (b)(2)''.

(2) Section 32(j)(1)(B)(i) of such Code is amended by striking ''subsections (b)(2)(A) and (i)(1)'' and inserting ''subsection (b)(2)(A)''.

(3) Section 32(j)(2) of such Code is amended—

(A) by striking subparagraph (B), and

(B) by striking ''ROUNDING.—'' and all that follows through ''If any dollar amount'' and inserting the following: ''ROUNDING.—If any dollar amount''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 215. APPLICATION OF EARNED INCOME TAX CREDIT IN POSSESSIONS OF THE UNITED STATES.

(a) IN GENERAL.—Chapter 77 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

''SEC. 7530. APPLICATION OF EARNED INCOME TAX CREDIT TO POSSESSIONS OF THE UNITED STATES.

''(a) PUERTO RICO.—

''(1) IN GENERAL.—With respect to calendar year 2021 and each calendar year thereafter, the

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Secretary shall, except as otherwise provided in this subsection, make payments to Puerto Rico equal to—

"(A) the specified matching amount for such calendar year, plus

"(B) in the case of calendar years 2021 through 2025, the lesser of—

"(i) the expenditures made by Puerto Rico during such calendar year for education efforts with respect to individual taxpayers and tax return preparers relating to the earned income tax credit, or

"(ii) $1,000,000.

"(2) REQUIREMENT TO REFORM EARNED INCOME TAX CREDIT.—The Secretary shall not make any payments under paragraph (1) with respect to any calendar year unless Puerto Rico has in effect an earned income tax credit for taxable years beginning in or with such calendar year which (relative to the earned income tax credit which was in effect for taxable years beginning in or with calendar year 2019) increases the percentage of earned income which is allowed as a credit for each group of individuals with respect to which such percentage is sep-

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arately stated or determined in a manner designed to substantially increase workforce participation.

"(3) SPECIFIED MATCHING AMOUNT.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'specified matching amount' means, with respect to any calendar year, the lesser of—

"(i) the excess (if any) of—

"(I) the cost to Puerto Rico of the earned income tax credit for taxable years beginning in or with such calendar year, over

"(II) the base amount for such calendar year, or

"(ii) the product of 3, multiplied by the base amount for such calendar year.

"(B) BASE AMOUNT.—

"(i) BASE AMOUNT FOR 2021.—In the case of calendar year 2021, the term 'base amount' means the greater of—

"(I) the cost to Puerto Rico of the earned income tax credit for taxable years beginning in or with calendar year 2019 (rounded to the nearest multiple of $1,000,000), or

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"(II) $200,000,000.

"(ii) INFLATION ADJUSTMENT.—In the case of any calendar year after 2021, the term 'base amount' means the dollar amount determined under clause (i) increased by an amount equal to—

"(I) such dollar amount, multiplied by—

"(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2020' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any amount determined under this clause shall be rounded to the nearest multiple of $1,000,000.

"(4) RULES RELATED TO PAYMENTS AND REPORTS.—

"(A) TIMING OF PAYMENTS.—The Secretary shall make payments under paragraph (1) for any calendar year—

"(i) after receipt of the report described in subparagraph (B) for such calendar year, and

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"(ii) except as provided in clause (i), within a reasonable period of time before the due date for individual income tax returns (as determined under the laws of Puerto Rico) for taxable years which began on the first day of such calendar year.

"(B) ANNUAL REPORTS.—With respect to calendar year 2021 and each calendar year thereafter, Puerto Rico shall provide to the Secretary a report which shall include—

"(i) an estimate of the costs described in paragraphs (1)(B)(i) and (3)(A)(i)(I) with respect to such calendar year, and

"(ii) a statement of such costs with respect to the preceding calendar year.

"(C) ADJUSTMENTS.—

"(i) IN GENERAL.—In the event that any estimate of an amount is more or less than the actual amount as later determined and any payment under paragraph (1) was determined on the basis of such estimate, proper payment shall be made by, or to, the Secretary (as the case may be) as soon as practicable after the determination that such estimate was inac-

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curate. Proper adjustment shall be made in the amount of any subsequent payments made under paragraph (1) to the extent that proper payment is not made under the preceding sentence before such subsequent payments.

''(ii) ADDITIONAL REPORTS.—The Secretary may require such additional periodic reports of the information described in subparagraph (B) as the Secretary determines appropriate to facilitate timely adjustments under clause (i).

''(D) DETERMINATION OF COST OF EARNED INCOME TAX CREDIT.—For purposes of this subsection, the cost to Puerto Rico of the earned income tax credit shall be determined by the Secretary on the basis of the laws of Puerto Rico and shall include reductions in revenues received by Puerto Rico by reason of such credit and refunds attributable to such credit, but shall not include any administrative costs with respect to such credit.

''(E) PREVENTION OF MANIPULATION OF BASE AMOUNT.—No payments shall be made under paragraph (1) if the earned income tax

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credit as in effect in Puerto Rico for taxable years beginning in or with calendar year 2019 is modified after the date of the enactment of this subsection.

''(b) POSSESSIONS WITH MIRROR CODE TAX SYSTEMS.—

''(1) IN GENERAL.—With respect to calendar year 2021 and each calendar year thereafter, the Secretary shall, except as otherwise provided in this subsection, make payments to the Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands equal to—

''(A) 75 percent of the cost to such possession of the earned income tax credit for taxable years beginning in or with such calendar year, plus

''(B) in the case of calendar years 2021 through 2025, the lesser of—

''(i) the expenditures made by such possession during such calendar year for education efforts with respect to individual taxpayers and tax return preparers relating to such earned income tax credit, or

''(ii) $50,000.

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"(2) APPLICATION OF CERTAIN RULES.—Rules similar to the rules of subparagraphs (A), (B), (C), and (D) of subsection (a)(4) shall apply for purposes of this subsection.

"(c) AMERICAN SAMOA.—

"(1) IN GENERAL.—With respect to calendar year 2021 and each calendar year thereafter, the Secretary shall, except as otherwise provided in this subsection, make payments to American Samoa equal to—

"(A) the lesser of—

"(i) 75 percent of the cost to American Samoa of the earned income tax credit for taxable years beginning in or with such calendar year, or

"(ii) $12,000,000, plus

"(B) in the case of calendar years 2021 through 2025, the lesser of—

"(i) the expenditures made by American Samoa during such calendar year for education efforts with respect to individual taxpayers and tax return preparers relating to such earned income tax credit, or

"(ii) $50,000.

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"(2) REQUIREMENT TO ENACT AND MAINTAIN AN EARNED INCOME TAX CREDIT.—The Secretary shall not make any payments under paragraph (1) with respect to any calendar year unless American Samoa has in effect an earned income tax credit for taxable years beginning in or with such calendar year which allows a refundable tax credit to individuals on the basis of the taxpayer's earned income which is designed to substantially increase workforce participation.

"(3) INFLATION ADJUSTMENT.—In the case of any calendar year after 2021, the $12,000,000 amount in paragraph (1)(A)(ii) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by—

"(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2020' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any increase determined under this clause shall be rounded to the nearest multiple of $100,000.

"(4) APPLICATION OF CERTAIN RULES.—Rules similar to the rules of subparagraphs (A), (B), (C),

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and (D) of subsection (a)(4) shall apply for purposes of this subsection.

''(d) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, the payments under this section shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 of such Code is amended by adding at the end the following new item:

''Sec. 7529. Application of earned income tax credit to possessions of the United States.''.

Subtitle C—Child Tax Credit

SEC. 221. CHILD TAX CREDIT FULLY REFUNDABLE FOR 2020 THROUGH 2025.

(a) IN GENERAL.—Section 24(h)(5) of the Internal Revenue Code of 1986 is amended to read as follows:

''(5) REFUNDABLE CREDIT.—The increase determined under the first sentence of subsection (d)(1) shall be the amount determined under subparagraph (A) of such subsection (determined without regard to paragraph (4) of this subsection).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

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SEC. 222. APPLICATION OF CHILD TAX CREDIT IN POSSESSIONS.

(a) IN GENERAL.—Section 24 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(i) APPLICATION OF CREDIT IN POSSESSIONS.—

''(1) MIRROR CODE POSSESSIONS.—

''(A) IN GENERAL.—The Secretary shall pay to each possession of the United States with a mirror code tax system amounts equal to the loss to that possession by reason of the application of this section (determined without regard to this subsection) with respect to taxable years beginning after 2019. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

''(B) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—No credit shall be allowed under this section for any taxable year to any individual to whom a credit is allowable against taxes imposed by a possession with a mirror code tax system by reason of the application of this section in such possession for such taxable year.

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"(C) MIRROR CODE TAX SYSTEM.—For purposes of this paragraph, the term 'mirror code tax system' means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by reference to the income tax laws of the United States as if such possession were the United States.

"(2) PUERTO RICO.—In the case of any bona fide resident of Puerto Rico (within the meaning of section 937(a))—

"(A) the credit determined under this section shall be allowable to such resident,

"(B) in the case of any taxable year beginning after December 31, 2021, and before January 1, 2027, the increase determined under the first sentence of subsection (d)(1) shall be the lesser of—

"(i) the amount determined under subsection (d)(1)(A) (determined without regard to subsection (h)(4)), or

"(ii) the dollar amount in effect under subsection (h)(5), and

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"(C) in the case of any taxable year after December 31, 2026, the increase determined under the first sentence of subsection (d)(1) shall be the amount determined under subsection (d)(1)(A).

"(3) AMERICAN SAMOA.—

"(A) IN GENERAL.—The Secretary shall pay to American Samoa amounts estimated by the Secretary as being equal to the aggregate benefits that would have been provided to residents of American Samoa by reason of the application of this section for taxable years beginning after 2019 if the provisions of this section had been in effect in American Samoa.

"(B) DISTRIBUTION REQUIREMENT.—Subparagraph (A) shall not apply unless American Samoa has a plan, which has been approved by the Secretary, under which American Samoa will promptly distribute such payments to the residents of American Samoa in a manner which replicates to the greatest degree practicable the benefits that would have been so provided to each such resident.

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"(C) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—

"(i) IN GENERAL.—In the case of a taxable year with respect to which a plan is approved under subparagraph (B), this section (other than this subsection) shall not apply to any individual eligible for a distribution under such plan.

"(ii) APPLICATION OF SECTION IN EVENT OF ABSENCE OF APPROVED PLAN.—In the case of a taxable year with respect to which a plan is not approved under subparagraph (B), rules similar to the rules of paragraph (2) shall apply with respect to bona fide residents of American Samoa (within the meaning of section 937(a)).

"(4) TREATMENT OF PAYMENTS.—The payments made under this subsection shall be treated in the same manner for purposes of section 1324(b)(2) of title 31, United States Code, as refunds due from the credit allowed under this section.".

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(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 223. INCREASED CHILD TAX CREDIT FOR CHILDREN WHO HAVE NOT ATTAINED AGE 6.

(a) IN GENERAL.—Section 24(h)(2) of the Internal Revenue Code of 1986 is amended to read to as follows:

''(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting '$2,000 ($3,600 in the case of a qualifying child who has not attained age 6 as of the close of the calendar year in which the taxable year of the taxpayer begins)' for '$1,000' ''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

Subtitle D—Dependent Care Assistance

SEC. 231. REFUNDABILITY AND ENHANCEMENT OF CHILD AND DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—Section 21 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(g) SPECIAL RULES FOR 2020 AND 2021.—In the case of any taxable year beginning in 2020 or 2021—

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"(1) CREDIT MADE REFUNDABLE.—In the case of an individual other than a nonresident alien, the credit allowed under subsection (a) shall be treated as a credit allowed under subpart C (and not allowed under this subpart).

"(2) INCREASE IN APPLICABLE PERCENTAGE.—Subsection (a)(2) shall be applied—

"(A) by substituting '50 percent' for '35 percent ', and

"(B) by substituting '$120,000' for '$15,000'.

"(3) INCREASE IN DOLLAR LIMIT ON AMOUNT CREDITABLE.—Subsection (c) shall be applied—

"(A) by substituting '$6,000' for '$3,000' in paragraph (1) thereof, and

"(B) by substituting 'twice the amount in effect under paragraph (1)' for '$6,000' in paragraph (2) thereof.

"(4) INFLATION ADJUSTMENT OF DOLLAR AMOUNTS.—In the case of any taxable year beginning after 2020, the $120,000 amount in paragraph (2)(B) and the $6,000 amount in paragraph (3)(A) shall each be increased by an amount equal to—

"(A) such dollar amount, multiplied by

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"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2019' for '2016' in subparagraph (A)(ii) thereof.

If any increase determined under this paragraph is not a multiple of $100, such increase shall be rounded to the next lowest multiple of $100.

"(5) INCOME LIMITATION.—

"(A) IN GENERAL.—Paragraphs (1) through (4) of this subsection shall not apply to any taxpayer for any taxable year if the modified adjusted gross income of such taxpayer for such taxable year exceeds $1,000,000.

"(B) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.".

(b) CONFORMING AMENDMENT.—Section 1324(b)(2) of title 31, United States Code, is amended by inserting "21 (by reason of subsection (g) thereof)," before "25A".

(c) COORDINATION WITH POSSESSION TAX SYSTEMS.—Section 21(g)(1) of the Internal Revenue Code of

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1986 (as added by this section) shall not apply to any person—

(1) to whom a credit is allowed against taxes imposed by a possession with a mirror code tax system by reason of the application of section 21 of such Code in such possession for such taxable year, or

(2) to whom a credit would be allowed against taxes imposed by a possession which does not have a mirror code tax system if the provisions of section 21 of such Code had been in effect in such possession for such taxable year.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 232. INCREASE IN EXCLUSION FOR EMPLOYER-PROVIDED DEPENDENT CARE ASSISTANCE.

(a) IN GENERAL.—Section 129(a)(2) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(D) SPECIAL RULE FOR 2021 AND 2022.—In the case of any taxable year beginning in 2021 or 2022—

"(i) IN GENERAL.—Subparagraph (A) shall be applied be substituting '$10,500

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(half such dollar amount' for '$5,000 ($2,500'.

''(ii) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2021, the $10,500 amount in clause (i) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2020' for '2016' in subparagraph (A)(ii) thereof.

Any increase determined under the preceding sentence which is not a multiple of $50, shall be rounded to the nearest multiple of $50.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2020.

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Subtitle E—Net Operating Losses

SEC. 241. FIVE-YEAR CARRYBACK OF NET OPERATING LOSSES AND TEMPORARY SUSPENSION OF TAXABLE INCOME LIMITATION.

(a) IN GENERAL.—Section 172 of the Internal Revenue Code of 1986 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) SPECIAL RULES FOR 2018, 2019, and 2020.—For purposes of this section—

''(1) FIVE-YEAR CARRYBACK.—

''(A) IN GENERAL.—Any net operating loss arising in a taxable year beginning after December 31, 2017, and before January 1, 2021—

''(i) shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss (but not to any taxable year beginning before January 1, 2015), and

''(ii) subparagraphs (B) and (C)(i) of subsection (b)(1) shall not apply.

''(B) ELECTION OUT.—A taxpayer may elect not to have subparagraph (A) apply for any taxable year. Such election shall be made in

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such manner as may be prescribed by the Secretary, and shall be made—

"(i) in the case of any election relating to a net operating loss arising in a taxable year beginning in 2018 or 2019, by the due date (including extension of time) for filing the return for the taxpayer's first taxable year ending after the date of the enactment of this subparagraph.

"(ii) in the case of any election relating to a net operating loss arising in a taxable year beginning in 2020, by the due date (including extensions of time) for such taxable year.

Any such election, once made, shall be irrevocable.

"(2) SUSPENSION OF NET OPERATING LOSS LIMITATION.—For taxable years beginning after December 31, 2017, and before January 1, 2021, the amount of the deduction allowed under subsection (a) shall be the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year.

"(3) DISQUALIFIED TAXPAYER.—Paragraphs (1) and (2) shall not apply with respect to any tax-

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able year in which the taxpayer is a disqualified taxpayer. Any taxpayer who is a disqualified taxpayer in the first taxable year ending after the date of the enactment of this paragraph, shall be treated as a disqualified taxpayer for taxable years beginning on or after January 1, 2018.

''(4) DEFINITIONS.—For purposes of this subsection—

''(A) DISQUALIFIED TAXPAYER.—A taxpayer is a disqualified taxpayer with respect to a taxable year if—

''(i) in the case of a taxable year ending after December 31, 2019, and beginning before January 1, 2021, the taxpayer (or any related person) is not allowed a deduction under this chapter for the taxable year by reason of section 162(m) or section 280G, or

''(ii) the taxpayer (or any related person) is a specified corporation for the taxable year.

''(B) SPECIFIED CORPORATION.—

''(i) IN GENERAL.—The term 'specified corporation' means, with respect to any taxable year, a corporation the aggre-

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gate distributions (including redemptions) of which during any taxable year ending after December 31, 2017, exceed the sum of applicable stock issued of such corporation and 5 percent of the fair market value of the stock of such corporation as of the last day of the taxable year.

''(ii) APPLICABLE STOCK ISSUED.—The term 'applicable stock issued' means, with respect to any corporation, the aggregate value of stock issued by the corporation during any taxable year ending after December 31, 2017, in exchange for money or property other than stock in such corporation.

''(iii) CERTAIN PREFERRED STOCK DISREGARDED.—For purposes of clause (i), stock described in section 1504(a)(4), and distributions (including redemptions) with respect to such stock, shall be disregarded.

''(C) RELATED PERSON.—A person is a related person to a taxpayer if the related person bears a relationship to the taxpayer specified in section 267(b) or section 707(b)(1).

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''(5) SPECIAL RULE FOR LIFE INSURANCE COMPANIES.—In the case of a net operating loss of a life insurance company which arises in a taxable year beginning after December 31, 2017, and before January 1, 2021, and which is a net operating loss carryback to a taxable year beginning before January 1, 2018, such net operating loss shall be treated as an operations loss deduction under subchapter L (as in effect before the enactment of Public Law 115–97) with respect to such taxable year in the same manner as a loss arising in a taxable year beginning before January 1, 2018.''.

(b) COORDINATION WITH TAXABLE YEAR FOR WHICH DEFERRED FOREIGN INCOME TREATED AS SUBPART F INCOME.—Section 965(n) of such Code is amended by adding at the end the following new paragraph:

''(4) DEEMED ELECTION IN CASE OF CERTAIN NET OPERATING LOSS CARRYBACKS.—In the case of a net operating loss carryback to such taxable year by reason of section 172(g)(1), the taxpayer shall be treated as having elected the application of this subsection for such taxable year.''.

(c) CONFORMING AMENDMENT.—Section 172(b)(1) of such Code is amended by inserting ''and subsection (g)'' after ''this paragraph''.

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(d) REGULATORY AUTHORITY.—The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as are necessary or appropriate to prevent the abuse of the purposes of the amendments made by this section, including—

(1) anti-stuffing rules, anti-churning rules (including rules relating to sale-leasebacks), and rules similar to the rules under section 1091 of the Internal Revenue Code of 1986 relating to losses from wash sales,

(2) rules applying this subsection to successor corporations and in cases where a taxpayer becomes, or ceases to be, a member of an affiliated group filing a consolidated return under section 1501 of such Code,

(3) rules treating members of an affiliated group filing a consolidated return under section 1501 of such Code as a single corporation, and

(4) rules to prevent the avoidance of this section through related parties, pass-through entities, and intermediaries.

(e) SPECIAL RULES.—Rules similar to the rules of subparagraphs (B) and (D) of section 172(b)(1) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of Public Law 115–97,

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shall apply to any net operating loss to which the amendment made by this section applies. The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as are necessary or appropriate to effect the purposes of such subparagraphs with respect to any such net operating losses.

(f) EFFECTIVE DATE.—

(1) NET OPERATING LOSS LIMITATION.—Except as provided in paragraph (2), the amendments made by subsections (a) shall apply to—

(A) taxable years beginning after December 31, 2017, and

(B) taxable years beginning on or before December 31, 2017, to which net operating losses arising in taxable years beginning after December 31, 2017, are carried.

(2) CARRYBACKS.—In the case of the amendments made by subsections (b) and (c), and so much of subsection (a) as relates to the carryback of net operating losses, such amendments shall apply to net operating losses arising in taxable years ending after December 31, 2017, and beginning before January 1, 2021.

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Subtitle F—Employee Retention Credit

SEC. 251. PAYROLL CREDIT FOR CERTAIN EMPLOYERS AFFECTED BY COVID–19.

(a) IN GENERAL.—In the case of an eligible employer, there shall be allowed as a credit against the tax imposed by section 3111(a) or 3221(a) of the Internal Revenue Code of 1986 for each calendar quarter an amount equal to 80 percent of the qualified wages allocable to the inoperable trade or business with respect to each employee of such employer for such calendar quarter.

(b) LIMITATIONS AND REFUNDABILITY.—

(1) WAGES TAKEN INTO ACCOUNT.—The amount of qualified wages with respect to any employee which may be taken into account under subsection (a) by the eligible employer for all calendar quarters shall not exceed $10,000.

(2) CREDIT LIMITED TO EMPLOYMENT TAXES.—The credit allowed by subsection (a) with respect to any calendar quarter shall not exceed the tax imposed by section 3111(a) or 3221(a) of the Internal Revenue Code of 1986 for such calendar quarter (reduced by any credits allowed under subsections (e) and (f) of section 3111 and sections 7001 and 7003 of the Families First Coronavirus

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Response Act) on the wages paid with respect to the employment of all the employees of the eligible employer.

(3) REFUNDABILITY OF EXCESS CREDIT.—

(A) IN GENERAL.—If the amount of the credit under subsection (a) exceeds the limitation of paragraph (2) for any calendar quarter, such excess shall be treated as an overpayment that shall be refunded under sections 6402(a) and 6413(b) of such Code.

(B) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any amounts due to the employer under this paragraph shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

(c) DEFINITIONS.—For purposes of this section—

(1) ELIGIBLE EMPLOYER.—The term ''eligible employer'' means an employer—

(A) which conducted an active trade or business on January 31, 2020,

(B) with respect to which such trade or business is an inoperable trade or business after January 31, 2020 during any calendar quarter, and

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(C) which had either—

(i) no more than 1,500 full-time equivalent employees (as defined in section 45R(d)(2) of the Internal Revenue Code of 1986) for calendar year 2019, or

(ii) no more than $41.5 million in gross receipts in calendar year 2019.

(2) INOPERABLE TRADE OR BUSINESS.—The term ''inoperable trade or business'' means any trade or business of an eligible employer for which gross receipts for the calendar quarter are less than 80 percent of gross receipts for the same calendar quarter for the prior year.

(3) QUALIFIED WAGES.—The term ''qualified wages'' means wages (as defined in section 3121(a) of such Code) or compensation (as defined in section 3231(e) of such Code) paid or incurred by an eligible employer with respect to an employee on any day after January 31, 2020 and before December 31, 2020 that falls during the designated period, except that such term shall not include any wages taken into account under section 7001 or section 7003 of the Families First Coronavirus Response Act.

(4) DESIGNATED PERIOD.—The term ''designated period'' means the period—

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(A) beginning in the calendar quarter in which the trade or business became an inoperable trade or business, and

(B) ending in the calendar quarter for which the gross receipts of the trade or business of the eligible employer are greater than 90 percent of gross receipts for the same calendar quarter for the prior year.

Such term shall include wages paid or incurred without regard to whether the employee performs no services, performs services at a different place of employment, or performs services during the period in which the eligible employer is an inoperable trade or business.

(d) AGGREGATION RULE.—All persons treated as a single employer under subsection (a) or (b) of section 52 of such Code, or subsection (m) or (o) of section 414 of such Code, shall be treated as one eligible employer for purposes of this section.

(e) DENIAL OF DOUBLE BENEFIT.—For purposes of chapter 1 of such Code, the gross income of the employer for the taxable year which includes the last day of any calendar quarter with respect to which a credit is allowed under this section shall be increased by the amount of such credit.

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(f) SPECIAL RULE FOR THIRD PARTY PAYORS.—Any credit allowed under this section shall be treated as a credit described in section 3511(d)(2) of such Code.

(g) ELECTION NOT TO HAVE SECTION APPLY.—This section shall not apply with respect to any eligible employer for any calendar quarter if such employer elects (at such time and in such manner as the Secretary of the Treasury (or the Secretary's delegate) may prescribe) not to have this section apply.

(h) EMPLOYEE NOT TAKEN INTO ACCOUNT MORE THAN ONCE.—An employee shall not be treated as an employee for purposes of this section for any period with respect to any employer if such employer is allowed a credit under section 51 of such Code with respect to such employee for such period.

(i) REGULATIONS.—The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section, including—

(1) regulations or other guidance providing for waiver of penalties for failure to deposit amounts in anticipation of the allowance of the credit allowed under this section,

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(2) regulations or other guidance regarding the form and manner for recapturing credits under this section,

(3) regulations or other guidance to prevent the avoidance of the purposes of this section,

(4) regulations or other guidance describing proper calculation of gross receipts for purposes of subsection (c) for eligible employers that did not operate a trade or business in prior calendar quarters, and

(5) regulations or other guidance regarding the application of the credit under subsection (a) to third party payors (including professional employer organizations, certified professional employer organizations, or agents under section 3504 of such Code), including regulations or other guidance allowing such payors to submit documentation necessary to substantiate the eligible employer status of employers that use such payors.

(j) TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—There are hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) and the Social Security

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Equivalent Benefit Account established under section 15A(a) of the Railroad Retirement Act of 1974 (45 U.S.C. 14 231n–1(a)) amounts equal to the reduction in revenues to the Treasury by reason of this section (without regard to this subsection). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund or Account had this section not been enacted.

Subtitle G—Credits for Paid Sick and Family Leave

SEC. 261. EXTENSION OF CREDITS.

Sections 7001(g), 7002(e), 7003(g), and 7004(e) of Public Law 116–127 are each amended by striking ''2020'' and inserting ''2021''.

SEC. 262. REPEAL OF REDUCED RATE OF CREDIT FOR CERTAIN LEAVE.

(a) PAYROLL CREDIT.—Section 7001(b) of Public Law 116–127 is amended by striking ''$200 ($511 in the case of any day any portion of which is paid sick time described in paragraph (1), (2), or (3) of section 5102(a) of the Emergency Paid Sick Leave Act)'' and inserting ''$511''.

(b) SELF-EMPLOYED CREDIT.—

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(1) IN GENERAL.—Section 7002(c)(1)(B) of Public Law 116–127 is amended to read as follows:

"(B) the lesser of—

"(i) $511, or

"(ii) the average daily self-employment income of the individual for the taxable year.".

(2) CONFORMING AMENDMENT.—Section 7002(d)(3) of Public Law 116–127 is amended by striking "$2,000 ($5,110 in the case of any day any portion of which is paid sick time described in paragraph (1), (2), or (3) of section 5102(a) of the Emergency Paid Sick Leave Act)" and inserting "$5,110".

SEC. 263. FEDERAL, STATE, AND LOCAL GOVERNMENTS ALLOWED TAX CREDITS FOR PAID SICK AND PAID FAMILY AND MEDICAL LEAVE.

(a) CREDIT FOR REQUIRED PAID SICK LEAVE.—Section 7001(e) of Public Law 116–127 is amended by striking paragraph (4).

(b) CREDIT FOR REQUIRED PAID FAMILY LEAVE.—Section 7003(e) of Public Law 116–127 is amended by striking paragraph (4).

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SEC. 264. CREDITS NOT ALLOWED TO CERTAIN LARGE EMPLOYERS.

(a) CREDIT FOR REQUIRED PAID SICK LEAVE.—

(1) IN GENERAL.—Section 7001(a) of Public Law 116–127 is amended by striking ''In the case of an employer'' and inserting ''In the case of an eligible employer''.

(2) ELIGIBLE EMPLOYER.—Section 7001(c) of Public Law 116–127 is amended by striking ''For purposes of this section, the term'' and all that precedes it and inserting the following:

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—The term 'eligible employer' means any employer other an applicable large employer (as defined in section 4980H(c)(2), determined by substituting '500' for '50' each place it appears in subparagraphs (A) and (B) thereof and without regard to subparagraphs (D) and (F) thereof). For purposes of the preceding sentence, the Government of the United States, the government of any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, shall not be treated as an applicable large employer.

''(2) QUALIFIED SICK LEAVE WAGES.—The term''.

(b) CREDIT FOR REQUIRED PAID FAMILY LEAVE.—

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(1) IN GENERAL.—Section 7003(a) of Public Law 116–127 is amended by striking ''In the case of an employer'' and inserting ''In the case of an eligible employer''.

(2) ELIGIBLE EMPLOYER.—Section 7003(c) of Public Law 116–127 is amended by striking ''For purposes of this section, the term'' and all that precedes it and inserting the following:

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—The term 'eligible employer' means any employer other an applicable large employer (as defined in section 4980H(c)(2), determined by substituting '500' for '50' each place it appears in subparagraphs (A) and (B) thereof and without regard to subparagraphs (D) and (F) thereof). For purposes of the preceding sentence, the Government of the United States, the government of any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, shall not be treated as an applicable large employer.

''(2) QUALIFIED FAMILY LEAVE WAGES.—The term''.

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SEC. 265. EFFECTIVE DATE.

The amendments made by this title shall take effect as if included in the provisions of Public Law 116–127 to which they relate.

TITLE III—ADMINISTRATIVE

SEC. 301. DELAY OF CERTAIN DEADLINES.

(a) FILING DEADLINES FOR 2019.—In the case of any return required to be filed for a taxable year ending in 2019, including for purposes of section 6151(a) of the Internal Revenue Code of 1986, section 6072(a) of such Code shall be applied—

(1) by substituting ''July'' for ''April'', and

(2) by substituting ''the seventh month'' for ''the fourth month''.

(b) ESTIMATED TAX PAYMENTS FOR INDIVIDUALS.—

(1) IN GENERAL.—In the case of an individual, the due date for any required installment under section 6654 of the Internal Revenue Code of 1986 which (but for the application of this section) would be due during the applicable period shall not be due before October 15, 2020, and all such installments shall be treated as one installment due on such date. The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other

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guidance as may be necessary to carry out the purposes of this subsection.

(2) APPLICABLE PERIOD.—For purposes of this subsection, the applicable period is the period beginning on the date of the enactment of this Act and ending before October 15, 2020.

TITLE IV—RETIREMENT PROVISIONS

SEC. 401. SPECIAL RULES FOR USE OF RETIREMENT FUNDS.

(a) TAX-FAVORED WITHDRAWALS FROM RETIREMENT PLANS.—

(1) IN GENERAL.—Section 72(t) of the Internal Revenue Code of 1986 shall not apply to any coronavirus-related distribution.

(2) AGGREGATE DOLLAR LIMITATION.—

(A) IN GENERAL.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as coronavirus-related distributions for any taxable year shall not exceed $100,000.

(B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would (without regard to subparagraph (A)) be a coronavirus-related distribution, a plan shall not

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be treated as violating any requirement of the Internal Revenue Code of 1986 merely because the plan treats such distribution as a coronavirus-related distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds $100,000.

(C) CONTROLLED GROUP.—For purposes of subparagraph (B), the term ''controlled group'' means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(3) AMOUNT DISTRIBUTED MAY BE REPAID.—

(A) IN GENERAL.—Any individual who receives a coronavirus-related distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make 1 or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of

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such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), of the Internal Revenue Code of 1986, as the case may be.

(B) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER THAN IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to subparagraph (A) with respect to a coronavirus-related distribution from an eligible retirement plan other than an individual retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the coronavirus-related distribution in an eligible rollover distribution (as defined in section 402(c)(4) of such Code) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(C) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to subparagraph (A) with respect to a coronavirus-related distribu-

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tion from an individual retirement plan (as defined by section 7701(a)(37) of such Code), then, to the extent of the amount of the contribution, the coronavirus-related distribution shall be treated as a distribution described in section 408(d)(3) of such Code and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(4) DEFINITIONS.—For purposes of this subsection—

(A) CORONAVIRUS-RELATED DISTRIBUTION.—Except as provided in paragraph (2), the term ''coronavirus-related distribution'' means any distribution from an eligible retirement plan made—

(i) on or after January 1, 2020, and before December 31, 2020,

(ii) to an individual—

(I) who is diagnosed with the virus SARS–CoV–2 or with coronavirus disease 2019 (COVID–19) by a test approved by the Centers for Disease Control and Prevention,

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(II) whose spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) is diagnosed with such virus or disease by such a test, or

(III) who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

(B) EMPLOYEE CERTIFICATION.—The administrator of an eligible retirement plan may rely on an employee's certification that the employee satisfies the conditions of subparagraph (A)(ii) in determining whether any distribution is a coronavirus-related distribution.

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(C) ELIGIBLE RETIREMENT PLAN.—The term ''eligible retirement plan'' has the meaning given such term by section 402(c)(8)(B) of the Internal Revenue Code of 1986.

(5) INCOME INCLUSION SPREAD OVER 3-YEAR PERIOD.—

(A) IN GENERAL.—In the case of any coronavirus-related distribution, unless the taxpayer elects not to have this paragraph apply for any taxable year, any amount required to be included in gross income for such taxable year shall be so included ratably over the 3-taxable-year period beginning with such taxable year.

(B) SPECIAL RULE.—For purposes of subparagraph (A), rules similar to the rules of subparagraph (E) of section 408A(d)(3) of the Internal Revenue Code of 1986 shall apply.

(6) SPECIAL RULES.—

(A) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—For purposes of sections 401(a)(31), 402(f), and 3405 of the Internal Revenue Code of 1986, coronavirus-related distributions shall not be treated as eligible rollover distributions.

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(B) CORONAVIRUS-RELATED DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes of the Internal Revenue Code of 1986, a coronavirus-related distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(i), 403(b)(11), and 457(d)(1)(A) of such Code.

(b) LOANS FROM QUALIFIED PLANS.—

(1) INCREASE IN LIMIT ON LOANS NOT TREATED AS DISTRIBUTIONS.—In the case of any loan from a qualified employer plan (as defined under section 72(p)(4) of the Internal Revenue Code of 1986) to a qualified individual made during the 180-day period beginning on the date of the enactment of this Act—

(A) clause (i) of section 72(p)(2)(A) of such Code shall be applied by substituting ''$100,000'' for ''$50,000'', and

(B) clause (ii) of such section shall be applied by substituting ''the present value of the nonforfeitable accrued benefit of the employee under the plan'' for ''one-half of the present value of the nonforfeitable accrued benefit of the employee under the plan''.

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(2) DELAY OF REPAYMENT.—In the case of a qualified individual with an outstanding loan (on or after the date of the enactment of this Act) from a qualified employer plan (as defined in section 72(p)(4) of the Internal Revenue Code of 1986)—

(A) if the due date pursuant to subparagraph (B) or (C) of section 72(p)(2) of such Code for any repayment with respect to such loan occurs during the period beginning on the date of the enactment of this Act and ending on December 31, 2020, such due date shall be delayed for 1 year (or, if later, until the date which is 180 days after the date of the enactment of this Act),

(B) any subsequent repayments with respect to any such loan shall be appropriately adjusted to reflect the delay in the due date under subparagraph (A) and any interest accruing during such delay, and

(C) in determining the 5-year period and the term of a loan under subparagraph (B) or (C) of section 72(p)(2) of such Code, the period described in subparagraph (A) of this paragraph shall be disregarded.

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(3) QUALIFIED INDIVIDUAL.—For purposes of this subsection, the term ''qualified individual'' means any individual who is described in subsection (a)(4)(A)(ii).

(c) PROVISIONS RELATING TO PLAN AMENDMENTS.—

(1) IN GENERAL.—If this subsection applies to any amendment to any plan or annuity contract, such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in paragraph (2)(B)(i).

(2) AMENDMENTS TO WHICH SUBSECTION APPLIES.—

(A) IN GENERAL.—This subsection shall apply to any amendment to any plan or annuity contract which is made—

(i) pursuant to any provision of this section, or pursuant to any regulation issued by the Secretary of the Treasury or the Secretary of Labor (or the delegate of either such Secretary) under any provision of this section, and

(ii) on or before the last day of the first plan year beginning on or after January 1, 2022, or such later date as the Sec-

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retary of the Treasury (or the Secretary's delegate) may prescribe.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), clause (ii) shall be applied by substituting the date which is 2 years after the date otherwise applied under clause (ii).

(B) CONDITIONS.—This subsection shall not apply to any amendment unless—

(i) during the period—

(I) beginning on the date that this section or the regulation described in subparagraph (A)(i) takes effect (or in the case of a plan or contract amendment not required by this section or such regulation, the effective date specified by the plan), and

(II) ending on the date described in subparagraph (A)(ii) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

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(ii) such plan or contract amendment applies retroactively for such period.

SEC. 402. SINGLE-EMPLOYER PLAN FUNDING RULES.

(a) DELAY IN PAYMENT OF MINIMUM REQUIRED CONTRIBUTIONS.—In the case of any minimum required contribution (as determined under section 430(a) of the Internal Revenue Code of 1986 and section 303(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(a))) which (but for this section) would otherwise be due under section 430(j) of such Code (including quarterly contributions under paragraph (3) thereof) and section 303(j) of such Act (29 U.S.C. 1083(j)) (including quarterly contributions under paragraph (3) thereof) during calendar year 2020—

(1) such contributions shall not be required to be made until January 1, 2021, and

(2) the amount of each such minimum required contribution shall be increased by interest accruing for the period between the original due date (without regard to this section) for the contribution and the payment date, at the effective rate of interest for the plan for the plan year which includes such payment date.

(b) BENEFIT RESTRICTION STATUS.—For purposes of section 436 of the Internal Revenue Code of 1986 and

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section 206(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(g)), a plan sponsor may elect to treat the plan's adjusted funding target attainment percentage for the last plan year ending before January 1, 2020, as the adjusted funding target attainment percentage for plan years which include calendar year 2020.

SEC. 403. TEMPORARY WAIVER OF REQUIRED MINIMUM DISTRIBUTION RULES FOR CERTAIN RETIREMENT PLANS AND ACCOUNTS.

(a) IN GENERAL.—Section 401(a)(9) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(I) TEMPORARY WAIVER OF MINIMUM REQUIRED DISTRIBUTION.—

"(i) IN GENERAL.—The requirements of this paragraph shall not apply for calendar year 2020 to—

"(I) a defined contribution plan which is described in this subsection or in section 403(a) or 403(b),

"(II) a defined contribution plan which is an eligible deferred compensation plan described in section 457(b) but only if such plan is main-

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tained by an employer described in section 457(e)(1)(A), or

"(III) an individual retirement plan.

"(ii) SPECIAL RULE FOR REQUIRED BEGINNING DATES IN 2020.—Clause (i) shall apply to any distribution which is required to be made in calendar year 2020 by reason of—

"(I) a required beginning date occurring in such calendar year, and

"(II) such distribution not having been made before January 1, 2020.

"(iii) SPECIAL RULES REGARDING WAIVER PERIOD.—For purposes of this paragraph—

"(I) the required beginning date with respect to any individual shall be determined without regard to this subparagraph for purposes of applying this paragraph for calendar years after 2020,

"(II) if clause (ii) of subparagraph (B) applies, the 5-year period described in such clause shall be de-

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termined without regard to calendar year 2020,

"(III) if clause (iii) of subparagraph (E) applies, the 10-year period described in such clause shall be determined without regard to calendar year 2020, and

"(IV) if clause (i) of subparagraph (H) applies, the 10-year period described in such clause shall be determined without regard to calendar year 2020.".

(b) ELIGIBLE ROLLOVER DISTRIBUTIONS.—Section 402(c)(4) of the Internal Revenue Code of 1986 is amended by striking "2009" each place it appears in the last sentence and inserting "2020".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply for calendar years beginning after December 31, 2019.

(2) PROVISIONS RELATING TO PLAN OR CONTRACT AMENDMENTS.—

(A) IN GENERAL.—If this paragraph applies to any pension plan or contract amendment, such pension plan or contract shall not

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fail to be treated as being operated in accordance with the terms of the plan during the period described in subparagraph (B)(ii) solely because the plan operates in accordance with this section.

(B) AMENDMENTS TO WHICH PARAGRAPH APPLIES.—

(i) IN GENERAL.—This paragraph shall apply to any amendment to any pension plan or annuity contract which—

(I) is made pursuant to the amendments made by this section, and

(II) is made on or before the last day of the first plan year beginning on or after January 1, 2022.

In the case of a governmental plan, subclause (II) shall be applied by substituting ''2024'' for ''2022''.

(ii) CONDITIONS.—This paragraph shall not apply to any amendment unless during the period beginning on the effective date of the amendment and ending on December 31, 2020, the plan or contract is

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operated as if such plan or contract amendment were in effect.

SEC. 404. MODIFICATION OF SPECIAL RULES FOR MINIMUM FUNDING STANDARDS FOR COMMUNITY NEWSPAPER PLANS.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Subsection (m) of section 430 of the Internal Revenue Code of 1986, as added by the Setting Every Community Up for Retirement Enhancement Act of 2019, is amended to read as follows:

''(m) SPECIAL RULES FOR COMMUNITY NEWSPAPER PLANS.—

''(1) IN GENERAL.—An eligible newspaper plan sponsor of a plan under which no participant has had the participant's accrued benefit increased (whether because of service or compensation) after April 2, 2019, may elect to have the alternative standards described in paragraph (4) apply to such plan.

''(2) ELIGIBLE NEWSPAPER PLAN SPONSOR.—The term 'eligible newspaper plan sponsor' means the plan sponsor of—

''(A) any community newspaper plan, or

''(B) any other plan sponsored, as of April 2, 2019, by a member of the same controlled

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group of a plan sponsor of a community newspaper plan if such member is in the trade or business of publishing 1 or more newspapers.

''(3) ELECTION.—An election under paragraph (1) shall be made at such time and in such manner as prescribed by the Secretary. Such election, once made with respect to a plan year, shall apply to all subsequent plan years unless revoked with the consent of the Secretary.

''(4) ALTERNATIVE MINIMUM FUNDING STANDARDS.—The alternative standards described in this paragraph are the following:

''(A) INTEREST RATES.—

''(i) IN GENERAL.—Notwithstanding subsection (h)(2)(C) and except as provided in clause (ii), the first, second, and third segment rates in effect for any month for purposes of this section shall be 8 percent.

''(ii) NEW BENEFIT ACCRUALS.—Notwithstanding subsection (h)(2), for purposes of determining the funding target and normal cost of a plan for any plan year, the present value of any benefits accrued or earned under the plan for a plan

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year with respect to which an election under paragraph (1) is in effect shall be determined on the basis of the United States Treasury obligation yield curve for the day that is the valuation date of such plan for such plan year.

''(iii) UNITED STATES TREASURY OBLIGATION YIELD CURVE.—For purposes of this subsection, the term 'United States Treasury obligation yield curve' means, with respect to any day, a yield curve which shall be prescribed by the Secretary for such day on interest-bearing obligations of the United States.

''(B) SHORTFALL AMORTIZATION BASE.—

''(i) PREVIOUS SHORTFALL AMORTIZATION BASES.—The shortfall amortization bases determined under subsection (c)(3) for all plan years preceding the first plan year to which the election under paragraph (1) applies (and all shortfall amortization installments determined with respect to such bases) shall be reduced to zero under rules similar to the rules of subsection (c)(6).

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"(ii) NEW SHORTFALL AMORTIZATION BASE.—Notwithstanding subsection (c)(3), the shortfall amortization base for the first plan year to which the election under paragraph (1) applies shall be the funding shortfall of such plan for such plan year (determined using the interest rates as modified under subparagraph (A)).

"(C) DETERMINATION OF SHORTFALL AMORTIZATION INSTALLMENTS.—

"(i) 30-YEAR PERIOD.—Subparagraphs (A) and (B) of subsection (c)(2) shall be applied by substituting '30-plan-year' for '7-plan-year' each place it appears.

"(ii) NO SPECIAL ELECTION.—The election under subparagraph (D) of subsection (c)(2) shall not apply to any plan year to which the election under paragraph (1) applies.

"(D) EXEMPTION FROM AT-RISK TREATMENT.—Subsection (i) shall not apply.

"(5) COMMUNITY NEWSPAPER PLAN.—For purposes of this subsection—

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"(A) IN GENERAL.—The term 'community newspaper plan' means any plan to which this section applies maintained as of December 31, 2018, by an employer which—

"(i) maintains the plan on behalf of participants and beneficiaries with respect to employment in the trade or business of publishing 1 or more newspapers which were published by the employer at any time during the 11-year period ending on the date of the enactment of this subsection,

"(ii)(I) is not a company the stock of which is publicly traded (on a stock exchange or in an over-the-counter market), and is not controlled, directly or indirectly, by such a company, or

"(II) is controlled, directly or indirectly, during the entire 30-year period ending on the date of the enactment of this subsection by individuals who are members of the same family, and does not publish or distribute a daily newspaper that is carrier-distributed in printed form in more than 5 States, and

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"(iii) is controlled, directly or indirectly—

"(I) by 1 or more persons residing primarily in a State in which the community newspaper has been published on newsprint or carrier-distributed,

"(II) during the entire 30-year period ending on the date of the enactment of this subsection by individuals who are members of the same family,

"(III) by 1 or more trusts, the sole trustees of which are persons described in subclause (I) or (II), or

"(IV) by a combination of persons described in subclause (I), (II), or (III).

"(B) NEWSPAPER.—The term 'newspaper' does not include any newspaper (determined without regard to this subparagraph) to which any of the following apply:

"(i) Is not in general circulation.

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"(ii) Is published (on newsprint or electronically) less frequently than 3 times per week.

"(iii) Has not ever been regularly published on newsprint.

"(iv) Does not have a bona fide list of paid subscribers.

"(C) CONTROL.—A person shall be treated as controlled by another person if such other person possesses, directly or indirectly, the power to direct or cause the direction and management of such person (including the power to elect a majority of the members of the board of directors of such person) through the ownership of voting securities.

"(6) CONTROLLED GROUP.—For purposes of this subsection, the term 'controlled group' means all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 as of the date of the enactment of this subsection.".

(b) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Subsection (m) of section 303 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(m)), as added by the Setting Every

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Community Up for Retirement Enhancement Act of 2019, is amended to read as follows:

''(m) SPECIAL RULES FOR COMMUNITY NEWSPAPER PLANS.—

''(1) IN GENERAL.—An eligible newspaper plan sponsor of a plan under which no participant has had the participant's accrued benefit increased (whether because of service or compensation) after April 2, 2019, may elect to have the alternative standards described in paragraph (4) apply to such plan.

''(2) ELIGIBLE NEWSPAPER PLAN SPONSOR.—The term 'eligible newspaper plan sponsor' means the plan sponsor of—

''(A) any community newspaper plan, or

''(B) any other plan sponsored, as of April 2, 2019, by a member of the same controlled group of a plan sponsor of a community newspaper plan if such member is in the trade or business of publishing 1 or more newspapers.

''(3) ELECTION.—An election under paragraph (1) shall be made at such time and in such manner as prescribed by the Secretary of the Treasury. Such election, once made with respect to a plan year, shall

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apply to all subsequent plan years unless revoked with the consent of the Secretary of the Treasury.

"(4) ALTERNATIVE MINIMUM FUNDING STANDARDS.—The alternative standards described in this paragraph are the following:

"(A) INTEREST RATES.—

"(i) IN GENERAL.—Notwithstanding subsection (h)(2)(C) and except as provided in clause (ii), the first, second, and third segment rates in effect for any month for purposes of this section shall be 8 percent.

"(ii) NEW BENEFIT ACCRUALS.—Notwithstanding subsection (h)(2), for purposes of determining the funding target and normal cost of a plan for any plan year, the present value of any benefits accrued or earned under the plan for a plan year with respect to which an election under paragraph (1) is in effect shall be determined on the basis of the United States Treasury obligation yield curve for the day that is the valuation date of such plan for such plan year.

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"(iii) UNITED STATES TREASURY OBLIGATION YIELD CURVE.—For purposes of this subsection, the term 'United States Treasury obligation yield curve' means, with respect to any day, a yield curve which shall be prescribed by the Secretary of the Treasury for such day on interest-bearing obligations of the United States.

"(B) SHORTFALL AMORTIZATION BASE.—

"(i) PREVIOUS SHORTFALL AMORTIZATION BASES.—The shortfall amortization bases determined under subsection (c)(3) for all plan years preceding the first plan year to which the election under paragraph (1) applies (and all shortfall amortization installments determined with respect to such bases) shall be reduced to zero under rules similar to the rules of subsection (c)(6).

"(ii) NEW SHORTFALL AMORTIZATION BASE.—Notwithstanding subsection (c)(3), the shortfall amortization base for the first plan year to which the election under paragraph (1) applies shall be the funding shortfall of such plan for such plan year

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(determined using the interest rates as modified under subparagraph (A)).

''(C) DETERMINATION OF SHORTFALL AMORTIZATION INSTALLMENTS.—

''(i) 30-YEAR PERIOD.—Subparagraphs (A) and (B) of subsection (c)(2) shall be applied by substituting '30-plan-year' for '7-plan-year' each place it appears.

''(ii) NO SPECIAL ELECTION.—The election under subparagraph (D) of subsection (c)(2) shall not apply to any plan year to which the election under paragraph (1) applies.

''(D) EXEMPTION FROM AT-RISK TREATMENT.—Subsection (i) shall not apply.

''(5) COMMUNITY NEWSPAPER PLAN.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'community newspaper plan' means a plan to which this section applies maintained as of December 31, 2018, by an employer which—

''(i) maintains the plan on behalf of participants and beneficiaries with respect to employment in the trade or business of

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publishing 1 or more newspapers which were published by the employer at any time during the 11-year period ending on the date of the enactment of this subsection,

"(ii)(I) is not a company the stock of which is publicly traded (on a stock exchange or in an over-the-counter market), and is not controlled, directly or indirectly, by such a company, or

"(II) is controlled, directly, or indirectly, during the entire 30-year period ending on the date of the enactment of this subsection by individuals who are members of the same family, and does not publish or distribute a daily newspaper that is carrier-distributed in printed form in more than 5 States, and

"(iii) is controlled, directly, or indirectly—

"(I) by 1 or more persons residing primarily in a State in which the community newspaper has been published on newsprint or carrier-distributed,

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"(II) during the entire 30-year period ending on the date of the enactment of this subsection by individuals who are members of the same family,

"(III) by 1 or more trusts, the sole trustees of which are persons described in subclause (I) or (II), or

"(IV) by a combination of persons described in subclause (I), (II), or (III).

"(B) NEWSPAPER.—The term 'newspaper' does not include any newspaper (determined without regard to this subparagraph) to which any of the following apply:

"(i) Is not in general circulation.

"(ii) Is published (on newsprint or electronically) less frequently than 3 times per week.

"(iii) Has not ever been regularly published on newsprint.

"(iv) Does not have a bona fide list of paid subscribers.

"(C) CONTROL.—A person shall be treated as controlled by another person if such other

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person possesses, directly or indirectly, the power to direct or cause the direction and management of such person (including the power to elect a majority of the members of the board of directors of such person) through the ownership of voting securities.

"(6) CONTROLLED GROUP.—For purposes of this subsection, the term 'controlled group' means all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986 as of the date of the enactment of this subsection.

"(7) EFFECT ON PREMIUM RATE CALCULATION.—Notwithstanding any other provision of law or any regulation issued by the Pension Benefit Guaranty Corporation, in the case of a plan for which an election is made to apply the alternative standards described in paragraph (3), the additional premium under section 4006(a)(3)(E) shall be determined as if such election had not been made.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years ending after December 31, 2017.

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SEC. 405. APPLICATION OF COOPERATIVE AND SMALL EMPLOYER CHARITY PENSION PLAN RULES TO CERTAIN CHARITABLE EMPLOYERS WHOSE PRIMARY EXEMPT PURPOSE IS PROVIDING SERVICES WITH RESPECT TO MOTHERS AND CHILDREN.

(a) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 210(f)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1060(f)(1)) is amended—

(1) by striking ''or'' at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C)(iv) and inserting ''; or''; and

(3) by inserting after subparagraph (C) the following new subparagraph:

''(D) that, as of January 1, 2000, was maintained by an employer—

''(i) described in section 501(c)(3) of the Internal Revenue Code of 1986,

''(ii) who has been in existence since at least 1938,

''(iii) who conducts medical research directly or indirectly through grant making, and

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"(iv) whose primary exempt purpose is to provide services with respect to mothers and children.".

(b) INTERNAL REVENUE CODE OF 1986.—Section 414(y)(1) of the Internal Revenue Code of 1986 is amended—

(1) by striking "or" at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C)(iv) and inserting "; or"; and

(3) by inserting after subparagraph (C) the following new subparagraph:

"(D) that, as of January 1, 2000, was maintained by an employer—

"(i) described in section 501(c)(3),

"(ii) who has been in existence since at least 1938,

"(iii) who conducts medical research directly or indirectly through grant making, and

"(iv) whose primary exempt purpose is to provide services with respect to mothers and children.".

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(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2018.

SEC. 406. EXTENDED AMORTIZATION FOR SINGLE EMPLOYER PLANS.

(a) 15-YEAR AMORTIZATION UNDER THE INTERNAL REVENUE CODE OF 1986.—Section 430(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(8) 15-YEAR AMORTIZATION.—With respect to plan years beginning after December 31, 2019—

"(A) the shortfall amortization bases for all plan years preceding the first plan year beginning after December 31, 2019 (and all shortfall amortization installments determined with respect to such bases) shall be reduced to zero, and

"(B) subparagraphs (A) and (B) of paragraph (2) shall each be applied by substituting '15-plan-year period' for '7-plan-year period'.".

(b) 15-YEAR AMORTIZATION UNDER THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 303(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(c)) is amended by adding at the end the following new paragraph:

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"(8) 15-YEAR AMORTIZATION.—With respect to plan years beginning after December 31, 2019—

"(A) the shortfall amortization bases for all plan years preceding the first plan year beginning after December 31, 2019 (and all shortfall amortization installments determined with respect to such bases) shall be reduced to zero, and

"(B) subparagraphs (A) and (B) of paragraph (2) shall each be applied by substituting '15-plan-year period' for '7-plan-year period'.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2019.

SEC. 407. EXTENSION OF PENSION FUNDING STABILIZATION PERCENTAGES FOR SINGLE EMPLOYER PLANS.

(a) AMENDMENTS TO INTERNAL REVENUE CODE OF 1986.—

(1) IN GENERAL.—The table contained in subclause (II) of section 430(h)(2)(C)(iv) of the Internal Revenue Code of 1986 is amended to read as follows:

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"If the calendar year is:	The applicable minimum percentage is:	The applicable maximum percentage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2025	95%	105%
2026	90%	110%
2027	85%	115%
2028	80%	120%
2029	75%	125%
After 2029	70%	130%.".

(2) FLOOR ON 25-YEAR AVERAGES.—Subclause (I) of section 430(h)(2)(C)(iv) of such Code is amended by adding at the end the following: "Notwithstanding anything in this subclause, if the average of the first, second, or third segment rate for any 25-year period is less than 5 percent, such average shall be deemed to be 5 percent.".

(b) AMENDMENTS TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) IN GENERAL.—The table contained in subclause (II) of section 303(h)(2)(C)(iv) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(h)(2)(C)(iv)(II)) is amended to read as follows:

"If the calendar year is:	The applicable minimum percentage is:	The applicable maximum percentage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2025	95%	105%

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"If the calendar year is:	The applicable minimum percentage is:	The applicable maximum percentage is:
2026	90%	110%
2027	85%	115%
2028	80%	120%
2029	75%	125%
After 2029	70%	130%.".

(2) CONFORMING AMENDMENTS.—

(A) IN GENERAL.—Section 101(f)(2)(D) of such Act (29 U.S.C. 1021(f)(2)(D)) is amended—

(i) in clause (i) by striking "and the Bipartisan Budget Act of 2015" both places it appears and inserting ", the Bipartisan Budget Act of 2015, and the Emergency Pension Plan Relief Act of 2020", and

(ii) in clause (ii) by striking "2023" and inserting "2029".

(B) STATEMENTS.—The Secretary of Labor shall modify the statements required under subclauses (I) and (II) of section 101(f)(2)(D)(i) of such Act to conform to the amendments made by this section.

(3) FLOOR ON 25-YEAR AVERAGES.—Subclause (I) of section 303(h)(2)(C)(iv) of such Act (29 U.S.C. 1083(h)(2)(C)(iv)(II)) is amended by adding

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at the end the following: ''Notwithstanding anything in this subclause, if the average of the first, second, or third segment rate for any 25-year period is less than 5 percent, such average shall be deemed to be 5 percent.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to plan years beginning after December 31, 2019.

TITLE V—REHABILITATION FOR MULTIEMPLOYER PENSIONS

SEC. 501. SHORT TITLE.

This title may be cited as the ''Rehabilitation for Multiemployer Pensions Act of 2020''.

SEC. 502. PENSION REHABILITATION ADMINISTRATION; ESTABLISHMENT; POWERS.

(a) ESTABLISHMENT.—There is established in the Department of the Treasury an agency to be known as the ''Pension Rehabilitation Administration''.

(b) DIRECTOR.—

(1) ESTABLISHMENT OF POSITION.—There shall be at the head of the Pension Rehabilitation Administration a Director, who shall be appointed by the President.

(2) TERM.—

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(A) IN GENERAL.—The term of office of the Director shall be 5 years.

(B) SERVICE UNTIL APPOINTMENT OF SUCCESSOR.—An individual serving as Director at the expiration of a term may continue to serve until a successor is appointed.

(3) POWERS.—

(A) APPOINTMENT OF DEPUTY DIRECTORS, OFFICERS, AND EMPLOYEES.—The Director may appoint Deputy Directors, officers, and employees, including attorneys, in accordance with chapter 51 and subchapter III of chapter 53 of title 5, United States Code.

(B) CONTRACTING.—

(i) IN GENERAL.—The Director may contract for financial and administrative services (including those related to budget and accounting, financial reporting, personnel, and procurement) with the General Services Administration, or such other Federal agency as the Director determines appropriate, for which payment shall be made in advance, or by reimbursement, from funds of the Pension Rehabilitation Administration in such amounts as may be

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agreed upon by the Director and the head of the Federal agency providing the services.

(ii) SUBJECT TO APPROPRIATIONS.—Contract authority under clause (i) shall be effective for any fiscal year only to the extent that appropriations are available for that purpose.

SEC. 503. PENSION REHABILITATION TRUST FUND.

(a) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 9512. PENSION REHABILITATION TRUST FUND.

''(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Pension Rehabilitation Trust Fund' (hereafter in this section referred to as the 'Fund'), consisting of such amounts as may be appropriated or credited to the Fund as provided in this section and section 9602(b).

''(b) TRANSFERS TO FUND.—

''(1) AMOUNTS ATTRIBUTABLE TO TREASURY BONDS.—There shall be credited to the Fund the amounts transferred under section 506 of the Rehabilitation for Multiemployer Pensions Act of 2020.

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''(2) LOAN INTEREST AND PRINCIPAL.—

''(A) IN GENERAL.—The Director of the Pension Rehabilitation Administration established under section 502 of the Rehabilitation for Multiemployer Pensions Act of 2020 shall deposit in the Fund any amounts received from a plan as payment of interest or principal on a loan under section 4 of such Act.

''(B) INTEREST.—For purposes of subparagraph (A), the term 'interest' includes points and other similar amounts.

''(3) AVAILABILITY OF FUNDS.—Amounts credited to or deposited in the Fund shall remain available until expended.

''(c) EXPENDITURES FROM FUND.—Amounts in the Fund are available without further appropriation to the Pension Rehabilitation Administration—

''(1) for the purpose of making the loans described in section 504 of the Rehabilitation for Multiemployer Pensions Act of 2020,

''(2) for the payment of principal and interest on obligations issued under section 6 of such Act, and

''(3) for administrative and operating expenses of such Administration.''.

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(b) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 9512. Pension Rehabilitation Trust Fund.".

SEC. 504. LOAN PROGRAM FOR MULTIEMPLOYER DEFINED BENEFIT PLANS.

(a) LOAN AUTHORITY.—

(1) IN GENERAL.—The Pension Rehabilitation Administration established under section 2 is authorized—

(A) to make loans to multiemployer plans (as defined in section 414(f) of the Internal Revenue Code of 1986) which are defined benefit plans (as defined in section 414(j) of such Code) and—

(i)(I) which are in critical and declining status (within the meaning of section 432(b)(6) of such Code and section 305(b)(6) of the Employee Retirement and Income Security Act) as of the date of the enactment of this section, or during the 2-year period beginning on such date, or

(II) with respect to which a suspension of benefits has been approved under section 432(e)(9) of such Code and section

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305(e)(9) of such Act as of such date or during such period;

(ii) which as of such date of enactment, or during such period, are in critical status (within the meaning of section 432(b)(2) of such Code and section 305(b)(2) of such Act), have a modified funded percentage of less than 40 percent, and have a ratio of active to inactive participants which is less than 2 to 5; or

(iii) which are insolvent for purposes of section 418E of such Code as of such date of enactment, or during such period, if they became insolvent after December 16, 2014, and have not been terminated; and

(B) subject to subsection (b), to establish appropriate terms for such loans.

For purposes of subparagraph (A)(ii), the term ''modified funded percentage'' means the percentage equal to a fraction the numerator of which is current value of plan assets (as defined in section 3(26) of such Act) and the denominator of which is current liabilities (as defined in section 431(c)(6)(D) of such Code and section 304(c)(6)(D) of such Act).

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(2) CONSULTATION.—The Director of the Pension Rehabilitation Administration shall consult with the Secretary of the Treasury, the Secretary of Labor, and the Director of the Pension Benefit Guaranty Corporation before making any loan under paragraph (1), and shall share with such persons the application and plan information with respect to each such loan.

(3) ESTABLISHMENT OF LOAN PROGRAM.—

(A) IN GENERAL.—A program to make the loans authorized under this section shall be established not later than May 31, 2020, with guidance regarding such program to be promulgated by the Director of the Pension Rehabilitation Administration, in consultation with the Director of the Pension Benefit Guaranty Corporation, the Secretary of the Treasury, and the Secretary of Labor, not later than August 31, 2020.

(B) LOANS AUTHORIZED BEFORE PROGRAM DATE.—Without regard to whether the program under subparagraph (A) has been established, a plan may apply for a loan under this section before either date described in such subparagraph, and the Pension Rehabilitation

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Administration shall approve the application and make the loan before establishment of the program if necessary to avoid any suspension of the accrued benefits of participants.

(b) LOAN TERMS.—

(1) IN GENERAL.—The terms of any loan made under subsection (a) shall state that—

(A) the plan shall make payments of interest on the loan for a period of 29 years beginning on the date of the loan (or 19 years in the case of a plan making the election under subsection (c)(5));

(B) final payment of interest and principal shall be due in the 30th year after the date of the loan (except as provided in an election under subsection (c)(5)); and

(C) as a condition of the loan, the plan sponsor stipulates that—

(i) except as provided in clause (ii), the plan will not increase benefits, allow any employer participating in the plan to reduce its contributions, or accept any collective bargaining agreement which provides for reduced contribution rates, dur-

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ing the 30-year period described in subparagraphs (A) and (B);

(ii) in the case of a plan with respect to which a suspension of benefits has been approved under section 432(e)(9) of the Internal Revenue Code of 1986 and section 305(e)(9) of the Employee Retirement Income Security Act of 1974, or under section 418E of such Code, before the loan, the plan will reinstate the suspended benefits (or will not carry out any suspension which has been approved but not yet implemented);

(iii) the plan sponsor will comply with the requirements of section 6059A of the Internal Revenue Code of 1986;

(iv) the plan will continue to pay all premiums due under section 4007 of the Employee Retirement Income Security Act of 1974; and

(v) the plan and plan administrator will meet such other requirements as the Director of the Pension Rehabilitation Administration provides in the loan terms.

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The terms of the loan shall not make reference to whether the plan is receiving financial assistance under section 4261(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431(d)) or to any adjustment of the loan amount under subsection (d)(2)(A)(ii).

(2) INTEREST RATE.—Except as provided in the second sentence of this paragraph and subsection (c)(5), loans made under subsection (a) shall have as low an interest rate as is feasible. Such rate shall be determined by the Pension Rehabilitation Administration and shall—

(A) not be lower than the rate of interest on 30-year Treasury securities on the first day of the calendar year in which the loan is issued; and

(B) not exceed the greater of—

(i) a rate 0.2 percentage points higher than such rate of interest on such date; or

(ii) the rate necessary to collect revenues sufficient to administer the program under this section.

(c) LOAN APPLICATION.—

(1) IN GENERAL.—In applying for a loan under subsection (a), the plan sponsor shall—

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(A) demonstrate that, except as provided in subparagraph (C)—

(i) the loan will enable the plan to avoid insolvency for at least the 30-year period described in subparagraphs (A) and (B) of subsection (b)(1) or, in the case of a plan which is already insolvent, to emerge from insolvency within and avoid insolvency for the remainder of such period; and

(ii) the plan is reasonably expected to be able to pay benefits and the interest on the loan during such period and to accumulate sufficient funds to repay the principal when due;

(B) provide the plan's most recently filed Form 5500 as of the date of application and any other information necessary to determine the loan amount under subsection (d);

(C) stipulate whether the plan is also applying for financial assistance under section 4261(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431(d)) in combination with the loan to enable the plan to avoid insolvency and to pay benefits, or is al-

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ready receiving such financial assistance as a result of a previous application;

(D) state in what manner the loan proceeds will be invested pursuant to subsection (d), the person from whom any annuity contracts under such subsection will be purchased, and the person who will be the investment manager for any portfolio implemented under such subsection; and

(E) include such other information and certifications as the Director of the Pension Rehabilitation Administration shall require.

(2) STANDARD FOR ACCEPTING ACTUARIAL AND PLAN SPONSOR DETERMINATIONS AND DEMONSTRATIONS IN THE APPLICATION.—In evaluating the plan sponsor's application, the Director of the Pension Rehabilitation Administration shall accept the determinations and demonstrations in the application unless the Director, in consultation with the Director of the Pension Benefit Guaranty Corporation, the Secretary of the Treasury, and the Secretary of Labor, concludes that any such determinations or demonstrations in the application (or any underlying assumptions) are clearly erroneous or are incon-

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sistent with any rules issued by the Director pursuant to subsection (g).

(3) REQUIRED ACTIONS; DEEMED APPROVAL.—The Director of the Pension Rehabilitation Administration shall approve any application under this subsection within 90 days after the submission of such application unless such application is incomplete or the Director makes a conclusion described in paragraph (2) with respect to the application. An application shall be deemed approved unless, within such 90 days, the Director notifies the plan sponsor of the denial of such application and the reasons for such denial. Any approval or denial of an application by the Director of the Pension Rehabilitation Administration shall be treated as a final agency action for purposes of section 704 of title 5, United States Code. The Pension Rehabilitation Administration shall make the loan pursuant to any application promptly after the approval of such application.

(4) CERTAIN PLANS REQUIRED TO APPLY.—The plan sponsor of any plan with respect to which a suspension of benefits has been approved under section 432(e)(9) of the Internal Revenue Code of 1986 and section 305(e)(9) of the Employee Retirement Income Security Act of 1974 or under section

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418E of such Code, before the date of the enactment of this Act shall apply for a loan under this section. The Director of the Pension Rehabilitation Administration shall provide for such plan sponsors to use the simplified application under subsection (d)(2)(B).

(5) INCENTIVE FOR EARLY REPAYMENT.—The plan sponsor may elect at the time of the application to repay the loan principal, along with the remaining interest, at least as rapidly as equal installments over the 10-year period beginning with the 21st year after the date of the loan. In the case of a plan making this election, the interest on the loan shall be reduced by 0.5 percentage points.

(d) LOAN AMOUNT AND USE.—

(1) AMOUNT OF LOAN.—

(A) IN GENERAL.—Except as provided in subparagraph (B) and paragraph (2), the amount of any loan under subsection (a) shall be, as demonstrated by the plan sponsor on the application under subsection (c), the amount needed to purchase annuity contracts or to implement a portfolio described in paragraph (3)(C) (or a combination of the two) sufficient to provide benefits of participants and bene-

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ficiaries of the plan in pay status, and terminated vested benefits, at the time the loan is made.

(B) PLANS WITH SUSPENDED BENEFITS.—In the case of a plan with respect to which a suspension of benefits has been approved under section 432(e)(9) of the Internal Revenue Code of 1986 and section 305(e)(9) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1085(e)(9)) or under section 418E of such Code—

(i) the suspension of benefits shall not be taken into account in applying subparagraph (A); and

(ii) the loan amount shall be the amount sufficient to provide benefits of participants and beneficiaries of the plan in pay status and terminated vested benefits at the time the loan is made, determined without regard to the suspension, including retroactive payment of benefits which would otherwise have been payable during the period of the suspension.

(2) COORDINATION WITH PBGC FINANCIAL ASSISTANCE.—

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(A) IN GENERAL.—In the case of a plan which is also applying for financial assistance under section 4261(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431(d))—

(i) the plan sponsor shall submit the loan application and the application for financial assistance jointly to the Pension Rehabilitation Administration and the Pension Benefit Guaranty Corporation with the information necessary to determine the eligibility for and amount of the loan under this section and the financial assistance under section 4261(d) of such Act; and

(ii) if such financial assistance is granted, the amount of the loan under subsection (a) shall not exceed an amount equal to the excess of—

(I) the amount determined under paragraph (1)(A) or (1)(B)(ii) (whichever is applicable); over

(II) the amount of such financial assistance.

(B) PLANS ALREADY RECEIVING PBGC ASSISTANCE.—The Director of the Pension Reha-

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bilitation Administration shall provide for a simplified application for the loan under this section which may be used by an insolvent plan which has not been terminated and which is already receiving financial assistance (other than under section 4261(d) of such Act) from the Pension Benefit Guaranty Corporation at the time of the application for the loan under this section.

(3) USE OF LOAN FUNDS.—

(A) IN GENERAL.—Notwithstanding section 432(f)(2)(A)(ii) of the Internal Revenue Code of 1986 and section 305(f)(2)(A)(ii) of such Act, the loan received under subsection (a) shall only be used to purchase annuity contracts which meet the requirements of subparagraph (B) or to implement a portfolio described in subparagraph (C) (or a combination of the two) to provide the benefits described in paragraph (1).

(B) ANNUITY CONTRACT REQUIREMENTS.—The annuity contracts purchased under subparagraph (A) shall be issued by an insurance company which is licensed to do business under the laws of any State and which is

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rated A or better by a nationally recognized statistical rating organization, and the purchase of such contracts shall meet all applicable fiduciary standards under the Employee Retirement Income Security Act of 1974.

(C) PORTFOLIO.—

(i) IN GENERAL.—A portfolio described in this subparagraph is—

(I) a cash matching portfolio or duration matching portfolio consisting of investment grade (as rated by a nationally recognized statistical rating organization) fixed income investments, including United States dollar-denominated public or private debt obligations issued or guaranteed by the United States or a foreign issuer, which are tradeable in United States currency and are issued at fixed or zero coupon rates; or

(II) any other portfolio prescribed by the Secretary of the Treasury in regulations which has a similar risk profile to the portfolios described in subclause (I) and is equally protec-

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tive of the interests of participants and beneficiaries.

Once implemented, such a portfolio shall be maintained until all liabilities to participants and beneficiaries in pay status, and terminated vested participants, at the time of the loan are satisfied.

(ii) FIDUCIARY DUTY.—Any investment manager of a portfolio under this subparagraph shall acknowledge in writing that such person is a fiduciary under the Employee Retirement Income Security Act of 1974 with respect to the plan.

(iii) TREATMENT OF PARTICIPANTS AND BENEFICIARIES.—Participants and beneficiaries covered by a portfolio under this subparagraph shall continue to be treated as participants and beneficiaries of the plan, including for purposes of title IV of the Employee Retirement Income Security Act of 1974.

(D) ACCOUNTING.—

(i) IN GENERAL.—Annuity contracts purchased and portfolios implemented under this paragraph shall be used solely

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to provide the benefits described in paragraph (1) until all such benefits have been paid and shall be accounted for separately from the other assets of the plan.

(ii) OVERSIGHT OF NON-ANNUITY INVESTMENTS.—

(I) IN GENERAL.—Any portfolio implemented under this paragraph shall be subject to oversight by the Pension Rehabilitation Administration, including a mandatory triennial review of the adequacy of the portfolio to provide the benefits described in paragraph (1) and approval (to be provided within a reasonable period of time) of any decision by the plan sponsor to change the investment manager of the portfolio.

(II) REMEDIAL ACTION.—If the oversight under subclause (I) determines an inadequacy, the plan sponsor shall take remedial action to ensure that the inadequacy will be cured within 2 years of such determination.

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(E) OMBUDSPERSON.—The Participant and Plan Sponsor Advocate established under section 4004 of the Employee Retirement Income Security Act of 1974 shall act as ombudsperson for participants and beneficiaries on behalf of whom annuity contracts are purchased or who are covered by a portfolio under this paragraph.

(e) COLLECTION OF REPAYMENT.—Except as provided in subsection (f), the Pension Rehabilitation Administration shall make every effort to collect repayment of loans under this section in accordance with section 3711 of title 31, United States Code.

(f) LOAN DEFAULT.—If a plan is unable to make any payment on a loan under this section when due, the Pension Rehabilitation Administration shall negotiate with the plan sponsor revised terms for repayment (including installment payments over a reasonable period or forgiveness of a portion of the loan principal), but only to the extent necessary to avoid insolvency in the subsequent 18 months.

(g) AUTHORITY TO ISSUE RULES, ETC.—The Director of the Pension Rehabilitation Administration, in consultation with the Director of the Pension Benefit Guaranty Corporation, the Secretary of the Treasury, and the

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Secretary of Labor, is authorized to issue rules regarding the form, content, and process of applications for loans under this section, actuarial standards and assumptions to be used in making estimates and projections for purposes of such applications, and assumptions regarding interest rates, mortality, and distributions with respect to a portfolio described in subsection (d)(3)(C).

(h) REPORT TO CONGRESS ON STATUS OF CERTAIN PLANS WITH LOANS.—Not later than 1 year after the first loan is made under this section, and annually thereafter, the Director of the Pension Rehabilitation Administration shall submit to the Committee on Ways and Means and the Committee on Education and Labor of the House of Representatives, and the Committee on Finance and the Committee on Health, Education, Labor and Pensions of the Senate, a report identifying any plan that—

(1) has failed to make any scheduled payment on a loan under this section;

(2) has negotiated revised terms for repayment of such loan (including any installment payments or forgiveness of a portion of the loan principal); or

(3) the Director has determined is no longer reasonably expected to be able to—

(A) pay benefits and the interest on the loan; or

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(B) accumulate sufficient funds to repay the principal when due.

Such report shall include the details of any such failure, revised terms, or determination, as the case may be.

(i) COORDINATION WITH TAXATION OF UNRELATED BUSINESS INCOME.—Subparagraph (A) of section 514(c)(6) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''or'' at the end of clause (i);

(2) by striking the period at the end of clause (ii)(II) and inserting '', or''; and

(3) by adding at the end the following new clause:

''(iii) indebtedness with respect to a multiemployer plan under a loan made by the Pension Rehabilitation Administration pursuant to section 504 of the Rehabilitation for Multiemployer Pensions Act of 2020.''.

SEC. 505. COORDINATION WITH WITHDRAWAL LIABILITY AND FUNDING RULES.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 432 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

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''(k) SPECIAL RULES FOR PLANS RECEIVING PENSION REHABILITATION LOANS.—

''(1) DETERMINATION OF WITHDRAWAL LIABILITY.—

''(A) IN GENERAL.—If any employer participating in a plan at the time the plan receives a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020 withdraws from the plan before the end of the 30-year period beginning on the date of the loan, the withdrawal liability of such employer shall be determined under the Employee Retirement Income Security Act of 1974—

''(i) by applying section 4219(c)(1)(D) of the Employee Retirement Income Security Act of 1974 as if the plan were terminating by the withdrawal of every employer from the plan, and

''(ii) by determining the value of nonforfeitable benefits under the plan at the time of the deemed termination by using the interest assumptions prescribed for purposes of section 4044 of the Employee Retirement Income Security Act of 1974, as prescribed in the regulations under sec-

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tion 4281 of the Employee Retirement Income Security Act of 1974 in the case of such a mass withdrawal.

''(B) ANNUITY CONTRACTS AND INVESTMENT PORTFOLIOS PURCHASED WITH LOAN FUNDS.—Annuity contracts purchased and portfolios implemented under section 504(d)(3) of the Rehabilitation for Multiemployer Pensions Act of 2020 shall not be taken into account as plan assets in determining the withdrawal liability of any employer under subparagraph (A), but the amount equal to the greater of—

''(i) the benefits provided under such contracts or portfolios to participants and beneficiaries, or

''(ii) the remaining payments due on the loan under section 4(a) of such Act,

shall be taken into account as unfunded vested benefits in determining such withdrawal liability.

''(2) COORDINATION WITH FUNDING REQUIREMENTS.—In the case of a plan which receives a loan under section 504(a)of the Rehabilitation for Multiemployer Pensions Act of 2020—

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"(A) annuity contracts purchased and portfolios implemented under section 4(d)(3) of such Act, and the benefits provided to participants and beneficiaries under such contracts or portfolios, shall not be taken into account in determining minimum required contributions under section 412,

"(B) payments on the interest and principal under the loan, and any benefits owed in excess of those provided under such contracts or portfolios, shall be taken into account as liabilities for purposes of such section, and

"(C) if such a portfolio is projected due to unfavorable investment or actuarial experience to be unable to fully satisfy the liabilities which it covers, the amount of the liabilities projected to be unsatisfied shall be taken into account as liabilities for purposes of such section.".

(b) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 305 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1085) is amended by adding at the end the following new subsection:

"(k) SPECIAL RULES FOR PLANS RECEIVING PENSION REHABILITATION LOANS.—

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"(1) DETERMINATION OF WITHDRAWAL LIABILITY.—

"(A) IN GENERAL.—If any employer participating in a plan at the time the plan receives a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020 withdraws from the plan before the end of the 30-year period beginning on the date of the loan, the withdrawal liability of such employer shall be determined—

"(i) by applying section 4219(c)(1)(D) as if the plan were terminating by the withdrawal of every employer from the plan, and

"(ii) by determining the value of nonforfeitable benefits under the plan at the time of the deemed termination by using the interest assumptions prescribed for purposes of section 4044, as prescribed in the regulations under section 4281 in the case of such a mass withdrawal.

"(B) ANNUITY CONTRACTS AND INVESTMENT PORTFOLIOS PURCHASED WITH LOAN FUNDS.—Annuity contracts purchased and portfolios implemented under section 504(d)(3)

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of the Rehabilitation for Multiemployer Pensions Act of 2020 shall not be taken into account in determining the withdrawal liability of any employer under subparagraph (A), but the amount equal to the greater of—

''(i) the benefits provided under such contracts or portfolios to participants and beneficiaries, or

''(ii) the remaining payments due on the loan under section 4(a) of such Act,

shall be taken into account as unfunded vested benefits in determining such withdrawal liability.

''(2) COORDINATION WITH FUNDING REQUIREMENTS.—In the case of a plan which receives a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020—

''(A) annuity contracts purchased and portfolios implemented under section 4(d)(3) of such Act, and the benefits provided to participants and beneficiaries under such contracts or portfolios, shall not be taken into account in determining minimum required contributions under section 302,

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"(B) payments on the interest and principal under the loan, and any benefits owed in excess of those provided under such contracts or portfolios, shall be taken into account as liabilities for purposes of such section, and

"(C) if such a portfolio is projected due to unfavorable investment or actuarial experience to be unable to fully satisfy the liabilities which it covers, the amount of the liabilities projected to be unsatisfied shall be taken into account as liabilities for purposes of such section.".

SEC. 506. ISSUANCE OF TREASURY BONDS.

The Secretary of the Treasury shall from time to time transfer from the general fund of the Treasury to the Pension Rehabilitation Trust Fund established under section 9512 of the Internal Revenue Code of 1986 such amounts as are necessary to fund the loan program under section 504 of this Act, including from proceeds from the Secretary's issuance of obligations under chapter 31 of title 31, United States Code.

SEC. 507. REPORTS OF PLANS RECEIVING PENSION REHABILITATION LOANS.

(a) IN GENERAL.—Subpart E of part III of subchapter A of chapter 61 of the Internal Revenue Code of

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1986 is amended by adding at the end the following new section:

"SEC. 6059A. REPORTS OF PLANS RECEIVING PENSION REHABILITATION LOANS.

"(a) IN GENERAL.—In the case of a plan receiving a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020, with respect to the first plan year beginning after the date of the loan and each of the 29 succeeding plan years, not later than the 90th day of each such plan year the plan sponsor shall file with the Secretary a report (including appropriate documentation and actuarial certifications from the plan actuary, as required by the Secretary) that contains—

"(1) the funded percentage (as defined in section 432(j)(2)) as of the first day of such plan year, and the underlying actuarial value of assets (determined with regard, and without regard, to annuity contracts purchased and portfolios implemented with proceeds of such loan) and liabilities (including any amounts due with respect to such loan) taken into account in determining such percentage,

"(2) the market value of the assets of the plan (determined as provided in paragraph (1)) as of the last day of the plan year preceding such plan year,

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''(3) the total value of all contributions made by employers and employees during the plan year preceding such plan year,

''(4) the total value of all benefits paid during the plan year preceding such plan year,

''(5) cash flow projections for such plan year and the 9 succeeding plan years, and the assumptions used in making such projections,

''(6) funding standard account projections for such plan year and the 9 succeeding plan years, and the assumptions relied upon in making such projections,

''(7) the total value of all investment gains or losses during the plan year preceding such plan year,

''(8) any significant reduction in the number of active participants during the plan year preceding such plan year, and the reason for such reduction,

''(9) a list of employers that withdrew from the plan in the plan year preceding such plan year, and the resulting reduction in contributions,

''(10) a list of employers that paid withdrawal liability to the plan during the plan year preceding such plan year and, for each employer, a total assessment of the withdrawal liability paid, the annual payment amount, and the number of years remain-

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ing in the payment schedule with respect to such withdrawal liability,

"(11) any material changes to benefits, accrual rates, or contribution rates during the plan year preceding such plan year, and whether such changes relate to the terms of the loan,

"(12) details regarding any funding improvement plan or rehabilitation plan and updates to such plan,

"(13) the number of participants during the plan year preceding such plan year who are active participants, the number of participants and beneficiaries in pay status, and the number of terminated vested participants and beneficiaries,

"(14) the amount of any financial assistance received under section 4261 of the Employee Retirement Income Security Act of 1974 to pay benefits during the preceding plan year, and the total amount of such financial assistance received for all preceding years,

"(15) the information contained on the most recent annual funding notice submitted by the plan under section 101(f) of the Employee Retirement Income Security Act of 1974,

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''(16) the information contained on the most recent annual return under section 6058 and actuarial report under section 6059 of the plan, and

''(17) copies of the plan document and amendments, other retirement benefit or ancillary benefit plans relating to the plan and contribution obligations under such plans, a breakdown of administrative expenses of the plan, participant census data and distribution of benefits, the most recent actuarial valuation report as of the plan year, copies of collective bargaining agreements, and financial reports, and such other information as the Secretary, in consultation with the Director of the Pension Rehabilitation Administration, may require.

''(b) ELECTRONIC SUBMISSION.—The report required under subsection (a) shall be submitted electronically.

''(c) INFORMATION SHARING.—The Secretary shall share the information in the report under subsection (a) with the Secretary of Labor and the Director of the Pension Benefit Guaranty Corporation.

''(d) REPORT TO PARTICIPANTS, BENEFICIARIES, AND EMPLOYERS.—Each plan sponsor required to file a report under subsection (a) shall, before the expiration of the time prescribed for the filing of such report, also pro-

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vide a summary (written in a manner so as to be understood by the average plan participant) of the information in such report to participants and beneficiaries in the plan and to each employer with an obligation to contribute to the plan.''.

(b) PENALTY.—Subsection (e) of section 6652 of the Internal Revenue Code of 1986 is amended—

(1) by inserting '', 6059A (relating to reports of plans receiving pension rehabilitation loans)'' after ''deferred compensation)'';

(2) by inserting ''($100 in the case of failures under section 6059A)'' after ''$25''; and

(3) by adding at the end the following: ''In the case of a failure with respect to section 6059A, the amount imposed under this subsection shall not be paid from the assets of the plan.''.

(c) CLERICAL AMENDMENT.—The table of sections for subpart E of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Sec. 6059A. Reports of plans receiving pension rehabilitation loans.''.

SEC. 508. PBGC FINANCIAL ASSISTANCE.

(a) IN GENERAL.—Section 4261 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431) is amended by adding at the end the following new subsection:

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"(d)(1) The plan sponsor of a multiemployer plan—

"(A) which is in critical and declining status (within the meaning of section 305(b)(6)) as of the date of the enactment of this subsection or during the 2-year period beginning on such date, or with respect to which a suspension of benefits has been approved under section 305(e)(9) as of such date;

"(B) which, as of such date of enactment or during such period, is in critical status (within the meaning of section 305(b)(2)), has a modified funded percentage of less than 40 percent (as defined in section 504(a)(1) of the Rehabilitation for Multiemployer Pensions Act of 2020), and has a ratio of active to inactive participants which is less than 2 to 5; or

"(C) which is insolvent for purposes of section 418E of the Internal Revenue Code of 1986 as of such date of enactment or during such period, if the plan became insolvent after December 16, 2014, and has not been terminated;

and which is applying for a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020 may also apply to the corporation for financial assistance under this subsection, by jointly submitting such applications in accordance with section 4(d)(2) of such Act. The

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application for financial assistance under this subsection shall demonstrate, based on projections by the plan actuary, that after the receipt of the anticipated loan amount under section 4(a) of such Act, the plan will still become (or remain) insolvent within the 30-year period beginning on the date of the loan.

''(2) In reviewing an application under paragraph (1), the corporation shall review the determinations and demonstrations submitted with the loan application under section 504(c) of the Rehabilitation for Multiemployer Pensions Act of 2020 and provide guidance regarding such determinations and demonstrations prior to approving any application for financial assistance under this subsection. The corporation may deny any application if any such determinations or demonstrations (or any underlying assumptions) are clearly erroneous, or inconsistent with rules issued by the corporation, and the plan and the corporation are unable to reach agreement on such determinations or demonstrations. The corporation shall prescribe any such rules or guidance not later than August 31, 2020.

''(3) In the case of a plan described in paragraph (1)(A) or (1)(B), the total financial assistance provided under this subsection shall be an amount equal to the smallest portion of the loan amount with respect to the

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plan under paragraph (1)(A) or (1)(B)(ii) of section 504(d) of the Rehabilitation for Multiemployer Pensions Act of 2020 (determined without regard to paragraph (2) thereof) that, if provided as financial assistance under this subsection instead of a loan, would allow the plan to avoid the projected insolvency.

''(4) In the case of a plan described in paragraph (1)(C), the financial assistance provided pursuant to such application under this subsection shall be the present value of the amount (determined by the plan actuary and submitted on the application) that, if such amount were paid by the corporation in combination with the loan and any other assistance being provided to the plan by the corporation at the time of the application, would enable the plan to emerge from insolvency and avoid any other insolvency projected under paragraph (1).

''(5)(A)(i) Except as provided in subparagraph (B), if the corporation determines at the time of approval, or at the beginning of any plan year beginning thereafter, that the plan's 5-year expenditure projection (determined without regard to loan payments described in clause (iii)(III)) exceeds the fair market value of the plan's assets, the corporation shall (subject to the total amount of financial assistance approved under this subsection) provide such assistance in an amount equal to the lesser of—

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"(I) the amount by which the plan's 5-year expenditure projection exceeds such fair market value; or

"(II) the plan's expected expenditures for the plan year.

"(ii) For purposes of this subparagraph, the term '5-year expenditure projection' means, with respect to any plan for a plan year, an amount equal to 500 percent of the plan's expected expenditures for the plan year.

"(iii) For purposes of this subparagraph, the term 'expected expenditures' means, with respect to any plan for a plan year, an amount equal to the sum of—

"(I) expected benefit payments for the plan year;

"(II) expected administrative expense payments for the plan year; plus

"(III) payments on the loan scheduled during the plan year pursuant to the terms of the loan under section 504(b) of the Rehabilitation for Multiemployer Pensions Act of 2020.

"(iv) For purposes of this subparagraph, in the case of any plan year during which a plan is approved for a loan under section 4 of such Act, but has not yet received the proceeds, such proceeds shall be included in determining the fair market value of the plan's assets for the

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plan year. The preceding sentence shall not apply in the case of any plan that for the plan year beginning in 2015 was certified pursuant to section 305(b)(3) as being in critical and declining status, and had more than 300,000 participants.

''(B) The financial assistance under this subsection shall be provided in a lump sum if the plan sponsor demonstrates in the application, and the corporation determines, that such a lump sum payment is necessary for the plan to avoid the insolvency to which the application relates. In the case of a plan described in paragraph (1)(C), such lump sum shall be provided not later than December 31, 2020.

''(6) Subsections (b) and (c) shall apply to financial assistance under this subsection as if it were provided under subsection (a), except that the terms for repayment under subsection (b)(2) shall not require the financial assistance to be repaid before the date on which the loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020 is repaid in full.

''(7) The corporation may forgo repayment of the financial assistance provided under this subsection if necessary to avoid any suspension of the accrued benefits of participants.''.

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(b) APPROPRIATIONS.—There is appropriated to the Director of the Pension Benefit Guaranty Corporation such sums as may be necessary for each fiscal year to provide the financial assistance described in section 4261(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431(d)) (as added by this section) (including necessary administrative and operating expenses relating to such assistance).

DIVISION U—TELECOMMUNICATIONS PROVISIONS

TITLE I—COVID–19 PRICE GOUGING PREVENTION

SEC. 101. SHORT TITLE.

This title may be cited as the ''COVID–19 Price Gouging Prevention Act''.

SEC. 102. PREVENTION OF PRICE GOUGING.

(a) IN GENERAL.—For the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of confirmed cases of 2019 novel coronavirus (COVID–19), including any renewal thereof, it shall be unlawful for any person to sell or offer for sale a good or service at a price that—

(1) is unconscionably excessive; and

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(2) indicates the seller is using the circumstances related to such public health emergency to increase prices unreasonably.

(b) FACTORS FOR CONSIDERATION.—In determining whether a person has violated subsection (a), there shall be taken into account, with respect to the price at which such person sold or offered for sale the good or service, factors that include the following:

(1) Whether such price grossly exceeds the average price at which the same or a similar good or service was sold or offered for sale by such person—

(A) during the 90-day period immediately preceding January 31, 2020; or

(B) during the same 90-day period of the previous year.

(2) Whether such price grossly exceeds the average price at which the same or a similar good or service was readily obtainable from other similarly situated competing sellers before January 31, 2020.

(3) Whether such price reasonably reflects additional costs, not within the control of such person, that were paid, incurred, or reasonably anticipated by such person, or reasonably reflects the profitability of forgone sales or additional risks taken by

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such person, to produce, distribute, obtain, or sell such good or service under the circumstances.

(c) ENFORCEMENT.—

(1) ENFORCEMENT BY FEDERAL TRADE COMMISSION.—

(A) UNFAIR OR DECEPTIVE ACTS OR PRACTICES.—A violation of subsection (a) shall be treated as a violation of a regulation under section 18(a)(1)(B) of the Federal Trade Commission Act (15 U.S.C. 57a(a)(1)(B)) regarding unfair or deceptive acts or practices.

(B) POWERS OF COMMISSION.—The Commission shall enforce subsection (a) in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act (15 U.S.C. 41 et seq.) were incorporated into and made a part of this section. Any person who violates such subsection shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act.

(2) EFFECT ON OTHER LAWS.—Nothing in this section shall be construed in any way to limit the

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authority of the Commission under any other provision of law.

(3) ENFORCEMENT BY STATE ATTORNEYS GENERAL.—

(A) IN GENERAL.—If the chief law enforcement officer of a State, or an official or agency designated by a State, has reason to believe that any person has violated or is violating subsection (a), the attorney general, official, or agency of the State, in addition to any authority it may have to bring an action in State court under its consumer protection law, may bring a civil action in any appropriate United States district court or in any other court of competent jurisdiction, including a State court, to—

(i) enjoin further such violation by such person;

(ii) enforce compliance with such subsection;

(iii) obtain civil penalties; and

(iv) obtain damages, restitution, or other compensation on behalf of residents of the State.

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(B) NOTICE AND INTERVENTION BY THE FTC.—The attorney general of a State shall provide prior written notice of any action under subparagraph (A) to the Commission and provide the Commission with a copy of the complaint in the action, except in any case in which such prior notice is not feasible, in which case the attorney general shall serve such notice immediately upon instituting such action. The Commission shall have the right—

(i) to intervene in the action;

(ii) upon so intervening, to be heard on all matters arising therein; and

(iii) to file petitions for appeal.

(C) LIMITATION ON STATE ACTION WHILE FEDERAL ACTION IS PENDING.—If the Commission has instituted a civil action for violation of this section, no State attorney general, or official or agency of a State, may bring an action under this paragraph during the pendency of that action against any defendant named in the complaint of the Commission for any violation of this section alleged in the complaint.

(D) RELATIONSHIP WITH STATE-LAW CLAIMS.—If the attorney general of a State has

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authority to bring an action under State law directed at acts or practices that also violate this section, the attorney general may assert the State-law claim and a claim under this section in the same civil action.

(4) SAVINGS CLAUSE.—Nothing in this section shall preempt or otherwise affect any State or local law.

(d) DEFINITIONS.—In this section:

(1) COMMISSION.—The term ''Commission'' means the Federal Trade Commission.

(2) GOOD OR SERVICE.—The term ''good or service'' means a good or service offered in commerce, including—

(A) food, beverages, water, ice, a chemical, or a personal hygiene product;

(B) any personal protective equipment for protection from or prevention of contagious diseases, filtering facepiece respirators, medical supplies (including medical testing supplies), cleaning supplies, disinfectants, sanitizers; or

(C) any healthcare service, cleaning service, or delivery service.

(3) STATE.—The term ''State'' means each of the several States, the District of Columbia, each

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commonwealth, territory, or possession of the United States, and each federally recognized Indian Tribe.

TITLE II—E–RATE SUPPORT FOR WI-FI HOTSPOTS AND CONNECTED DEVICES

SEC. 201. E–RATE SUPPORT FOR WI-FI HOTSPOTS AND CONNECTED DEVICES DURING EMERGENCY PERIODS RELATING TO COVID–19.

(a) REGULATIONS REQUIRED.—Not later than 7 days after the date of the enactment of this Act, the Commission shall promulgate regulations providing for the provision, during an emergency period described in subsection (b) and from amounts made available from the Emergency Connectivity Fund established under subsection (i)(1), of universal service support under section 254(h)(1)(B) of the Communications Act of 1934 (47 U.S.C. 254(h)(1)(B)) to an elementary school, secondary school, or library eligible for support under such section, as well as a tribal elementary school, tribal secondary school, or tribal library designated as eligible to receive support under such regulations by an Indian tribe that is eligible for support under section 261 of the Library Services and Technology Act (20 U.S.C. 9161), for—

(1) providing Wi-Fi hotspots to—

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(A) in the case of a school, students and staff of such school for use at locations that include locations other than such school; and

(B) in the case of a library, patrons of such library for use at locations that include locations other than such library;

(2) providing connected devices to students and staff or patrons (as the case may be) for use as described in subparagraph (A) or (B) of paragraph (1); and

(3) providing mobile broadband internet access service through such Wi-Fi hotspots or connected devices.

(b) EMERGENCY PERIODS DESCRIBED.—An emergency period described in this subsection is the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of COVID–19, including any renewal thereof.

(c) SERVICE REQUIREMENT FOR CONNECTED DEVICES.—If a school or library provides a connected device to a student, staff member, or patron using universal service support under the regulations required by subsection (a) and such connected device is only capable of connecting to broadband internet access service through the use of Wi-Fi, such school or library shall also provide to

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such student, staff member, or patron a Wi-Fi hotspot and mobile broadband internet access service through such Wi-Fi hotspot.

(d) TREATMENT OF WI-FI HOTSPOTS AND CONNECTED DEVICES AFTER EMERGENCY PERIOD.—The Commission shall provide in the regulations required by subsection (a) that, in the case of a school or library that purchases Wi-Fi hotspots or connected devices using support received under such regulations, such school or library—

(1) may, after the emergency period with respect to which such support is received, use such Wi-Fi hotspots or connected devices for such purposes as such school or library considers appropriate, subject to any restrictions provided in such regulations (or any successor regulation); and

(2) may not sell or otherwise transfer in exchange for any thing of value such Wi-Fi hotspots or connected devices.

(e) PRIORITIZATION OF SUPPORT.—The Commission shall provide in the regulations required by subsection (a) that a school or library shall prioritize the provision of Wi-Fi hotspots or connected devices and associated mobile broadband internet access service for which support is received under such regulations to students and staff or pa-

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trons (as the case may be) that the school or library believes do not otherwise have access to broadband internet access service at the residences of such students and staff or patrons.

(f) CERTIFICATION REQUIREMENTS.—The Commission shall provide in the regulations required by subsection (a) that—

(1) Wi-Fi hotspots and connected devices for which support is received under such regulations shall be treated as computers for purposes of the certification requirements of paragraphs (5) and (6) of section 254(h) of the Communications Act of 1934 (47 U.S.C. 254(h)); and

(2) notwithstanding the requirements of such paragraphs relating to the timing of certifications, the certifications required by such paragraphs shall be made with respect to such Wi-Fi hotspots and connected devices as a condition of receiving such support.

(g) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to affect any authority the Commission may have under section 254(h)(1)(B) of the Communications Act of 1934 (47 U.S.C. 254(h)(1)(B)) to allow universal service support under such section to be

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used for the purposes described in subsection (a) other than as required by such subsection.

(h) EXEMPTIONS.—

(1) NOTICE AND COMMENT RULEMAKING REQUIREMENTS.—Section 553 of title 5, United States Code, shall not apply to a regulation promulgated under subsection (a) or a rulemaking to promulgate such a regulation.

(2) PAPERWORK REDUCTION ACT REQUIREMENTS.—A collection of information conducted or sponsored under the regulations required by subsection (a), or under section 254 of the Communications Act of 1934 (47 U.S.C. 254) in connection with universal service support provided under such regulations, shall not constitute a collection of information for the purposes of subchapter I of chapter 35 of title 44, United States Code (commonly referred to as the Paperwork Reduction Act).

(i) EMERGENCY CONNECTIVITY FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury of the United States a fund to be known as the Emergency Connectivity Fund.

(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Emergency Connectivity Fund, out of any money in the

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Treasury not otherwise appropriated, $2,000,000,000 for fiscal year 2020, to remain available through fiscal year 2021.

(3) USE OF FUNDS.—Amounts in the Emergency Connectivity Fund shall be available to the Commission to provide universal service support under the regulations required by subsection (a).

(4) RELATIONSHIP TO UNIVERSAL SERVICE CONTRIBUTIONS.—Universal service support provided under the regulations required by subsection (a) shall be provided from amounts made available under paragraph (3) and not from contributions under section 254(d) of the Communications Act of 1934 (47 U.S.C. 254(d)).

(j) EXCEPTION TO GIFT RESTRICTIONS.—Not later than 7 days after the date of the enactment of this Act, the Commission shall amend section 54.503(d) of title 47, Code of Federal Regulations, so as to provide that such section does not apply in the case of a gift or other thing of value that is solicited, accepted, offered, or provided during an emergency period described in subsection (b) for the purpose of responding to needs arising from the emergency.

(k) DEFINITIONS.—In this section:

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(1) BROADBAND INTERNET ACCESS SERVICE.—The term ''broadband internet access service'' has the meaning given such term in section 8.1(b) of title 47, Code of Federal Regulations (or any successor regulation).

(2) COMMISSION.—The term ''Commission'' means the Federal Communications Commission.

(3) CONNECTED DEVICE.—The term ''connected device'' means a laptop computer, tablet computer, or similar device that is capable of connecting to mobile broadband internet access service, either by receiving such service directly or through the use of Wi-Fi.

(4) WI-FI.—The term ''Wi-Fi'' means a wireless networking protocol based on Institute of Electrical and Electronics Engineers standard 802.11 (or any successor standard).

(5) WI-FI HOTSPOT.—The term ''Wi-Fi hotspot'' means a device that is capable of—

(A) receiving mobile broadband internet access service; and

(B) sharing such service with another device through the use of Wi-Fi.

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TITLE III—EMERGENCY LIFELINE BENEFIT FOR BROADBAND SERVICE

SEC. 301. EMERGENCY LIFELINE BENEFIT FOR BROADBAND SERVICE DURING EMERGENCY PERIODS RELATING TO COVID–19.

(a) PROMULGATION OF REGULATIONS REQUIRED.—Not later than 7 days after the date of the enactment of this Act, the Commission shall promulgate regulations for the provision of an emergency lifeline broadband benefit described and in accordance with the requirements of this section.

(b) REQUIREMENTS.—The regulations promulgated pursuant to subsection (a) shall establish the following:

(1) Regardless of whether a household or any consumer in the household receives support under subpart E of part 54 of title 47, Code of Federal Regulations, a household is eligible for the provision of Tier I service or Tier II service, supported by the emergency lifeline broadband benefit, during an emergency period if—

(A) the household includes at least one qualifying low-income consumer who meets the qualifications in paragraphs (a) and (b) of sec-

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tion 54.409 of title 47, Code of Federal Regulations, or any successor regulation; or

(B) the household receives benefits from the National School Lunch Program's free or reduced cost lunch program.

(2) A provider of broadband internet access service shall apply to the Commission for the reimbursement described in paragraph (6) for each eligible household that requests the emergency lifeline broadband benefit and receives Tier I or Tier II service from the provider.

(3) Within five business days of receiving a request from a broadband internet service provider, the Commission shall determine and issue a decision whether it is in the public interest—

(A) to allow such provider to provide Tier I or Tier II service supported by the emergency lifeline broadband benefit, and

(B) to allow the provider to use its own verification processes to determine whether a household is eligible to receive the emergency lifeline broadband benefit according to the eligibility criteria in paragraph (1), if such processes are reasonable and sufficient to avoid waste, fraud, and abuse.

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(4) The Commission shall adopt reasonable recordkeeping and retention requirements for recipients of reimbursements from the funds made available in subsection (f), which requirements shall be in lieu of any reporting, record keeping, retention and compliance requirements as set forth in subpart E of part 54 of title 47, Code of Federal Regulations.

(5) The emergency period may be extended within a State or any portion thereof if the Governor of the State provides written, public notice to the Commission stipulating that an extension is necessary in furtherance of the recovery related to COVID–19. The Commission shall, within 24 hours after receiving such notice, post the notice on the Commission's public website.

(6) The Commission shall reimburse providers of broadband internet access service from funds made available in subsection (f) in the following amounts:

(A) The broadband internet access service provider shall receive $50.00 per month, or an amount equal to the monthly charge for service and equipment if such charge is less than $50.00 per month, for each eligible household

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that requests the emergency lifeline broadband benefit and receives the Tier I service.

(B) The broadband internet access service provider shall receive $30.00 per month, or an amount equal to the monthly charge for service and equipment if such charge is less than $30.00 per month, for each eligible household that requests the emergency lifeline broadband benefit and receives Tier II service.

(7) To receive a reimbursement under paragraph (6), a broadband internet access service provider shall certify to the Commission—

(A) the number of eligible households that requested the emergency lifeline broadband benefit and received Tier I service—

(i) monthly for the duration of the emergency period; or

(ii) for each month of the emergency period, collectively, after the expiration of the emergency period under paragraph (5);

(B) the number of eligible households that requested the emergency lifeline broadband benefit and received Tier II service—

(i) monthly for the duration of the emergency period; or

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(ii) for each month of the emergency period, collectively, after the expiration of the emergency period under paragraph (5);

(C) that the reimbursement sought for providing Tier I service or Tier II service to an eligible household did not exceed the provider's rate for that offering, or similar offerings, for households that are not eligible households subscribing to the same or substantially similar service;

(D) that eligible households for which the provider is seeking reimbursement for providing Tier I or Tier II service using the emergency lifeline broadband benefit—

(i) were not charged for the Tier I service or Tier II service; and

(ii) were not disqualified from receiving the emergency lifeline broadband service based on past or present arrearages; and

(E) that the eligibility of eligible households is verified in accordance with the requirements adopted by the Commission pursuant to paragraph (3).

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(c) ELIGIBLE PROVIDERS.—The Commission may provide a reimbursement to a broadband internet access service provider under this section without requiring such provider to be designated as an eligible telecommunications carrier under section 214(e) of the Communications Act of 1934 (47 U.S.C. 214(e)) and notwithstanding section 254(e) of the Communications Act of 1934 (47 U.S.C. 254(e)).

(d) RULE OF CONSTRUCTION.—Nothing in this section shall affect the collection, distribution, or administration of the Lifeline Assistance Program governed by the rules set forth in subpart E of part 54 of title 47, Code of Federal Regulations.

(e) EXEMPTIONS.—

(1) NOTICE AND COMMENT RULEMAKING REQUIREMENTS.—Section 553 of title 5, United States Code, shall not apply to a regulation promulgated under subsection (a) or a rulemaking to promulgate such a regulation.

(2) PAPERWORK REDUCTION ACT REQUIREMENTS.—A collection of information conducted or sponsored under the regulations required by subsection (a), or under section 254 of the Communications Act of 1934 (47 U.S.C. 254) in connection with universal service support provided under such

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regulations, shall not constitute a collection of information for the purposes of subchapter I of chapter 35 of title 44, United States Code (commonly referred to as the Paperwork Reduction Act).

(f) EMERGENCY BROADBAND CONNECTIVITY FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury of the United States a fund to be known as the Emergency Broadband Connectivity Fund.

(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Emergency Broadband Connectivity Fund, out of any money in the Treasury not otherwise appropriated, $1,000,000,000 for fiscal year 2020, to remain available through fiscal year 2021.

(3) USE OF FUNDS.—Amounts in the Emergency Broadband Connectivity Fund shall be available to the Commission to provide reimbursements for Tier I service or Tier II service provided to eligible households under the regulations required pursuant to subsection (a).

(4) RELATIONSHIP TO UNIVERSAL SERVICE CONTRIBUTIONS.—Reimbursements provided under the regulations required by subsection (a) shall be

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provided from amounts made available under paragraph (3) and not from contributions under section 254(d) of the Communications Act of 1934 (47 U.S.C. 254(d)).

(g) DEFINITIONS.—In this section:

(1) BROADBAND INTERNET ACCESS SERVICE.—The term ''broadband internet access service'' has the meaning given such term in section 8.1(b) of title 47, Code of Federal Regulations (or any successor regulation).

(2) COMMISSION.—The term ''Commission'' means the Federal Communications Commission.

(3) ELIGIBLE HOUSEHOLD.—The term ''eligible household'' means a household that meets the requirements described in subsection (b)(1).

(4) EMERGENCY PERIOD.—The term ''emergency period'' means the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of COVID–19, including any renewal thereof.

(5) TIER I SERVICE.—The term ''Tier I service'' means broadband internet access service that, at a minimum, provides a download speed of 100 megabits per second, an upload speed of 10 megabits per second, and latency that is sufficiently low

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to allow real-time, interactive applications, with no data caps or additional fees for the provision of such service, except taxes and other governmental fees.

(6) TIER II SERVICE.—The term ''Tier II service'' means broadband internet access service that, at a minimum, provides a download speed of 25 megabits per second, an upload speed of 3 megabits per second, and latency that is sufficiently low to allow real-time, interactive applications, with no data caps or additional fees for the provision of such service, except taxes and other governmental fees.

TITLE IV—CONTINUED CONNECTIVITY

SEC. 401. CONTINUED CONNECTIVITY DURING EMERGENCY PERIODS RELATING TO COVID–19.

Title VII of the Communications Act of 1934 (47 U.S.C. 601 et seq.) is amended by adding at the end the following:

''SEC. 723. CONTINUED CONNECTIVITY DURING EMERGENCY PERIODS RELATING TO COVID–19.

''(a) IN GENERAL.—During an emergency period described in subsection (b), it shall be unlawful—

''(1) for a provider of advanced telecommunications service or voice service to—

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''(A) terminate, reduce, or change such service provided to any individual customer or small business because of the inability of the individual customer or small business to pay for such service if the individual customer or small business certifies to such provider that such inability to pay is a result of disruptions caused by the public health emergency to which such emergency period relates; or

''(B) impose late fees on any individual customer or small business because of the inability of the individual customer or small business to pay for such service if the individual customer or small business certifies to such provider that such inability to pay is a result of disruptions caused by the public health emergency to which such emergency period relates;

''(2) for a provider of advanced telecommunications service to, during such emergency period—

''(A) employ a limit on the amount of data allotted to an individual customer or small business during such emergency period, except that such provider may engage in reasonable network management; or

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"(B) charge an individual customer or small business an additional fee for exceeding the limit on the data allotted to an individual customer or small business; or

"(3) for a provider of advanced telecommunications service that had functioning Wi-Fi hotspots available to subscribers in public places on the day before the beginning of such emergency period to fail to make service provided by such Wi-Fi hotspots available to the public at no cost during such emergency period.

"(b) WAIVER.—Upon a petition by a provider advanced telecommunications service or voice service, the provisions in subsection (a) may be suspended or waived by the Commission at any time, in whole or in part, for good cause shown.

"(c) EMERGENCY PERIODS DESCRIBED.—An emergency period described in this subsection is any portion beginning on or after the date of the enactment of this section of the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of COVID–19, including any renewal thereof.

"(d) DEFINITIONS.—In this section:

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"(1) ADVANCED TELECOMMUNICATIONS SERVICE.—The term 'advanced telecommunications service' means a service that provides advanced telecommunications capability (as defined in section 706 of the Telecommunications Act of 1996 (47 U.S.C. 1302)).

"(2) BROADBAND INTERNET ACCESS SERVICE.—The term 'broadband internet access service' has the meaning given such term in section 8.1(b) of title 47, Code of Federal Regulations (or any successor regulation).

"(3) INDIVIDUAL CUSTOMER.—The term 'individual customer' means an individual who contracts with a mass-market retail provider of advanced telecommunications service or voice service to provide service to such individual.

"(4) REASONABLE NETWORK MANAGEMENT.—The term 'reasonable network management'—

"(A) means the use of a practice that—

"(i) has a primarily technical network management justification; and

"(ii) is primarily used for and tailored to achieving a legitimate network management purpose, taking into account the par-

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ticular network architecture and technology of the service; and

"(B) does not include other business practices.

"(5) SMALL BUSINESS.—The term 'small business' has the meaning given such term under section 601(3) of title 5, United States Code.

"(6) VOICE SERVICE.—The term 'voice service' has the meaning given such term under section 227(e)(8) of the Communications Act of 1934 (47 U.S.C. 227(e)(8)).

"(7) WI-FI.—The term 'Wi-Fi' means a wireless networking protocol based on Institute of Electrical and Electronics Engineers standard 802.11 (or any successor standard).

"(8) WI-FI HOTSPOT.—The term 'Wi-Fi hotspot' means a device that is capable of—

"(A) receiving mobile broadband internet access service; and

"(B) sharing such service with another device through the use of Wi-Fi.".

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TITLE V—DON'T BREAK UP THE T–BAND

SEC. 501. REPEAL OF REQUIREMENT TO REALLOCATE AND AUCTION T–BAND SPECTRUM.

(a) REPEAL.—Section 6103 of the Middle Class Tax Relief and Job Creation Act of 2012 (47 U.S.C. 1413) is repealed.

(b) CLERICAL AMENDMENT.—The table of contents in section 1(b) of such Act is amended by striking the item relating to section 6103.

SEC. 502. CLARIFYING ACCEPTABLE 9–1–1 OBLIGATIONS OR EXPENDITURES.

Section 6 of the Wireless Communications and Public Safety Act of 1999 (47 U.S.C. 615a–1) is amended—

(1) in subsection (f)—

(A) in paragraph (1), by striking ''as specified in the provision of State or local law adopting the fee or charge'' and inserting ''consistent with the purposes and functions designated in the final rules issued under paragraph (3) as purposes and functions for which the obligation or expenditure of such a fee or charge is acceptable'';

(B) in paragraph (2), by striking ''any purpose other than the purpose for which any

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such fees or charges are specified'' and inserting ''any purpose or function other than the purposes and functions designated in the final rules issued under paragraph (3) as purposes and functions for which the obligation or expenditure of any such fees or charges is acceptable''; and

(C) by adding at the end the following:

''(3) ACCEPTABLE OBLIGATIONS OR EXPENDITURES.—

''(A) RULES REQUIRED.—In order to prevent diversion of 9–1–1 fees or charges, the Commission shall, not later than 180 days after the date of the enactment of this paragraph, issue final rules designating purposes and functions for which the obligation or expenditure of 9–1–1 fees or charges, by any State or taxing jurisdiction authorized to impose such a fee or charge, is acceptable.

''(B) PURPOSES AND FUNCTIONS.—The purposes and functions designated under subparagraph (A) shall be limited to the support and implementation of 9–1–1 services provided by or in the State or taxing jurisdiction imposing the fee or charge and operational expenses

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of public safety answering points within such State or taxing jurisdiction. In designating such purposes and functions, the Commission shall consider the purposes and functions that States and taxing jurisdictions specify as the intended purposes and functions for the 9–1–1 fees or charges of such States and taxing jurisdictions, and determine whether such purposes and functions directly support providing 9–1–1 services.

"(C) CONSULTATION REQUIRED.—The Commission shall consult with public safety organizations and States and taxing jurisdictions as part of any proceeding under this paragraph.

"(D) DEFINITIONS.—In this paragraph:

"(i) 9–1–1 FEE OR CHARGE.—The term '9–1–1 fee or charge' means a fee or charge applicable to commercial mobile services or IP-enabled voice services specifically designated by a State or taxing jurisdiction for the support or implementation of 9–1–1 services.

"(ii) 9–1–1 SERVICES.—The term '9–1–1 services' has the meaning given such term in section 158(e) of the National Telecommunications and Information Ad-

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ministration Organization Act (47 U.S.C. 942(e)).

"(iii) STATE OR TAXING JURISDICTION.—The term 'State or taxing jurisdiction' means a State, political subdivision thereof, Indian Tribe, or village or regional corporation serving a region established pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.).

"(4) PARTICIPATION.—If a State or taxing jurisdiction (as defined in paragraph (3)(D)) receives a grant under section 158 of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 942) after the date of the enactment of this paragraph, such State or taxing jurisdiction shall, as a condition of receiving such grant, provide the information requested by the Commission to prepare the report required by paragraph (2).

"(5) PETITION REGARDING ADDITIONAL PURPOSES AND FUNCTIONS.—

"(A) IN GENERAL.—A State or taxing jurisdiction (as defined in paragraph (3)(D)) may submit to the Commission a petition for a determination that an obligation or expenditure of

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a 9–1–1 fee or charge (as defined in such paragraph) by such State or taxing jurisdiction for a purpose or function other than a purpose or function designated under paragraph (3)(A) should be treated as such a purpose or function. If the Commission finds that the State or taxing jurisdiction has provided sufficient documentation to make the demonstration described in subparagraph (B), the Commission shall grant such petition.

''(B) DEMONSTRATION DESCRIBED.—The demonstration described in this subparagraph is a demonstration that the purpose or function—

''(i) supports public safety answering point functions or operations; or

''(ii) has a direct impact on the ability of a public safety answering point to—

''(I) receive or respond to 9–1–1 calls; or

''(II) dispatch emergency responders.''; and

(2) by adding at the end the following:

''(j) SEVERABILITY CLAUSE.—If any provision of this section or the application thereof to any person or circumstance is held invalid, the remainder of this section

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and the application of such provision to other persons or circumstances shall not be affected thereby.''.

SEC. 503. PROHIBITION ON 9–1–1 FEE OR CHARGE DIVERSION.

(a) IN GENERAL.—If the Commission obtains evidence that suggests the diversion by a State or taxing jurisdiction of 9–1–1 fees or charges, the Commission shall submit such information, including any information regarding the impact of any underfunding of 9–1–1 services in the State or taxing jurisdiction, to the interagency strike force established under subsection (c).

(b) REPORT TO CONGRESS.—Beginning with the first report under section 6(f)(2) of the Wireless Communications and Public Safety Act of 1999 (47 U.S.C. 615a–1(f)(2)) that is required to be submitted after the date that is 1 year after the date of the enactment of this Act, the Commission shall include in each report required under such section all evidence that suggests the diversion by a State or taxing jurisdiction of 9–1–1 fees or charges, including any information regarding the impact of any underfunding of 9–1–1 services in the State or taxing jurisdiction.

(c) INTERAGENCY STRIKE FORCE TO END 9–1–1 FEE OR CHARGE DIVERSION.—

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(1) ESTABLISHMENT.—Not later than 180 days after the date of the enactment of this Act, the Commission shall establish an interagency strike force to study how the Federal Government can most expeditiously end diversion by a State or taxing jurisdiction of 9–1–1 fees or charges. Such interagency strike force shall be known as the ''Ending 9–1–1 Fee Diversion Now Strike Force'' (in this section referred to as the ''Strike Force'').

(2) DUTIES.—In carrying out the study under paragraph (1), the Strike Force shall—

(A) determine the effectiveness of any Federal laws, including regulations, policies, and practices, or budgetary or jurisdictional constraints regarding how the Federal Government can most expeditiously end diversion by a State or taxing jurisdiction of 9–1–1 fees or charges;

(B) consider whether criminal penalties would further prevent diversion by a State or taxing jurisdiction of 9–1–1 fees or charges; and

(C) determine the impacts of diversion by a State or taxing jurisdiction of 9–1–1 fees or charges.

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(3) MEMBERS.—The Strike Force shall be composed of such representatives of Federal departments and agencies as the Commission considers appropriate, in addition to—

(A) State attorneys general;

(B) States or taxing jurisdictions found not to be engaging in diversion of 9–1–1 fees or charges;

(C) States or taxing jurisdictions trying to stop the diversion of 9–1–1 fees or charges;

(D) State 9–1–1 administrators;

(E) public safety organizations;

(F) groups representing the public and consumers; and

(G) groups representing public safety answering point professionals.

(4) REPORT TO CONGRESS.—Not later than 270 days after the date of the enactment of this Act, the Strike Force shall publish on the website of the Commission and submit to the Committee on Energy and Commerce of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a report on the findings of the study under this subsection, including—

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(A) any recommendations regarding how to most expeditiously end the diversion by a State or taxing jurisdiction of 9–1–1 fees or charges, including actions that can be taken by Federal departments and agencies and appropriate changes to law or regulations; and

(B) a description of what progress, if any, relevant Federal departments and agencies have made in implementing the recommendations under subparagraph (A).

(d) FAILURE TO COMPLY.—Notwithstanding any other provision of law, any State or taxing jurisdiction identified by the Commission in the report required under section 6(f)(2) of the Wireless Communications and Public Safety Act of 1999 (47 U.S.C. 615a–1(f)(2)) as engaging in diversion of 9–1–1 fees or charges shall be ineligible to participate or send a representative to serve on any committee, panel, or council established under section 6205(a) of the Middle Class Tax Relief and Job Creation Act of 2012 (47 U.S.C. 1425(a)) or any advisory committee established by the Commission.

SEC. 504. RULE OF CONSTRUCTION.

Nothing in this title, the Wireless Communications and Public Safety Act of 1999 (Public Law 106–81), or the Communications Act of 1934 (47 U.S.C. 151 et seq.)

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shall be construed to prevent a State or taxing jurisdiction from requiring an annual audit of the books and records of a provider of 9–1–1 services concerning the collection and remittance of a 9–1–1 fee or charge.

SEC. 505. DEFINITIONS.

In this title:

(1) 9–1–1 FEE OR CHARGE.—The term ''9–1–1 fee or charge'' has the meaning given such term in subparagraph (D) of paragraph (3) of section 6(f) of the Wireless Communications and Public Safety Act of 1999, as added by this title.

(2) 9–1–1 SERVICES.—The term ''9–1–1 services'' has the meaning given such term in section 158(e) of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 942(e)).

(3) COMMISSION.—The term ''Commission'' means the Federal Communications Commission.

(4) DIVERSION.—The term ''diversion'' means, with respect to a 9–1–1 fee or charge, the obligation or expenditure of such fee or charge for a purpose or function other than the purposes and functions designated in the final rules issued under paragraph (3) of section 6(f) of the Wireless Communications and Public Safety Act of 1999, as added by this

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title, as purposes and functions for which the obligation or expenditure of such a fee or charge is acceptable.

(5) STATE OR TAXING JURISDICTION.—The term ''State or taxing jurisdiction'' has the meaning given such term in subparagraph (D) of paragraph (3) of section 6(f) of the Wireless Communications and Public Safety Act of 1999, as added by this title.

DIVISION V—GROW ACT

SEC. 101. SHORT TITLE.

This division may be cited as the ''Giving Retirement Options to Workers Act of 2020'' or the ''GROW Act''.

SEC. 102. COMPOSITE PLANS.

(a) AMENDMENT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) IN GENERAL.—Title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.) is amended by adding at the end the following:

''PART 8—COMPOSITE PLANS AND LEGACY PLANS

''SEC. 801. COMPOSITE PLAN DEFINED.

''(a) IN GENERAL.—For purposes of this Act, the term 'composite plan' means a pension plan—

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''(1) which is a multiemployer plan that is neither a defined benefit plan nor a defined contribution plan;

''(2) the terms of which provide that the plan is a composite plan for purposes of this title with respect to which not more than one multiemployer defined benefit plan is treated as a legacy plan within the meaning of section 805, unless there is more than one legacy plan following a merger of composite plans under section 806;

''(3) which provides systematically for the payment of benefits—

''(A) objectively calculated pursuant to a formula enumerated in the plan document with respect to plan participants after retirement, for life; and

''(B) in the form of life annuities, except for benefits which under section 203(e) may be immediately distributed without the consent of the participant;

''(4) for which the plan contributions for the first plan year are at least 120 percent of the normal cost for the plan year;

''(5) which requires—

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"(A) an annual valuation of the liability of the plan as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year;

"(B) an annual actuarial determination of the plan's current funded ratio and projected funded ratio under section 802(a);

"(C) corrective action through a realignment program pursuant to section 803 whenever the plan's projected funded ratio is below 120 percent for the plan year; and

"(D) an annual notification to each participant describing the participant's benefits under the plan and explaining that such benefits may be subject to reduction under a realignment program pursuant to section 803 based on the plan's funded status in future plan years; and

"(6) the board of trustees of which includes at least one retiree or beneficiary in pay status during each plan year following the first plan year in which at least 5 percent of the participants in the plan are retirees or beneficiaries in pay status.

"(b) TRANSITION FROM A MULTIEMPLOYER DEFINED BENEFIT PLAN.—

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''(1) IN GENERAL.—The plan sponsor of a defined benefit plan that is a multiemployer plan may, subject to paragraph (2), amend the plan to incorporate the features of a composite plan as a component of the multiemployer plan separate from the defined benefit plan component, except in the case of a defined benefit plan for which the plan actuary has certified under section 305(b)(3) that the plan is or will be in critical status for the plan year in which such amendment would become effective or for any of the succeeding 5 plan years.

''(2) REQUIREMENTS.—Any amendment pursuant to paragraph (1) to incorporate the features of a composite plan as a component of a multiemployer plan shall—

''(A) apply with respect to all collective bargaining agreements providing for contributions to the multiemployer plan on or after the effective date of the amendment;

''(B) apply with respect to all participants in the multiemployer plan for whom contributions are made to the multiemployer plan on or after the effective date of the amendment;

''(C) specify that the effective date of the amendment is—

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''(i) the first day of a specified plan year following the date of the adoption of the amendment, except that the plan sponsor may alternatively provide for a separate effective date with respect to each collective bargaining agreement under which contributions to the multiemployer plan are required, which shall occur on the first day of the first plan year beginning after the termination, or if earlier, the re-opening, of each such agreement, or such earlier date as the parties to the agreement and the plan sponsor of the multiemployer plan shall agree to; and

''(ii) not later than the first day of the fifth plan year beginning on or after the date of the adoption of the amendment;

''(D) specify that, as of the amendment's effective date, no further benefits shall accrue under the defined benefit component of the multiemployer plan; and

''(E) specify that, as of the amendment's effective date, the plan sponsor of the multiemployer plan shall be the plan sponsor of both

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the composite plan component and the defined benefit plan component of the plan.

''(3) SPECIAL RULES.—If a multiemployer plan is amended pursuant to paragraph (1)—

''(A) the requirements of this title and title IV shall be applied to the composite plan component and the defined benefit plan component of the multiemployer plan as if each such component were maintained as a separate plan; and

''(B) the assets of the composite plan component and the defined benefit plan component of the plan shall be held in a single trust forming part of the plan under which the trust instrument expressly provides—

''(i) for separate accounts (and appropriate records) to be maintained to reflect the interest which each of the plan components has in the trust, including separate accounting for additions to the trust for the benefit of each plan component, disbursements made from each plan component's account in the trust, investment experience of the trust allocable to that account, and administrative expenses (whether direct expenses or shared expenses allo-

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cated proportionally), and permits, but does not require, the pooling of some or all of the assets of the two plan components for investment purposes; and

''(ii) that the assets of each of the two plan components shall be held, invested, reinvested, managed, administered and distributed for the exclusive benefit of the participants and beneficiaries of each such plan component, and in no event shall the assets of one of the plan components be available to pay benefits due under the other plan component.

''(4) NOT A TERMINATION EVENT.—Notwithstanding section 4041A, an amendment pursuant to paragraph (1) to incorporate the features of a composite plan as a component of a multiemployer plan does not constitute termination of the multiemployer plan.

''(5) NOTICE TO THE SECRETARY.—

''(A) NOTICE.—The plan sponsor of a composite plan shall provide notice to the Secretary of the intent to establish the composite plan (or, in the case of a composite plan incorporated as a component of a multiemployer

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plan as described in paragraph (1), the intent to amend the multiemployer plan to incorporate such composite plan) at least 30 days prior to the effective date of such establishment or amendment.

"(B) CERTIFICATION.—In the case of a composite plan incorporated as a component of a multiemployer plan as described in paragraph (1), such notice shall include a certification by the plan actuary under section 305(b)(3) that the effective date of the amendment occurs in a plan year for which the multiemployer plan is not in critical status for that plan year and any of the succeeding 5 plan years.

"(6) REFERENCES TO COMPOSITE PLAN COMPONENT.—As used in this part, the term 'composite plan' includes a composite plan component added to a defined benefit plan pursuant to paragraph (1).

"(7) RULE OF CONSTRUCTION.—Paragraph (2)(A) shall not be construed as preventing the plan sponsor of a multiemployer plan from adopting an amendment pursuant to paragraph (1) because some collective bargaining agreements are amended to cease any covered employer's obligation to contribute to the multiemployer plan before or after the plan

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amendment is effective. Paragraph (2)(B) shall not be construed as preventing the plan sponsor of a multiemployer plan from adopting an amendment pursuant to paragraph (1) because some participants cease to have contributions made to the multiemployer plan on their behalf before or after the plan amendment is effective.

''(c) COORDINATION WITH FUNDING RULES.—Except as otherwise provided in this title, sections 302, 304, and 305 shall not apply to a composite plan.

''(d) TREATMENT OF A COMPOSITE PLAN.—For purposes of this Act (other than sections 302 and 4245), a composite plan shall be treated as if it were a defined benefit plan unless a different treatment is provided for under applicable law.

''SEC. 802. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.

''(a) CERTIFICATION OF FUNDED RATIOS.—

''(1) IN GENERAL.—Not later than the one-hundred twentieth day of each plan year of a composite plan, the plan actuary of the composite plan shall certify to the Secretary, the Secretary of the Treasury, and the plan sponsor the plan's current funded ratio and projected funded ratio for the plan year.

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"(2) DETERMINATION OF CURRENT FUNDED RATIO AND PROJECTED FUNDED RATIO.—For purposes of this section:

"(A) CURRENT FUNDED RATIO.—The current funded ratio is the ratio (expressed as a percentage) of—

"(i) the value of the plan's assets as of the first day of the plan year; to

"(ii) the plan actuary's best estimate of the present value of the plan liabilities as of the first day of the plan year.

"(B) PROJECTED FUNDED RATIO.—The projected funded ratio is the current funded ratio projected to the first day of the fifteenth plan year following the plan year for which the determination is being made.

"(3) CONSIDERATION OF CONTRIBUTION RATE INCREASES.—For purposes of projections under this subsection, the plan sponsor may anticipate contribution rate increases beyond the term of the current collective bargaining agreement and any agreed-to supplements, up to a maximum of 2.5 percent per year, compounded annually, unless it would be unreasonable under the circumstances to assume that contributions would increase by that amount.

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''(b) ACTUARIAL ASSUMPTIONS AND METHODS.—For purposes of this part:

''(1) IN GENERAL.—All costs, liabilities, rates of interest and other factors under the plan shall be determined for a plan year on the basis of actuarial assumptions and methods—

''(A) each of which is reasonable (taking into account the experience of the plan and reasonable expectations);

''(B) which, in combination, offer the actuary's best estimate of anticipated experience under the plan; and

''(C) with respect to which any change from the actuarial assumptions and methods used in the previous plan year shall be certified by the plan actuary and the actuarial rationale for such change provided in the annual report required by section 103.

''(2) FAIR MARKET VALUE OF ASSETS.—The value of the plan's assets shall be taken into account on the basis of their fair market value.

''(3) DETERMINATION OF NORMAL COST AND PLAN LIABILITIES.—A plan's normal cost and liabilities shall be based on the most recent actuarial

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valuation required under section 801(a)(5)(A) and the unit credit funding method.

''(4) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—Any contributions for a plan year made by an employer after the last day of such plan year, but not later than two and one-half months after such day, shall be deemed to have been made on such last day. For purposes of this paragraph, such two and one-half month period may be extended for not more than six months under regulations prescribed by the Secretary of the Treasury.

''(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—Except where otherwise provided in this part, the provisions of section 305(b)(3)(B) shall apply to any determination or projection under this part.

"SEC. 803. REALIGNMENT PROGRAM.

''(a) REALIGNMENT PROGRAM.—

''(1) ADOPTION.—In any case in which the plan actuary certifies under section 802(a) that the plan's projected funded ratio is below 120 percent for the plan year, the plan sponsor shall adopt a realignment program under paragraph (2) not later than 210 days after the due date of the certification required under such section 802(a). The plan sponsor shall adopt an updated realignment program for

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each succeeding plan year for which a certification described in the preceding sentence is made.

"(2) CONTENT OF REALIGNMENT PROGRAM.—

"(A) IN GENERAL.—A realignment program adopted under this paragraph is a written program which consists of all reasonable measures, including options or a range of options to be undertaken by the plan sponsor or proposed to the bargaining parties, formulated, based on reasonably anticipated experience and reasonable actuarial assumptions, to enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year.

"(B) INITIAL PROGRAM ELEMENTS.—Reasonable measures under a realignment program described in subparagraph (A) may include any of the following:

"(i) Proposed contribution increases.

"(ii) A reduction in the rate of future benefit accruals, so long as the resulting rate is not less than 1 percent of the contributions on which benefits are based as of the start of the plan year (or the equivalent standard accrual rate as described in section 305(e)(6)).

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"(iii) A modification or elimination of adjustable benefits of participants that are not in pay status before the date of the notice required under subsection (b)(1).

"(iv) Any other lawfully available measures not specifically described in this subparagraph or subparagraph (C) or (D) that the plan sponsor determines are reasonable.

"(C) ADDITIONAL PROGRAM ELEMENTS.—If the plan sponsor has determined that all reasonable measures available under subparagraph (B) will not enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, such reasonable measures may also include—

"(i) a reduction of accrued benefits that are not in pay status by the date of the notice required under subsection (b)(1); or

"(ii) a reduction of any benefits of participants that are in pay status before the date of the notice required under subsection (b)(1) other than core benefits as defined in paragraph (4).

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''(D) ADDITIONAL REDUCTIONS.—In the case of a composite plan for which the plan sponsor has determined that all reasonable measures available under subparagraphs (B) and (C) will not enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, such reasonable measures may also include—

''(i) a further reduction in the rate of future benefit accruals without regard to the limitation applicable under subparagraph (B)(ii); or

''(ii) a reduction of core benefits;

provided that such reductions shall be equitably distributed across the participant and beneficiary population, taking into account factors, with respect to participants and beneficiaries and their benefits, that may include one or more of the factors listed in subclauses (I) through (X) of section 305(e)(9)(D)(vi), to the extent necessary to enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, or at the election of the plan sponsor, a projected funded ratio of at least 100 percent for the following plan year

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and a current funded ratio of at least 90 percent.

"(3) ADJUSTABLE BENEFIT DEFINED.—For purposes of this part, the term 'adjustable benefit' means—

"(A) benefits, rights, and features under the plan, including post-retirement death benefits, 60-month guarantees, disability benefits not yet in pay status, and similar benefits;

"(B) any early retirement benefit or retirement-type subsidy (within the meaning of section 204(g)(2)(A)) and any benefit payment option (other than the qualified joint and survivor annuity); and

"(C) benefit increases that were adopted (or, if later, took effect) less than 60 months before the first day such realignment program took effect.

"(4) CORE BENEFIT DEFINED.—For purposes of this part, the term 'core benefit' means a participant's accrued benefit payable in the normal form of an annuity commencing at normal retirement age, determined without regard to—

"(A) any early retirement benefits, retirement-type subsidies, or other benefits, rights, or

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features that may be associated with that benefit; and

"(B) any cost-of-living adjustments or benefit increases effective after the date of retirement.

"(5) COORDINATION WITH CONTRIBUTION INCREASES.—

"(A) IN GENERAL.—A realignment program may provide that some or all of the benefit modifications described in the program will only take effect if the bargaining parties fail to agree to specified levels of increases in contributions to the plan, effective as of specified dates.

"(B) INDEPENDENT BENEFIT MODIFICATIONS.—If a realignment program adopts any changes to the benefit formula that are independent of potential contribution increases, such changes shall take effect not later than 180 days after the first day of the first plan year that begins following the adoption of the realignment program.

"(C) CONDITIONAL BENEFIT MODIFICATIONS.—If a realignment program adopts any changes to the benefit formula that take effect only if the bargaining parties fail to agree to

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contribution increases, such changes shall take effect not later than the first day of the first plan year beginning after the third anniversary of the date of adoption of the realignment program.

"(D) REVOCATION OF CERTAIN BENEFIT MODIFICATIONS.—Benefit modifications described in subparagraph (C) may be revoked, in whole or in part, and retroactively or prospectively, when contributions to the plan are increased, as specified in the realignment program, including any amendments thereto. The preceding sentence shall not apply unless the contribution increases are to be effective not later than the fifth anniversary of the first day of the first plan year that begins after the adoption of the realignment program.

"(b) NOTICE.—

"(1) IN GENERAL.—In any case in which it is certified under section 802(a) that the projected funded ratio is less than 120 percent, the plan sponsor shall, not later than 30 days after the date of the certification, provide notification of the current and projected funded ratios to the participants and

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beneficiaries, the bargaining parties, and the Secretary. Such notice shall include—

"(A) an explanation that contribution rate increases or benefit reductions may be necessary;

"(B) a description of the types of benefits that might be reduced; and

"(C) an estimate of the contribution increases and benefit reductions that may be necessary to achieve a projected funded ratio of 120 percent.

"(2) NOTICE OF BENEFIT MODIFICATIONS.—

"(A) IN GENERAL.—No modifications may be made that reduce the rate of future benefit accrual or that reduce core benefits or adjustable benefits unless notice of such reduction has been given at least 180 days before the general effective date of such reduction for all participants and beneficiaries to—

"(i) plan participants and beneficiaries;

"(ii) each employer who has an obligation to contribute to the composite plan; and

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"(iii) each employee organization which, for purposes of collective bargaining, represents plan participants employed by such employers.

"(B) CONTENT OF NOTICE.—The notice under subparagraph (A) shall contain—

"(i) sufficient information to enable participants and beneficiaries to understand the effect of any reduction on their benefits, including an illustration of any affected benefit or subsidy, on an annual or monthly basis that a participant or beneficiary would otherwise have been eligible for as of the general effective date described in subparagraph (A); and

"(ii) information as to the rights and remedies of plan participants and beneficiaries as well as how to contact the Department of Labor for further information and assistance, where appropriate.

"(C) FORM AND MANNER.—Any notice under subparagraph (A)—

"(i) shall be provided in a form and manner prescribed in regulations of the Secretary of Labor;

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"(ii) shall be written in a manner so as to be understood by the average plan participant.

"(3) MODEL NOTICES.—The Secretary shall—

"(A) prescribe model notices that the plan sponsor of a composite plan may use to satisfy the notice requirements under this subsection; and

"(B) by regulation enumerate any details related to the elements listed in paragraph (1) that any notice under this subsection must include.

"(4) DELIVERY METHOD.—Any notice under this part shall be provided in writing and may also be provided in electronic form to the extent that the form is reasonably accessible to persons to whom the notice is provided.

"SEC. 804. LIMITATION ON INCREASING BENEFITS.

"(a) LEVEL OF CURRENT FUNDED RATIOS.—Except as provided in subsections (c), (d), and (e), no plan amendment increasing benefits or establishing new benefits under a composite plan may be adopted for a plan year unless—

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''(1) the plan's current funded ratio is at least 110 percent (without regard to the benefit increase or new benefits);

''(2) taking the benefit increase or new benefits into account, the current funded ratio is at least 100 percent and the projected funded ratio for the current plan year is at least 120 percent;

''(3) in any case in which, after taking the benefit increase or new benefits into account, the current funded ratio is less than 140 percent and the projected funded ratio is less than 140 percent, the benefit increase or new benefits are projected by the plan actuary to increase the present value of the plan's liabilities for the plan year by not more than 3 percent; and

''(4) expected contributions for the current plan year are at least 120 percent of normal cost for the plan year, determined using the unit credit funding method and treating the benefit increase or new benefits as in effect for the entire plan year.

''(b) ADDITIONAL REQUIREMENTS WHERE CORE BENEFITS REDUCED.—If a plan has been amended to reduce core benefits pursuant to a realignment program under section 803(a)(2)(D), such plan may not be subse-

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quently amended to increase core benefits unless the amendment—

"(1) increases the level of future benefit payments only; and

"(2) provides for an equitable distribution of benefit increases across the participant and beneficiary population, taking into account the extent to which the benefits of participants were previously reduced pursuant to such realignment program.

"(c) EXCEPTION TO COMPLY WITH APPLICABLE LAW.—Subsection (a) shall not apply in connection with a plan amendment if the amendment is required as a condition of qualification under part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 or to comply with other applicable law.

"(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE LIMIT APPLIES.—Subsection (a) shall not apply in connection with a plan amendment if and to the extent that contributions to the composite plan would not be deductible for the plan year under section 404(a)(1)(E) of the Internal Revenue Code of 1986 if the plan amendment is not adopted.

"(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICATIONS.—Subsection (a) shall not apply in connection with

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a plan amendment under section 803(a)(5)(C), regarding conditional benefit modifications.

''(f) TREATMENT OF PLAN AMENDMENTS.—For purposes of this section—

''(1) if two or more plan amendments increasing benefits or establishing new benefits are adopted in a plan year, such amendments shall be treated as a single amendment adopted on the last day of the plan year;

''(2) all benefit increases and new benefits adopted in a single amendment are treated as a single benefit increase, irrespective of whether the increases and new benefits take effect in more than one plan year; and

''(3) increases in contributions or decreases in plan liabilities which are scheduled to take effect in future plan years may be taken into account in connection with a plan amendment if they have been agreed to in writing or otherwise formalized by the date the plan amendment is adopted.

''SEC. 805. COMPOSITE PLAN RESTRICTIONS TO PRESERVE LEGACY PLAN FUNDING.

''(a) TREATMENT AS A LEGACY PLAN.—

''(1) IN GENERAL.—For purposes of this part and parts 2 and 3, a defined benefit plan shall be

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treated as a legacy plan with respect to the composite plan under which the employees who were eligible to accrue a benefit under the defined benefit plan become eligible to accrue a benefit under such composite plan.

''(2) COMPONENT PLANS.—In any case in which a defined benefit plan is amended to add a composite plan component pursuant to section 801(b), paragraph (1) shall be applied by substituting 'defined benefit component' for 'defined benefit plan' and 'composite plan component' for 'composite plan'.

''(3) ELIGIBLE TO ACCRUE A BENEFIT.—For purposes of paragraph (1), an employee is considered eligible to accrue a benefit under a composite plan as of the first day in which the employee completes an hour of service under a collective bargaining agreement that provides for contributions to and accruals under the composite plan in lieu of accruals under the legacy plan.

''(4) COLLECTIVE BARGAINING AGREEMENT.—As used in this part, the term 'collective bargaining agreement' includes any agreement under which an employer has an obligation to contribute to a plan.

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''(5) OTHER TERMS.—Any term used in this part which is not defined in this part and which is also used in section 305 shall have the same meaning provided such term in such section.

''(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE PLAN OF AGREEMENTS AND CONTRIBUTIONS.—

''(1) IN GENERAL.—The plan sponsor of a composite plan shall not accept or recognize a collective bargaining agreement (or any modification to such agreement), and no contributions may be accepted and no benefits may be accrued or otherwise earned under the agreement—

''(A) in any case in which the plan actuary of any defined benefit plan that would be treated as a legacy plan with respect to such composite plan has certified under section 305(b)(3) that such defined benefit plan is or will be in critical status for the plan year in which such agreement would take effect or for any of the succeeding 5 plan years; and

''(B) unless the agreement requires each employer who is a party to such agreement, including employers whose employees are not participants in the legacy plan, to provide contributions to the legacy plan with respect to such

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composite plan in a manner that satisfies the transition contribution requirements of subsection (d).

"(2) NOTICE.—Not later than 30 days after a determination by a plan sponsor of a composite plan that an agreement fails to satisfy the requirements described in paragraph (1), the plan sponsor shall provide notification of such failure and the reasons for such determination—

"(A) to the parties to the agreement;

"(B) to active participants of the composite plan who have ceased to accrue or otherwise earn benefits with respect to service with an employer pursuant to paragraph (1); and

"(C) to the Secretary, the Secretary of the Treasury, and the Pension Benefit Guaranty Corporation.

"(3) LIMITATION ON RETROACTIVE EFFECT.—This subsection shall not apply to benefits accrued before the date on which notice is provided under paragraph (2).

"(c) RESTRICTION ON ACCRUAL OF BENEFITS UNDER A COMPOSITE PLAN.—

"(1) IN GENERAL.—In any case in which an employer, under a collective bargaining agreement

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entered into after the date of enactment of the Giving Retirement Options to Workers Act of 2020, ceases to have an obligation to contribute to a multiemployer defined benefit plan, no employees employed by the employer may accrue or otherwise earn benefits under any composite plan, with respect to service with that employer, for a 60-month period beginning on the date on which the employer entered into such collective bargaining agreement.

''(2) NOTICE OF CESSATION OF OBLIGATION.—Within 30 days of determining that an employer has ceased to have an obligation to contribute to a legacy plan with respect to employees employed by an employer that is or will be contributing to a composite plan with respect to service of such employees, the plan sponsor of the legacy plan shall notify the plan sponsor of the composite plan of that cessation.

''(3) NOTICE OF CESSATION OF ACCRUALS.—Not later than 30 days after determining that an employer has ceased to have an obligation to contribute to a legacy plan, the plan sponsor of the composite plan shall notify the bargaining parties, the active participants affected by the cessation of accruals, the Secretary, the Secretary of the Treasury, and the Pension Benefit Guaranty Corporation

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of the cessation of accruals, the period during which such cessation is in effect, and the reasons therefor.

"(4) LIMITATION ON RETROACTIVE EFFECT.—This subsection shall not apply to benefits accrued before the date on which notice is provided under paragraph (3).

"(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

"(1) IN GENERAL.—A collective bargaining agreement satisfies the transition contribution requirements of this subsection if the agreement—

"(A) authorizes payment of contributions to a legacy plan at a rate or rates equal to or greater than the transition contribution rate established by the legacy plan under paragraph (2); and

"(B) does not provide for—

"(i) a suspension of contributions to the legacy plan with respect to any period of service; or

"(ii) any new direct or indirect exclusion of younger or newly hired employees of the employer from being taken into account in determining contributions owed to the legacy plan.

"(2) TRANSITION CONTRIBUTION RATE.—

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"(A) IN GENERAL.—The transition contribution rate for a plan year is the contribution rate that, as certified by the actuary of the legacy plan in accordance with the principles in section 305(b)(3)(B), is reasonably expected to be adequate—

"(i) to fund the normal cost for the plan year;

"(ii) to amortize the plan's unfunded liabilities in level annual installments over 25 years, beginning with the plan year in which the transition contribution rate is first established; and

"(iii) to amortize any subsequent changes in the legacy plan's unfunded liability due to experience gains or losses (including investment gains or losses, gains or losses due to contributions greater or less than the contributions made under the prior transition contribution rate, and other actuarial gains or losses), changes in actuarial assumptions, changes to the legacy plan's benefits, or changes in funding method over a period of 15 plan years be-

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ginning with the plan year in which such change in unfunded liability is incurred.

The transition contribution rate for any plan year may not be less than the transition contribution rate for the plan year in which such rate is first established.

''(B) MULTIPLE RATES.—If different rates of contribution are payable to the legacy plan by different employers or for different classes of employees, the certification shall specify a transition contribution rate for each such employer.

''(C) RATE APPLICABLE TO EMPLOYER.—

''(i) IN GENERAL.—Except as provided by clause (ii), the transition contribution rate applicable to an employer for a plan year is the rate in effect for the plan year of the legacy plan that commences on or after 180 days before the earlier of—

''(I) the effective date of the collective bargaining agreement pursuant to which the employer contributes to the legacy plan; or

''(II) 5 years after the last plan year for which the transition contribu-

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tion rate applicable to the employer was established or updated.

''(ii) EXCEPTION.—The transition contribution rate applicable to an employer for the first plan year beginning on or after the commencement of the employer's obligation to contribute to the composite plan is the rate in effect for the plan year of the legacy plan that commences on or after 180 days before such first plan year.

''(D) EFFECT OF LEGACY PLAN FINANCIAL CIRCUMSTANCES.—If the plan actuary of the legacy plan has certified under section 305 that the plan is in endangered or critical status for a plan year, the transition contribution rate for the following plan year is the rate determined with respect to the employer under the legacy plan's funding improvement or rehabilitation plan under section 305, if greater than the rate otherwise determined, but in no event greater than 75 percent of the sum of the contribution rates applicable to the legacy plan and the composite plan for the plan year.

''(E) OTHER ACTUARIAL ASSUMPTIONS AND METHODS.—Except as provided in sub-

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paragraph (A), the determination of the transition contribution rate for a plan year shall be based on actuarial assumptions and methods consistent with the minimum funding determinations made under section 304 (or, if applicable, section 305) with respect to the legacy plan for the plan year.

"(F) ADJUSTMENTS IN RATE.—The plan sponsor of a legacy plan from time to time may adjust the transition contribution rate or rates applicable to an employer under this paragraph by increasing some rates and decreasing others if the actuary certifies that such adjusted rates in combination will produce projected contribution income for the plan year beginning on or after the date of certification that is not less than would be produced by the transition contribution rates in effect at the time of the certification.

"(G) NOTICE OF TRANSITION CONTRIBUTION RATE.—The plan sponsor of a legacy plan shall provide notice to the parties to collective bargaining agreements pursuant to which contributions are made to the legacy plan of changes to the transition contribution rate re-

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quirements at least 30 days before the beginning of the plan year for which the rate is effective.

"(H) NOTICE TO COMPOSITE PLAN SPONSOR.—Not later than 30 days after a determination by the plan sponsor of a legacy plan that a collective bargaining agreement provides for a rate of contributions that is below the transition contribution rate applicable to one or more employers that are parties to the collective bargaining agreement, the plan sponsor of the legacy plan shall notify the plan sponsor of any composite plan under which employees of such employer would otherwise be eligible to accrue a benefit.

"(3) CORRECTION PROCEDURES.—Pursuant to standards prescribed by the Secretary, the plan sponsor of a composite plan shall adopt rules and procedures that give the parties to the collective bargaining agreement notice of the failure of such agreement to satisfy the transition contribution requirements of this subsection, and a reasonable opportunity to correct such failure, not to exceed 180 days from the date of notice given under subsection (b)(2).

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''(4) SUPPLEMENTAL CONTRIBUTIONS.—A collective bargaining agreement may provide for supplemental contributions to the legacy plan for a plan year in excess of the transition contribution rate determined under paragraph (2), regardless of whether the legacy plan is in endangered or critical status for such plan year.

''(e) NONAPPLICATION OF COMPOSITE PLAN RESTRICTIONS.—

''(1) IN GENERAL.—The provisions of subsections (a), (b), and (c) shall not apply with respect to a collective bargaining agreement, to the extent the agreement, or a predecessor agreement, provides or provided for contributions to a defined benefit plan that is a legacy plan, as of the first day of the first plan year following a plan year for which the plan actuary certifies that the plan is fully funded, has been fully funded for at least three out of the immediately preceding 5 plan years, and is projected to remain fully funded for at least the following 4 plan years.

''(2) DETERMINATION OF FULLY FUNDED.—A plan is fully funded for purposes of paragraph (1) if, as of the valuation date of the plan for a plan year, the value of the plan's assets equals or exceeds

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the present value of the plan's liabilities, determined in accordance with the rules prescribed by the Pension Benefit Guaranty Corporation under sections 4219(c)(1)(D) and 4281 for multiemployer plans terminating by mass withdrawal, as in effect for the date of the determination, except the plan's reasonable assumption regarding the starting date of benefits may be used.

''(3) OTHER APPLICABLE RULES.—Except as provided in paragraph (2), actuarial determinations and projections under this section shall be based on the rules in section 305(b)(3) and section 802(b).

"SEC. 806. MERGERS AND ASSET TRANSFERS OF COMPOSITE PLANS.

''(a) IN GENERAL.—Assets and liabilities of a composite plan may only be merged with, or transferred to, another plan if—

''(1) the other plan is a composite plan;

''(2) the plan or plans resulting from the merger or transfer is a composite plan;

''(3) no participant's accrued benefit or adjustable benefit is lower immediately after the transaction than it was immediately before the transaction; and

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''(4) the value of the assets transferred in the case of a transfer reasonably reflects the value of the amounts contributed with respect to the participants whose benefits are being transferred, adjusted for allocable distributions, investment gains and losses, and administrative expenses.

''(b) LEGACY PLAN.—

''(1) IN GENERAL.—After a merger or transfer involving a composite plan, the legacy plan with respect to an employer that is obligated to contribute to the resulting composite plan is the legacy plan that applied to that employer immediately before the merger or transfer.

''(2) MULTIPLE LEGACY PLANS.—If an employer is obligated to contribute to more than one legacy plan with respect to employees eligible to accrue benefits under more than one composite plan and there is a merger or transfer of such legacy plans, the transition contribution rate applicable to the legacy plan resulting from the merger or transfer with respect to that employer shall be determined in accordance with the provisions of section 805(d)(2)(B).''.

(2) PENALTIES.—

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(A) CIVIL ENFORCEMENT OF FAILURE TO COMPLY WITH REALIGNMENT PROGRAM.—Section 502(a) of such Act (29 U.S.C. 1132(a)) is amended—

(i) in paragraph (10), by striking ''or'' at the end;

(ii) in paragraph (11), by striking the period at the end and inserting ''; or''; and

(iii) by adding at the end the following:

''(12) in the case of a composite plan required to adopt a realignment program under section 803, if the plan sponsor—

''(A) has not adopted a realignment program under that section by the deadline established in such section; or

''(B) fails to update or comply with the terms of the realignment program in accordance with the requirements of such section,

by the Secretary, by an employer that has an obligation to contribute with respect to the composite plan, or by an employee organization that represents active participants in the composite plan, for an order compelling the plan sponsor to adopt a realignment program, or to update or comply with the terms of

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the realignment program, in accordance with the requirements of such section and the realignment program.''.

(B) CIVIL PENALTIES.—Section 502(c) of such Act (29 U.S.C. 1132(c)) is amended—

(i) by moving paragraphs (8), (10), and (12) each 2 ems to the left;

(ii) by redesignating paragraphs (9) through (12) as paragraphs (12) through (15), respectively; and

(iii) by inserting after paragraph (8) the following:

''(9) The Secretary may assess against any plan sponsor of a composite plan a civil penalty of not more than $1,100 per day for each violation by such sponsor—

''(A) of the requirement under section 802(a) on the plan actuary to certify the plan's current or projected funded ratio by the date specified in such subsection; or

''(B) of the requirement under section 803 to adopt a realignment program by the deadline established in that section and to comply with its terms.

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''(10)(A) The Secretary may assess against any plan sponsor of a composite plan a civil penalty of not more than $100 per day for each violation by such sponsor of the requirement under section 803(b) to provide notice as described in such section, except that no penalty may be assessed in any case in which the plan sponsor exercised reasonable diligence to meet the requirements of such section and—

''(i) the plan sponsor did not know that the violation existed; or

''(ii) the plan sponsor provided such notice during the 30-day period beginning on the first date on which the plan sponsor knew, or in exercising reasonable due diligence should have known, that such violation existed.

''(B) In any case in which the plan sponsor exercised reasonable diligence to meet the requirements of section 803(b)—

''(i) the total penalty assessed under this paragraph against such sponsor for a plan year may not exceed $500,000; and

''(ii) the Secretary may waive part or all of such penalty to the extent that the payment of

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such penalty would be excessive or otherwise inequitable relative to the violation involved.

''(11) The Secretary may assess against any plan sponsor of a composite plan a civil penalty of not more than $100 per day for each violation by such sponsor of the notice requirements under sections 801(b)(5) and 805(b)(2).''.

(3) CONFORMING AMENDMENT.—The table of contents in section 1 of such Act (29 U.S.C. 1001 note) is amended by inserting after the item relating to section 734 the following:

''PART 8—COMPOSITE PLANS AND LEGACY PLANS

''Sec. 801. Composite plan defined.
''Sec. 802. Funded ratios; actuarial assumptions.
''Sec. 803. Realignment program.
''Sec. 804. Limitation on increasing benefits.
''Sec. 805. Composite plan restrictions to preserve legacy plan funding.
''Sec. 806. Mergers and asset transfers of composite plans.''.

(b) AMENDMENT TO THE INTERNAL REVENUE CODE OF 1986.—

(1) IN GENERAL.—Part III of subchapter D of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''Subpart C—Composite Plans and Legacy Plans

''Sec. 437. Composite plan defined.
''Sec. 438. Funded ratios; actuarial assumptions.
''Sec. 439. Realignment program.
''Sec. 440. Limitation on increasing benefits.
''Sec. 440A. Composite plan restrictions to preserve legacy plan funding.
''Sec. 440B. Mergers and asset transfers of composite plans.

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"SEC. 437. COMPOSITE PLAN DEFINED.

"(a) IN GENERAL.—For purposes of this title, the term 'composite plan' means a pension plan—

"(1) which is a multiemployer plan that is neither a defined benefit plan nor a defined contribution plan,

"(2) the terms of which provide that the plan is a composite plan for purposes of this title with respect to which not more than one multiemployer defined benefit plan is treated as a legacy plan within the meaning of section 440A, unless there is more than one legacy plan following a merger of composite plans under section 440B,

"(3) which provides systematically for the payment of benefits—

"(A) objectively calculated pursuant to a formula enumerated in the plan document with respect to plan participants after retirement, for life, and

"(B) in the form of life annuities, except for benefits which under section 411(a)(11) may be immediately distributed without the consent of the participant,

"(4) for which the plan contributions for the first plan year are at least 120 percent of the normal cost for the plan year,

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"(5) which requires—

"(A) an annual valuation of the liability of the plan as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year,

"(B) an annual actuarial determination of the plan's current funded ratio and projected funded ratio under section 438(a),

"(C) corrective action through a realignment program pursuant to section 439 whenever the plan's projected funded ratio is below 120 percent for the plan year, and

"(D) an annual notification to each participant describing the participant's benefits under the plan and explaining that such benefits may be subject to reduction under a realignment program pursuant to section 439 based on the plan's funded status in future plan years, and

"(6) the board of trustees of which includes at least one retiree or beneficiary in pay status during each plan year following the first plan year in which at least 5 percent of the participants in the plan are retirees or beneficiaries in pay status.

"(b) TRANSITION FROM A MULTIEMPLOYER DEFINED BENEFIT PLAN.—

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''(1) IN GENERAL.—The plan sponsor of a defined benefit plan that is a multiemployer plan may, subject to paragraph (2), amend the plan to incorporate the features of a composite plan as a component of the multiemployer plan separate from the defined benefit plan component, except in the case of a defined benefit plan for which the plan actuary has certified under section 432(b)(3) that the plan is or will be in critical status for the plan year in which such amendment would become effective or for any of the succeeding 5 plan years.

''(2) REQUIREMENTS.—Any amendment pursuant to paragraph (1) to incorporate the features of a composite plan as a component of a multiemployer plan shall—

''(A) apply with respect to all collective bargaining agreements providing for contributions to the multiemployer plan on or after the effective date of the amendment,

''(B) apply with respect to all participants in the multiemployer plan for whom contributions are made to the multiemployer plan on or after the effective date of the amendment,

''(C) specify that the effective date of the amendment is—

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"(i) the first day of a specified plan year following the date of the adoption of the amendment, except that the plan sponsor may alternatively provide for a separate effective date with respect to each collective bargaining agreement under which contributions to the multiemployer plan are required, which shall occur on the first day of the first plan year beginning after the termination, or if earlier, the re-opening, of each such agreement, or such earlier date as the parties to the agreement and the plan sponsor of the multiemployer plan shall agree to, and

"(ii) not later than the first day of the fifth plan year beginning on or after the date of the adoption of the amendment,

"(D) specify that, as of the amendment's effective date, no further benefits shall accrue under the defined benefit component of the multiemployer plan, and

"(E) specify that, as of the amendment's effective date, the plan sponsor of the multiemployer plan shall be the plan sponsor of both

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the composite plan component and the defined benefit plan component of the plan.

"(3) SPECIAL RULES.—If a multiemployer plan is amended pursuant to paragraph (1)—

"(A) the requirements of this title shall be applied to the composite plan component and the defined benefit plan component of the multiemployer plan as if each such component were maintained as a separate plan, and

"(B) the assets of the composite plan component and the defined benefit plan component of the plan shall be held in a single trust forming part of the plan under which the trust instrument expressly provides—

"(i) for separate accounts (and appropriate records) to be maintained to reflect the interest which each of the plan components has in the trust, including separate accounting for additions to the trust for the benefit of each plan component, disbursements made from each plan component's account in the trust, investment experience of the trust allocable to that account, and administrative expenses (whether direct expenses or shared expenses allo-

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cated proportionally), and permits, but does not require, the pooling of some or all of the assets of the two plan components for investment purposes, and

"(ii) that the assets of each of the two plan components shall be held, invested, reinvested, managed, administered and distributed for the exclusive benefit of the participants and beneficiaries of each such plan component, and in no event shall the assets of one of the plan components be available to pay benefits due under the other plan component.

"(4) NOT A TERMINATION EVENT.—Notwithstanding section 4041A of the Employee Retirement Income Security Act of 1974, an amendment pursuant to paragraph (1) to incorporate the features of a composite plan as a component of a multiemployer plan does not constitute termination of the multiemployer plan.

"(5) NOTICE TO THE SECRETARY.—

"(A) NOTICE.—The plan sponsor of a composite plan shall provide notice to the Secretary of the intent to establish the composite plan (or, in the case of a composite plan incor-

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porated as a component of a multiemployer plan as described in paragraph (1), the intent to amend the multiemployer plan to incorporate such composite plan) at least 30 days prior to the effective date of such establishment or amendment.

''(B) CERTIFICATION.—In the case of a composite plan incorporated as a component of a multiemployer plan as described in paragraph (1), such notice shall include a certification by the plan actuary under section 432(b)(3) that the effective date of the amendment occurs in a plan year for which the multiemployer plan is not in critical status for that plan year and any of the succeeding 5 plan years.

''(6) REFERENCES TO COMPOSITE PLAN COMPONENT.—As used in this subpart, the term 'composite plan' includes a composite plan component added to a defined benefit plan pursuant to paragraph (1).

''(7) RULE OF CONSTRUCTION.—Paragraph (2)(A) shall not be construed as preventing the plan sponsor of a multiemployer plan from adopting an amendment pursuant to paragraph (1) because some collective bargaining agreements are amended to

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cease any covered employer's obligation to contribute to the multiemployer plan before or after the plan amendment is effective. Paragraph (2)(B) shall not be construed as preventing the plan sponsor of a multiemployer plan from adopting an amendment pursuant to paragraph (1) because some participants cease to have contributions made to the multiemployer plan on their behalf before or after the plan amendment is effective.

''(c) COORDINATION WITH FUNDING RULES.—Except as otherwise provided in this title, sections 412, 431, and 432 shall not apply to a composite plan.

''(d) TREATMENT OF A COMPOSITE PLAN.—For purposes of this title (other than sections 412 and 418E), a composite plan shall be treated as if it were a defined benefit plan unless a different treatment is provided for under applicable law.

''SEC. 438. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.

''(a) CERTIFICATION OF FUNDED RATIOS.—

''(1) IN GENERAL.—Not later than the one-hundred twentieth day of each plan year of a composite plan, the plan actuary of the composite plan shall certify to the Secretary, the Secretary of Labor, and the plan sponsor the plan's current fund-

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ed ratio and projected funded ratio for the plan year.

"(2) DETERMINATION OF CURRENT FUNDED RATIO AND PROJECTED FUNDED RATIO.—For purposes of this section—

"(A) CURRENT FUNDED RATIO.—The current funded ratio is the ratio (expressed as a percentage) of—

"(i) the value of the plan's assets as of the first day of the plan year, to

"(ii) the plan actuary's best estimate of the present value of the plan liabilities as of the first day of the plan year.

"(B) PROJECTED FUNDED RATIO.—The projected funded ratio is the current funded ratio projected to the first day of the fifteenth plan year following the plan year for which the determination is being made.

"(3) CONSIDERATION OF CONTRIBUTION RATE INCREASES.—For purposes of projections under this subsection, the plan sponsor may anticipate contribution rate increases beyond the term of the current collective bargaining agreement and any agreed-to supplements, up to a maximum of 2.5 percent per year, compounded annually, unless it would be un-

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reasonable under the circumstances to assume that contributions would increase by that amount.

''(b) ACTUARIAL ASSUMPTIONS AND METHODS.—For purposes of this part—

''(1) IN GENERAL.—All costs, liabilities, rates of interest, and other factors under the plan shall be determined for a plan year on the basis of actuarial assumptions and methods—

''(A) each of which is reasonable (taking into account the experience of the plan and reasonable expectations),

''(B) which, in combination, offer the actuary's best estimate of anticipated experience under the plan, and

''(C) with respect to which any change from the actuarial assumptions and methods used in the previous plan year shall be certified by the plan actuary and the actuarial rationale for such change provided in the annual report required by section 6058.

''(2) FAIR MARKET VALUE OF ASSETS.—The value of the plan's assets shall be taken into account on the basis of their fair market value.

''(3) DETERMINATION OF NORMAL COST AND PLAN LIABILITIES.—A plan's normal cost and liabil-

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ities shall be based on the most recent actuarial valuation required under section 437(a)(5)(A) and the unit credit funding method.

"(4) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—Any contributions for a plan year made by an employer after the last day of such plan year, but not later than two and one-half months after such day, shall be deemed to have been made on such last day. For purposes of this paragraph, such two and one-half month period may be extended for not more than six months under regulations prescribed by the Secretary.

"(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—Except where otherwise provided in this subpart, the provisions of section 432(b)(3)(B) shall apply to any determination or projection under this subpart.

"SEC. 439. REALIGNMENT PROGRAM.

"(a) REALIGNMENT PROGRAM.—

"(1) ADOPTION.—In any case in which the plan actuary certifies under section 438(a) that the plan's projected funded ratio is below 120 percent for the plan year, the plan sponsor shall adopt a realignment program under paragraph (2) not later than 210 days after the due date of the certification required under section 438(a). The plan sponsor shall

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adopt an updated realignment program for each succeeding plan year for which a certification described in the preceding sentence is made.

"(2) CONTENT OF REALIGNMENT PROGRAM.—

"(A) IN GENERAL.—A realignment program adopted under this paragraph is a written program which consists of all reasonable measures, including options or a range of options to be undertaken by the plan sponsor or proposed to the bargaining parties, formulated, based on reasonably anticipated experience and reasonable actuarial assumptions, to enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year.

"(B) INITIAL PROGRAM ELEMENTS.—Reasonable measures under a realignment program described in subparagraph (A) may include any of the following:

"(i) Proposed contribution increases.

"(ii) A reduction in the rate of future benefit accruals, so long as the resulting rate shall not be less than 1 percent of the contributions on which benefits are based as of the start of the plan year (or the

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equivalent standard accrual rate as described in section 432(e)(6)).

''(iii) A modification or elimination of adjustable benefits of participants that are not in pay status before the date of the notice required under subsection (b)(1).

''(iv) Any other legally available measures not specifically described in this subparagraph or subparagraph (C) or (D) that the plan sponsor determines are reasonable.

''(C) ADDITIONAL PROGRAM ELEMENTS.—If the plan sponsor has determined that all reasonable measures available under subparagraph (B) will not enable the plan to achieve a projected funded ratio of at least 120 percent the following plan year, such reasonable measures may also include—

''(i) a reduction of accrued benefits that are not in pay status by the date of the notice required under subsection (b)(1), or

''(ii) a reduction of any benefits of participants that are in pay status before the date of the notice required under sub-

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section (b)(1) other than core benefits as defined in paragraph (4).

''(D) ADDITIONAL REDUCTIONS.—In the case of a composite plan for which the plan sponsor has determined that all reasonable measures available under subparagraphs (B) and (C) will not enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, such reasonable measures may also include—

''(i) a further reduction in the rate of future benefit accruals without regard to the limitation applicable under subparagraph (B)(ii), or

''(ii) a reduction of core benefits,

provided that such reductions shall be equitably distributed across the participant and beneficiary population, taking into account factors, with respect to participants and beneficiaries and their benefits, that may include one or more of the factors listed in subclauses (I) through (X) of section 432(e)(9)(D)(vi), to the extent necessary to enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, or at the election of

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the plan sponsor, a projected funded ratio of at least 100 percent for the following plan year and a current funded ratio of at least 90 percent.

''(3) ADJUSTABLE BENEFIT DEFINED.—For purposes of this subpart, the term 'adjustable benefit' means—

''(A) benefits, rights, and features under the plan, including post-retirement death benefits, 60-month guarantees, disability benefits not yet in pay status, and similar benefits,

''(B) any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) and any benefit payment option (other than the qualified joint and survivor annuity), and

''(C) benefit increases that were adopted (or, if later, took effect) less than 60 months before the first day such realignment program took effect.

''(4) CORE BENEFIT DEFINED.—For purposes of this subpart, the term 'core benefit' means a participant's accrued benefit payable in the normal form of an annuity commencing at normal retirement age, determined without regard to—

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"(A) any early retirement benefits, retirement-type subsidies, or other benefits, rights, or features that may be associated with that benefit, and

"(B) any cost-of-living adjustments or benefit increases effective after the date of retirement.

"(5) COORDINATION WITH CONTRIBUTION INCREASES.—

"(A) IN GENERAL.—A realignment program may provide that some or all of the benefit modifications described in the program will only take effect if the bargaining parties fail to agree to specified levels of increases in contributions to the plan, effective as of specified dates.

"(B) INDEPENDENT BENEFIT MODIFICATIONS.—If a realignment program adopts any changes to the benefit formula that are independent of potential contribution increases, such changes shall take effect not later than 180 days following the first day of the first plan year that begins following the adoption of the realignment program.

"(C) CONDITIONAL BENEFIT MODIFICATIONS.—If a realignment program adopts any

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changes to the benefit formula that take effect only if the bargaining parties fail to agree to contribution increases, such changes shall take effect not later than the first day of the first plan year beginning after the third anniversary of the date of adoption of the realignment program.

"(D) REVOCATION OF CERTAIN BENEFIT MODIFICATIONS.—Benefit modifications described in paragraph (3) may be revoked, in whole or in part, and retroactively or prospectively, when contributions to the plan are increased, as specified in the realignment program, including any amendments thereto. The preceding sentence shall not apply unless the contribution increases are to be effective not later than the fifth anniversary of the first day of the first plan year that begins after the adoption of the realignment program.

"(b) NOTICE.—

"(1) IN GENERAL.—In any case in which it is certified under section 438(a) that the projected funded ratio is less than 120 percent, the plan sponsor shall, not later than 30 days after the date of the certification, provide notification of the current

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and projected funded ratios to the participants and beneficiaries, the bargaining parties, and the Secretary. Such notice shall include—

"(A) an explanation that contribution rate increases or benefit reductions may be necessary,

"(B) a description of the types of benefits that might be reduced, and

"(C) an estimate of the contribution increases and benefit reductions that may be necessary to achieve a projected funded ratio of 120 percent.

"(2) NOTICE OF BENEFIT MODIFICATIONS.—

"(A) IN GENERAL.—No modifications may be made that reduce the rate of future benefit accrual or that reduce core benefits or adjustable benefits unless notice of such reduction has been given at least 180 days before the general effective date of such reduction for all participants and beneficiaries to—

"(i) plan participants and beneficiaries,

"(ii) each employer who has an obligation to contribute to the composite plan, and

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"(iii) each employee organization which, for purposes of collective bargaining, represents plan participants employed by such employers.

"(B) CONTENT OF NOTICE.—The notice under subparagraph (A) shall contain—

"(i) sufficient information to enable participants and beneficiaries to understand the effect of any reduction on their benefits, including an illustration of any affected benefit or subsidy, on an annual or monthly basis that a participant or beneficiary would otherwise have been eligible for as of the general effective date described in subparagraph (A), and

"(ii) information as to the rights and remedies of plan participants and beneficiaries as well as how to contact the Department of Labor for further information and assistance, where appropriate.

"(C) FORM AND MANNER.—Any notice under subparagraph (A)—

"(i) shall be provided in a form and manner prescribed in regulations of the Secretary of Labor,

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"(ii) shall be written in a manner so as to be understood by the average plan participant.

"(3) MODEL NOTICES.—The Secretary shall—

"(A) prescribe model notices that the plan sponsor of a composite plan may use to satisfy the notice requirements under this subsection, and

"(B) by regulation enumerate any details related to the elements listed in paragraph (1) that any notice under this subsection must include.

"(4) DELIVERY METHOD.—Any notice under this part shall be provided in writing and may also be provided in electronic form to the extent that the form is reasonably accessible to persons to whom the notice is provided.

"SEC. 440. LIMITATION ON INCREASING BENEFITS.

"(a) LEVEL OF CURRENT FUNDED RATIOS.—Except as provided in subsections (c), (d), and (e), no plan amendment increasing benefits or establishing new benefits under a composite plan may be adopted for a plan year unless—

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"(1) the plan's current funded ratio is at least 110 percent (without regard to the benefit increase or new benefits),

"(2) taking the benefit increase or new benefits into account, the current funded ratio is at least 100 percent and the projected funded ratio for the current plan year is at least 120 percent,

"(3) in any case in which, after taking the benefit increase or new benefits into account, the current funded ratio is less than 140 percent or the projected funded ratio is less than 140 percent, the benefit increase or new benefits are projected by the plan actuary to increase the present value of the plan's liabilities for the plan year by not more than 3 percent, and

"(4) expected contributions for the current plan year are at least 120 percent of normal cost for the plan year, determined using the unit credit funding method and treating the benefit increase or new benefits as in effect for the entire plan year.

"(b) ADDITIONAL REQUIREMENTS WHERE CORE BENEFITS REDUCED.—If a plan has been amended to reduce core benefits pursuant to a realignment program under section 439(a)(2)(D), such plan may not be subse-

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quently amended to increase core benefits unless the amendment—

"(1) increases the level of future benefit payments only, and

"(2) provides for an equitable distribution of benefit increases across the participant and beneficiary population, taking into account the extent to which the benefits of participants were previously reduced pursuant to such realignment program.

"(c) EXCEPTION TO COMPLY WITH APPLICABLE LAW.—Subsection (a) shall not apply in connection with a plan amendment if the amendment is required as a condition of qualification under part I of subchapter D of chapter 1 or to comply with other applicable law.

"(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE LIMIT APPLIES.—Subsection (a) shall not apply in connection with a plan amendment if and to the extent that contributions to the composite plan would not be deductible for the plan year under section 404(a)(1)(E) if the plan amendment is not adopted. The Secretary of the Treasury shall issue regulations to implement this paragraph.

"(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICATIONS.—Subsection (a) shall not apply in connection with

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a plan amendment under section 439(a)(5)(C), regarding conditional benefit modifications.

''(f) TREATMENT OF PLAN AMENDMENTS.—For purposes of this section—

''(1) if two or more plan amendments increasing benefits or establishing new benefits are adopted in a plan year, such amendments shall be treated as a single amendment adopted on the last day of the plan year,

''(2) all benefit increases and new benefits adopted in a single amendment are treated as a single benefit increase, irrespective of whether the increases and new benefits take effect in more than one plan year, and

''(3) increases in contributions or decreases in plan liabilities which are scheduled to take effect in future plan years may be taken into account in connection with a plan amendment if they have been agreed to in writing or otherwise formalized by the date the plan amendment is adopted.

''SEC. 440A. COMPOSITE PLAN RESTRICTIONS TO PRESERVE LEGACY PLAN FUNDING.

''(a) TREATMENT AS A LEGACY PLAN.—

''(1) IN GENERAL.—For purposes of this subchapter, a defined benefit plan shall be treated as a

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legacy plan with respect to the composite plan under which the employees who were eligible to accrue a benefit under the defined benefit plan become eligible to accrue a benefit under such composite plan.

''(2) COMPONENT PLANS.—In any case in which a defined benefit plan is amended to add a composite plan component pursuant to section 437(b), paragraph (1) shall be applied by substituting 'defined benefit component' for 'defined benefit plan' and 'composite plan component' for 'composite plan'.

''(3) ELIGIBLE TO ACCRUE A BENEFIT.—For purposes of paragraph (1), an employee is considered eligible to accrue a benefit under a composite plan as of the first day in which the employee completes an hour of service under a collective bargaining agreement that provides for contributions to and accruals under the composite plan in lieu of accruals under the legacy plan.

''(4) COLLECTIVE BARGAINING AGREEMENT.—As used in this subpart, the term 'collective bargaining agreement' includes any agreement under which an employer has an obligation to contribute to a plan.

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''(5) OTHER TERMS.—Any term used in this subpart which is not defined in this part and which is also used in section 432 shall have the same meaning provided such term in such section.

''(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE PLAN OF AGREEMENTS AND CONTRIBUTIONS.—

''(1) IN GENERAL.—The plan sponsor of a composite plan shall not accept or recognize a collective bargaining agreement (or any modification to such agreement), and no contributions may be accepted and no benefits may be accrued or otherwise earned under the agreement—

''(A) in any case in which the plan actuary of any defined benefit plan that would be treated as a legacy plan with respect to such composite plan has certified under section 432(b)(3) that such defined benefit plan is or will be in critical status for the plan year in which such agreement would take effect or for any of the succeeding 5 plan years, and

''(B) unless the agreement requires each employer who is a party to such agreement, including employers whose employees are not participants in the legacy plan, to provide contributions to the legacy plan with respect to such

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composite plan in a manner that satisfies the transition contribution requirements of subsection (d).

"(2) NOTICE.—Not later than 30 days after a determination by a plan sponsor of a composite plan that an agreement fails to satisfy the requirements described in paragraph (1), the plan sponsor shall provide notification of such failure and the reasons for such determination to—

"(A) the parties to the agreement,

"(B) active participants of the composite plan who have ceased to accrue or otherwise earn benefits with respect to service with an employer pursuant to paragraph (1), and

"(C) the Secretary of Labor, the Secretary of the Treasury, and the Pension Benefit Guaranty Corporation.

"(3) LIMITATION ON RETROACTIVE EFFECT.—This subsection shall not apply to benefits accrued before the date on which notice is provided under paragraph (2).

"(c) RESTRICTION ON ACCRUAL OF BENEFITS UNDER A COMPOSITE PLAN.—

"(1) IN GENERAL.—In any case in which an employer, under a collective bargaining agreement

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entered into after the date of enactment of the Giving Retirement Options to Workers Act of 2020, ceases to have an obligation to contribute to a multiemployer defined benefit plan, no employees employed by the employer may accrue or otherwise earn benefits under any composite plan, with respect to service with that employer, for a 60-month period beginning on the date on which the employer entered into such collective bargaining agreement.

''(2) NOTICE OF CESSATION OF OBLIGATION.—Within 30 days of determining that an employer has ceased to have an obligation to contribute to a legacy plan with respect to employees employed by an employer that is or will be contributing to a composite plan with respect to service of such employees, the plan sponsor of the legacy plan shall notify the plan sponsor of the composite plan of that cessation.

''(3) NOTICE OF CESSATION OF ACCRUALS.—Not later than 30 days after determining that an employer has ceased to have an obligation to contribute to a legacy plan, the plan sponsor of the composite plan shall notify the bargaining parties, the active participants affected by the cessation of accruals, the Secretary, the Secretary of Labor, and the Pension Benefit Guaranty Corporation of the

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cessation of accruals, the period during which such cessation is in effect, and the reasons therefor.

"(4) LIMITATION ON RETROACTIVE EFFECT.—This subsection shall not apply to benefits accrued before the date on which notice is provided under paragraph (3).

"(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

"(1) IN GENERAL.—A collective bargaining agreement satisfies the transition contribution requirements of this subsection if the agreement—

"(A) authorizes for payment of contributions to a legacy plan at a rate or rates equal to or greater than the transition contribution rate established under paragraph (2), and

"(B) does not provide for—

"(i) a suspension of contributions to the legacy plan with respect to any period of service, or

"(ii) any new direct or indirect exclusion of younger or newly hired employees of the employer from being taken into account in determining contributions owed to the legacy plan.

"(2) TRANSITION CONTRIBUTION RATE.—

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"(A) IN GENERAL.—The transition contribution rate for a plan year is the contribution rate that, as certified by the actuary of the legacy plan in accordance with the principles in section 432(b)(3)(B), is reasonably expected to be adequate—

"(i) to fund the normal cost for the plan year,

"(ii) to amortize the plan's unfunded liabilities in level annual installments over 25 years, beginning with the plan year in which the transition contribution rate is first established, and

"(iii) to amortize any subsequent changes in the legacy plan's unfunded liability due to experience gains or losses (including investment gains or losses, gains or losses due to contributions greater or less than the contributions made under the prior transition contribution rate, and other actuarial gains or losses), changes in actuarial assumptions, changes to the legacy plan's benefits, or changes in funding method over a period of 15 plan years be-

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ginning with the plan year in which such change in unfunded liability is incurred.

The transition contribution rate for any plan year may not be less than the transition contribution rate for the plan year in which such rate is first established.

''(B) MULTIPLE RATES.—If different rates of contribution are payable to the legacy plan by different employers or for different classes of employees, the certification shall specify a transition contribution rate for each such employer.

''(C) RATE APPLICABLE TO EMPLOYER.—

''(i) IN GENERAL.—Except as provided by clause (ii), the transition contribution rate applicable to an employer for a plan year is the rate in effect for the plan year of the legacy plan that commences on or after 180 days before the earlier of—

''(I) the effective date of the collective bargaining agreement pursuant to which the employer contributes to the legacy plan, or

''(II) 5 years after the last plan year for which the transition contribu-

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tion rate applicable to the employer was established or updated.

''(ii) EXCEPTION.—The transition contribution rate applicable to an employer for the first plan year beginning on or after the commencement of the employer's obligation to contribute to the composite plan is the rate in effect for the plan year of the legacy plan that commences on or after 180 days before such first plan year.

''(D) EFFECT OF LEGACY PLAN FINANCIAL CIRCUMSTANCES.—If the plan actuary of the legacy plan has certified under section 432 that the plan is in endangered or critical status for a plan year, the transition contribution rate for the following plan year is the rate determined with respect to the employer under the legacy plan's funding improvement or rehabilitation plan under section 432, if greater than the rate otherwise determined, but in no event greater than 75 percent of the sum of the contribution rates applicable to the legacy plan and the composite plan for the plan year.

''(E) OTHER ACTUARIAL ASSUMPTIONS AND METHODS.—Except as provided in sub-

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paragraph (A), the determination of the transition contribution rate for a plan year shall be based on actuarial assumptions and methods consistent with the minimum funding determinations made under section 431 (or, if applicable, section 432) with respect to the legacy plan for the plan year.

''(F) ADJUSTMENTS IN RATE.—The plan sponsor of a legacy plan from time to time may adjust the transition contribution rate or rates applicable to an employer under this paragraph by increasing some rates and decreasing others if the actuary certifies that such adjusted rates in combination will produce projected contribution income for the plan year beginning on or after the date of certification that is not less than would be produced by the transition contribution rates in effect at the time of the certification.

''(G) NOTICE OF TRANSITION CONTRIBUTION RATE.—The plan sponsor of a legacy plan shall provide notice to the parties to collective bargaining agreements pursuant to which contributions are made to the legacy plan of changes to the transition contribution rate re-

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quirements at least 30 days before the beginning of the plan year for which the rate is effective.

"(H) NOTICE TO COMPOSITE PLAN SPONSOR.—Not later than 30 days after a determination by the plan sponsor of a legacy plan that a collective bargaining agreement provides for a rate of contributions that is below the transition contribution rate applicable to one or more employers that are parties to the collective bargaining agreement, the plan sponsor of the legacy plan shall notify the plan sponsor of any composite plan under which employees of such employer would otherwise be eligible to accrue a benefit.

"(3) CORRECTION PROCEDURES.—Pursuant to standards prescribed by the Secretary of Labor, the plan sponsor of a composite plan shall adopt rules and procedures that give the parties to the collective bargaining agreement notice of the failure of such agreement to satisfy the transition contribution requirements of this subsection, and a reasonable opportunity to correct such failure, not to exceed 180 days from the date of notice given under subsection (b)(2).

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''(4) SUPPLEMENTAL CONTRIBUTIONS.—A collective bargaining agreement may provide for supplemental contributions to the legacy plan for a plan year in excess of the transition contribution rate determined under paragraph (2), regardless of whether the legacy plan is in endangered or critical status for such plan year.

''(e) NONAPPLICATION OF COMPOSITE PLAN RESTRICTIONS.—

''(1) IN GENERAL.—The provisions of subsections (a), (b), and (c) shall not apply with respect to a collective bargaining agreement, to the extent the agreement, or a predecessor agreement, provides or provided for contributions to a defined benefit plan that is a legacy plan, as of the first day of the first plan year following a plan year for which the plan actuary certifies that the plan is fully funded, has been fully funded for at least three out of the immediately preceding 5 plan years, and is projected to remain fully funded for at least the following 4 plan years.

''(2) DETERMINATION OF FULLY FUNDED.—A plan is fully funded for purposes of paragraph (1) if, as of the valuation date of the plan for a plan year, the value of the plan's assets equals or exceeds

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the present value of the plan's liabilities, determined in accordance with the rules prescribed by the Pension Benefit Guaranty Corporation under sections 4219(c)(1)(D) and 4281 of Employee Retirement Income and Security Act for multiemployer plans terminating by mass withdrawal, as in effect for the date of the determination, except the plan's reasonable assumption regarding the starting date of benefits may be used.

''(3) OTHER APPLICABLE RULES.—Except as provided in paragraph (2), actuarial determinations and projections under this section shall be based on the rules in section 432(b)(3) and section 438(b).

''SEC. 440B. MERGERS AND ASSET TRANSFERS OF COMPOSITE PLANS.

''(a) IN GENERAL.—Assets and liabilities of a composite plan may only be merged with, or transferred to, another plan if—

''(1) the other plan is a composite plan,

''(2) the plan or plans resulting from the merger or transfer is a composite plan,

''(3) no participant's accrued benefit or adjustable benefit is lower immediately after the transaction than it was immediately before the transaction, and

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''(4) the value of the assets transferred in the case of a transfer reasonably reflects the value of the amounts contributed with respect to the participants whose benefits are being transferred, adjusted for allocable distributions, investment gains and losses, and administrative expenses.

''(b) LEGACY PLAN.—

''(1) IN GENERAL.—After a merger or transfer involving a composite plan, the legacy plan with respect to an employer that is obligated to contribute to the resulting composite plan is the legacy plan that applied to that employer immediately before the merger or transfer.

''(2) MULTIPLE LEGACY PLANS.—If an employer is obligated to contribute to more than one legacy plan with respect to employees eligible to accrue benefits under more than one composite plan and there is a merger or transfer of such legacy plans, the transition contribution rate applicable to the legacy plan resulting from the merger or transfer with respect to that employer shall be determined in accordance with the provisions of section 440A(d)(2)(B).''.

(2) CLERICAL AMENDMENT.—The table of subparts for part III of subchapter D of chapter 1 of

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the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"SUBPART C. COMPOSITE PLANS AND LEGACY PLANS".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after the date of the enactment of this Act.

SEC. 103. APPLICATION OF CERTAIN REQUIREMENTS TO COMPOSITE PLANS.

(a) AMENDMENTS TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) TREATMENT FOR PURPOSES OF FUNDING NOTICES.—Section 101(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1021(f)) is amended—

(A) in paragraph (1) by striking "title IV applies" and inserting "title IV applies or which is a composite plan"; and

(B) by adding at the end the following:

"(5) APPLICATION TO COMPOSITE PLANS.—The provisions of this subsection shall apply to a composite plan only to the extent prescribed by the Secretary in regulations that take into account the differences between a composite plan and a defined benefit plan that is a multiemployer plan.".

(2) TREATMENT FOR PURPOSES OF ANNUAL REPORT.—Section 103 of the Employee Retirement

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Income Security Act of 1974 (29 U.S.C. 1023) is amended—

(A) in subsection (d) by adding at the end the following sentence: ''The provisions of this subsection shall apply to a composite plan only to the extent prescribed by the Secretary in regulations that take into account the differences between a composite plan and a defined benefit plan that is a multiemployer plan.'';

(B) in subsection (f) by adding at the end the following:

''(3) ADDITIONAL INFORMATION FOR COMPOSITE PLANS.—With respect to any composite plan—

''(A) the provisions of paragraph (1)(A) shall apply by substituting 'current funded ratio and projected funded ratio (as such terms are defined in section 802(a)(2))' for 'funded percentage' each place it appears; and

''(B) the provisions of paragraph (2) shall apply only to the extent prescribed by the Secretary in regulations that take into account the differences between a composite plan and a defined benefit plan that is a multiemployer plan.''; and

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(C) by adding at the end the following:

''(h) COMPOSITE PLANS.—A multiemployer plan that incorporates the features of a composite plan as provided in section 801(b) shall be treated as a single plan for purposes of the report required by this section, except that separate financial statements and actuarial statements shall be provided under paragraphs (3) and (4) of subsection (a) for the defined benefit plan component and for the composite plan component of the multiemployer plan.''.

(3) TREATMENT FOR PURPOSES OF PENSION BENEFIT STATEMENTS.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(a)) is amended by adding at the end the following:

''(4) COMPOSITE PLANS.—For purposes of this subsection, a composite plan shall be treated as a defined benefit plan to the extent prescribed by the Secretary in regulations that take into account the differences between a composite plan and a defined benefit plan that is a multiemployer plan.''.

(b) AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.—Section 6058 of the Internal Revenue Code of 1986 is amended by redesignating subsection (f)

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as subsection (g) and by inserting after subsection (e) the following:

''(f) COMPOSITE PLANS.—A multiemployer plan that incorporates the features of a composite plan as provided in section 437(b) shall be treated as a single plan for purposes of the return required by this section, except that separate financial statements shall be provided for the defined benefit plan component and for the composite plan component of the multiemployer plan.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after the date of the enactment of this Act.

SEC. 104. TREATMENT OF COMPOSITE PLANS UNDER TITLE IV.

(a) DEFINITION.—Section 4001(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1301(a)) is amended by striking the period at the end of paragraph (21) and inserting a semicolon and by adding at the end the following:

''(22) COMPOSITE PLAN.—The term 'composite plan' has the meaning set forth in section 801.''.

(b) COMPOSITE PLANS DISREGARDED FOR CALCULATING PREMIUMS.—Section 4006(a) of such Act (29 U.S.C. 1306(a)) is amended by adding at the end the following:

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''(9) The composite plan component of a multiemployer plan shall be disregarded in determining the premiums due under this section from the multiemployer plan.''.

(c) COMPOSITE PLANS NOT COVERED.—Section 4021(b)(1) of such Act (29 U.S.C. 1321(b)(1)) is amended by striking ''Act'' and inserting ''Act, or a composite plan, as defined in paragraph (43) of section 3 of this Act''.

(d) NO WITHDRAWAL LIABILITY.—Section 4201 of such Act (29 U.S.C. 1381) is amended by adding at the end the following:

''(c) Contributions by an employer to the composite plan component of a multiemployer plan shall not be taken into account for any purpose under this title.''.

(e) NO WITHDRAWAL LIABILITY FOR CERTAIN PLANS.—Section 4201 of such Act (29 U.S.C. 1381) is further amended by adding at the end the following:

''(d) Contributions by an employer to a multiemployer plan described in the except clause of section 3(35) of this Act pursuant to a collective bargaining agreement that specifically designates that such contributions shall be allocated to the separate defined contribution accounts of participants under the plan shall not be taken into account with respect to the defined benefit portion of the

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plan for any purpose under this title (including the determination of the employer's highest contribution rate under section 4219), even if, under the terms of the plan, participants have the option to transfer assets in their separate defined contribution accounts to the defined benefit portion of the plan in return for service credit under the defined benefit portion, at rates established by the plan sponsor.

''(e) A legacy plan created under section 805 shall be deemed to have no unfunded vested benefits for purposes of this part, for each plan year following a period of 5 consecutive plan years for which—

''(1) the plan was fully funded within the meaning of section 805 for at least 3 of the plan years during that period, ending with a plan year for which the plan is fully funded;

''(2) the plan had no unfunded vested benefits for at least 3 of the plan years during that period, ending with a plan year for which the plan is fully funded; and

''(3) the plan is projected to be fully funded and to have no unfunded vested benefits for the following four plan years.''.

(f) NO WITHDRAWAL LIABILITY FOR EMPLOYERS CONTRIBUTING TO CERTAIN FULLY FUNDED LEGACY

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PLANS.—Section 4211 of such Act (29 U.S.C. 1382) is amended by adding at the end the following:

''(g) No amount of unfunded vested benefits shall be allocated to an employer that has an obligation to contribute to a legacy plan described in subsection (e) of section 4201 for each plan year for which such subsection applies.''.

(g) NO OBLIGATION TO CONTRIBUTE.—Section 4212 of such Act (29 U.S.C. 1392) is amended by adding at the end the following:

''(d) NO OBLIGATION TO CONTRIBUTE.—An employer shall not be treated as having an obligation to contribute to a multiemployer defined benefit plan within the meaning of subsection (a) solely because—

''(1) in the case of a multiemployer plan that includes a composite plan component, the employer has an obligation to contribute to the composite plan component of the plan;

''(2) the employer has an obligation to contribute to a composite plan that is maintained pursuant to one or more collective bargaining agreements under which the multiemployer defined benefit plan is or previously was maintained; or

''(3) the employer contributes or has contributed under section 805(d) to a legacy plan associ-

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ated with a composite plan pursuant to a collective bargaining agreement but employees of that employer were not eligible to accrue benefits under the legacy plan with respect to service with that employer.''.

(h) NO INFERENCE.—Nothing in the amendment made by subsection (e) shall be construed to create an inference with respect to the treatment under title IV of the Employee Retirement Income Security Act of 1974, as in effect before such amendment, of contributions by an employer to a multiemployer plan described in the except clause of section 3(35) of such Act that are made before the effective date of subsection (e) specified in subsection (h)(2).

(i) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in subparagraph (2), the amendments made by this section shall apply to plan years beginning after the date of the enactment of this Act.

(2) SPECIAL RULE FOR SECTION 414(k) MULTIEMPLOYER PLANS.—The amendment made by subsection (e) shall apply only to required contributions payable for plan years beginning after the date of the enactment of this Act.

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SEC. 105. CONFORMING CHANGES.

(a) DEFINITIONS.—Section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002) is amended—

(1) in paragraph (35), by inserting ''or a composite plan'' after ''other than an individual account plan''; and

(2) by adding at the end the following:

''(43) The term 'composite plan' has the meaning given the term in section 801(a).''.

(b) SPECIAL FUNDING RULE FOR CERTAIN LEGACY PLANS.—

(1) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 304(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1084(b)) is amended by adding at the end the following:

''(9) SPECIAL FUNDING RULE FOR CERTAIN LEGACY PLANS.—In the case of a multiemployer defined benefit plan that has adopted an amendment under section 801(b), in accordance with which no further benefits shall accrue under the multiemployer defined benefit plan, the plan sponsor may combine the outstanding balance of all charge and credit bases and amortize that combined base in level annual installments (until fully amortized) over

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a period of 25 plan years beginning with the plan year following the date all benefit accruals ceased.''.

(2) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 431(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(9) SPECIAL FUNDING RULE FOR CERTAIN LEGACY PLANS.—In the case of a multiemployer defined benefit plan that has adopted an amendment under section 437(b), in accordance with which no further benefits shall accrue under the multiemployer defined benefit plan, the plan sponsor may combine the outstanding balance of all charge and credit bases and amortize that combined base in level annual installments (until fully amortized) over a period of 25 plan years beginning with the plan year following the date on which all benefit accruals ceased.''.

(c) BENEFITS AFTER MERGER, CONSOLIDATION, OR TRANSFER OF ASSETS.—

(1) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 208 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1058) is amended—

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(A) by striking so much of the first sentence as precedes ''may not merge'' and inserting the following:

''(1) IN GENERAL.—Except as provided in paragraph (2), a pension plan may not merge, and''; and

(B) by striking the second sentence and adding at the end the following:

''(2) SPECIAL REQUIREMENTS FOR MULTIEMPLOYER PLANS.—Paragraph (1) shall not apply to any transaction to the extent that participants either before or after the transaction are covered under a multiemployer plan to which title IV of this Act applies or a composite plan.''.

(2) AMENDMENTS TO INTERNAL REVENUE CODE OF 1986.—

(A) QUALIFICATION REQUIREMENT.—Section 401(a)(12) of the Internal Revenue Code of 1986 is amended—

(i) by striking ''(12) A trust'' and inserting the following:

''(12) BENEFITS AFTER MERGER, CONSOLIDATION, OR TRANSFER OF ASSETS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a trust'';

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(ii) by striking the second sentence; and

(iii) by adding at the end the following:

''(B) SPECIAL REQUIREMENTS FOR MULTIEMPLOYER PLANS.—Subparagraph (A) shall not apply to any multiemployer plan with respect to any transaction to the extent that participants either before or after the transaction are covered under a multiemployer plan to which title IV of the Employee Retirement Income Security Act of 1974 applies or a composite plan.''.

(B) ADDITIONAL QUALIFICATION REQUIREMENT.—Paragraph (1) of section 414(l) of such Code is amended—

(i) by striking ''(1) IN GENERAL'' and all that follows through ''shall not constitute'' and inserting the following:

''(1) BENEFIT PROTECTIONS: MERGER, CONSOLIDATION, TRANSFER.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a trust which forms a part of a plan shall not constitute''; and

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(ii) by striking the second sentence; and

(iii) by adding at the end the following:

''(B) SPECIAL REQUIREMENTS FOR MULTIEMPLOYER PLANS.—Subparagraph (A) does not apply to any multiemployer plan with respect to any transaction to the extent that participants either before or after the transaction are covered under a multiemployer plan to which title IV of the Employee Retirement Income Security Act of 1974 applies or a composite plan.''.

(d) REQUIREMENTS FOR STATUS AS A QUALIFIED PLAN.—

(1) REQUIREMENT THAT ACTUARIAL ASSUMPTIONS BE SPECIFIED.—Section 401(a)(25) of the Internal Revenue Code of 1986 is amended by inserting ''(in the case of a composite plan, benefits objectively calculated pursuant to a formula)'' after ''definitely determinable benefits''.

(2) MISSING PARTICIPANTS IN TERMINATING COMPOSITE PLAN.—Section 401(a)(34) of the Internal Revenue Code of 1986 is amended by striking '', a trust'' and inserting ''or a composite plan, a trust''.

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(e) DEDUCTION FOR CONTRIBUTIONS TO A QUALIFIED PLAN.—Section 404(a)(1) of the Internal Revenue Code of 1986 is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following:

"(E) COMPOSITE PLANS.—

"(i) IN GENERAL.—In the case of a composite plan, subparagraph (D) shall not apply and the maximum amount deductible for a plan year shall be the excess (if any) of—

"(I) 160 percent of the greater of—

"(aa) the current liability of the plan determined in accordance with the principles of section 431(c)(6)(D), or

"(bb) the present value of plan liabilities as determined under section 438, over

"(II) the fair market value of the plan's assets, projected to the end of the plan year.

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"(ii) SPECIAL RULES FOR PREDECESSOR MULTIEMPLOYER PLAN TO COMPOSITE PLAN.—

"(I) IN GENERAL.—Except as provided in subclause (II), if an employer contributes to a composite plan with respect to its employees, contributions by that employer to a multiemployer defined benefit plan with respect to some or all of the same group of employees shall be deductible under sections 162 and this section, subject to the limits in subparagraph (D).

"(II) TRANSITION CONTRIBUTION.—The full amount of a contribution to satisfy the transition contribution requirement (as defined in section 440A(d)) and allocated to the legacy defined benefit plan for the plan year shall be deductible for the employer's taxable year ending with or within the plan year.".

(f) MINIMUM VESTING STANDARDS.—

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(1) YEARS OF SERVICE UNDER COMPOSITE PLANS.—

(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 203 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053) is amended by inserting after subsection (f) the following:

''(g) SPECIAL RULES FOR COMPUTING YEARS OF SERVICE UNDER COMPOSITE PLANS.—

''(1) IN GENERAL.—In determining a qualified employee's years of service under a composite plan for purposes of this section, the employee's years of service under a legacy plan shall be treated as years of service earned under the composite plan. For purposes of such determination, a composite plan shall not be treated as a defined benefit plan pursuant to section 801(d).

''(2) QUALIFIED EMPLOYEE.—For purposes of this subsection, an employee is a qualified employee if the employee first completes an hour of service under the composite plan (determined without regard to the provisions of this subsection) within the 12-month period immediately preceding or the 24-month period immediately following the date the em-

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ployee ceased to accrue benefits under the legacy plan.

"(3) CERTIFICATION OF YEARS OF SERVICE.—For purposes of paragraph (1), the plan sponsor of the composite plan shall rely on a written certification by the plan sponsor of the legacy plan of the years of service the qualified employee completed under the defined benefit plan as of the date the employee satisfies the requirements of paragraph (2), disregarding any years of service that had been forfeited under the rules of the defined benefit plan before that date.

"(h) SPECIAL RULES FOR COMPUTING YEARS OF SERVICE UNDER LEGACY PLANS.—

"(1) IN GENERAL.—In determining a qualified employee's years of service under a legacy plan for purposes of this section, and in addition to any service under applicable regulations, the employee's years of service under a composite plan shall be treated as years of service earned under the legacy plan. For purposes of such determination, a composite plan shall not be treated as a defined benefit plan pursuant to section 801(d).

"(2) QUALIFIED EMPLOYEE.—For purposes of this subsection, an employee is a qualified employee

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if the employee first completes an hour of service under the composite plan (determined without regard to the provisions of this subsection) within the 12-month period immediately preceding or the 24-month period immediately following the date the employee ceased to accrue benefits under the legacy plan.

''(3) CERTIFICATION OF YEARS OF SERVICE.—For purposes of paragraph (1), the plan sponsor of the legacy plan shall rely on a written certification by the plan sponsor of the composite plan of the years of service the qualified employee completed under the composite plan after the employee satisfies the requirements of paragraph (2), disregarding any years of service that has been forfeited under the rules of the composite plan.''.

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(a) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(14) SPECIAL RULES FOR DETERMINING YEARS OF SERVICE UNDER COMPOSITE PLANS.—

''(A) IN GENERAL.—In determining a qualified employee's years of service under a composite plan for purposes of this subsection,

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the employee's years of service under a legacy plan shall be treated as years of service earned under the composite plan. For purposes of such determination, a composite plan shall not be treated as a defined benefit plan pursuant to section 437(d).

''(B) QUALIFIED EMPLOYEE.—For purposes of this paragraph, an employee is a qualified employee if the employee first completes an hour of service under the composite plan (determined without regard to the provisions of this paragraph) within the 12-month period immediately preceding or the 24-month period immediately following the date the employee ceased to accrue benefits under the legacy plan.

''(C) CERTIFICATION OF YEARS OF SERVICE.—For purposes of subparagraph (A), the plan sponsor of the composite plan shall rely on a written certification by the plan sponsor of the legacy plan of the years of service the qualified employee completed under the legacy plan as of the date the employee satisfies the requirements of subparagraph (B), disregarding any years of service that had been forfeited

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under the rules of the defined benefit plan before that date.

"(15) SPECIAL RULES FOR COMPUTING YEARS OF SERVICE UNDER LEGACY PLANS.—

"(A) IN GENERAL.—In determining a qualified employee's years of service under a legacy plan for purposes of this section, and in addition to any service under applicable regulations, the employee's years of service under a composite plan shall be treated as years of service earned under the legacy plan. For purposes of such determination, a composite plan shall not be treated as a defined benefit plan pursuant to section 437(d).

"(B) QUALIFIED EMPLOYEE.—For purposes of this paragraph, an employee is a qualified employee if the employee first completes an hour of service under the composite plan (determined without regard to the provisions of this paragraph) within the 12-month period immediately preceding or the 24-month period immediately following the date the employee ceased to accrue benefits under the legacy plan.

"(C) CERTIFICATION OF YEARS OF SERVICE.—For purposes of subparagraph (A), the

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plan sponsor of the legacy plan shall rely on a written certification by the plan sponsor of the composite plan of the years of service the qualified employee completed under the composite plan after the employee satisfies the requirements of subparagraph (B), disregarding any years of service that has been forfeited under the rules of the composite plan.''.

(2) REDUCTION OF BENEFITS.—

(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 203(a)(3)(E)(ii) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(E)(ii)) is amended—

(i) in subclause (I) by striking ''4244A'' and inserting ''305(e), 803,''; and

(ii) in subclause (II) by striking ''4245'' and inserting ''305(e), 4245,''.

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(a)(3)(F) of the Internal Revenue Code of 1986 is amended—

(i) in clause (i) by striking ''section 418D or under section 4281 of the Employee Retirement Income Security Act of

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1974'' and inserting ''section 432(e) or 439 or under section 4281 of the Employee Retirement Income Security Act of 1974''; and

(ii) in clause (ii) by inserting ''or 432(e)'' after ''section 418E''.

(3) ACCRUED BENEFIT REQUIREMENTS.—

(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 204(b)(1)(B)(i) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(b)(1)(B)(i)) is amended by inserting '', including an amendment reducing or suspending benefits under section 305(e), 803, 4245 or 4281,'' after ''any amendment to the plan''.

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(b)(1)(B)(i) of the Internal Revenue Code of 1986 is amended by inserting '', including an amendment reducing or suspending benefits under section 418E, 432(e) or 439, or under section 4281 of the Employee Retirement Income Security Act of 1974,'' after ''any amendment to the plan''.

(4) ADDITIONAL ACCRUED BENEFIT REQUIREMENTS.—

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(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 204(b)(1)(H)(v) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(b)(1)(H)(v)) is amended by inserting before the period at the end the following: ", or benefits are reduced or suspended under section 305(e), 803, 4245, or 4281".

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(b)(1)(H)(iv) of the Internal Revenue Code of 1986 is amended—

(i) in the heading by striking "BENEFIT" and inserting "BENEFIT AND THE SUSPENSION AND REDUCTION OF CERTAIN BENEFITS"; and

(ii) in the text by inserting before the period at the end the following: ", or benefits are reduced or suspended under section 418E, 432(e), or 439, or under section 4281 of the Employee Retirement Income Security Act of 1974".

(5) ACCRUED BENEFIT NOT TO BE DECREASED BY AMENDMENT.—

(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 204(g)(1) of the

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Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(g)(1)) is amended by inserting after ''302(d)(2)'' the following: '', 305(e), 803, 4245,''.

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(d)(6)(A) of the Internal Revenue Code of 1986 is amended by inserting after ''412(d)(2),'' the following: ''418E, 432(e), or 439,''.

(g) CERTAIN FUNDING RULES NOT APPLICABLE.—

(1) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 305 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1085) is amended by adding at the end the following:

''(k) LEGACY PLANS.—Sections 302, 304, and 305 shall not apply to an employer that has an obligation to contribute to a plan that is a legacy plan within the meaning of section 805(a) solely because the employer has an obligation to contribute to a composite plan described in section 801 that is associated with that legacy plan.''.

(2) INTERNAL REVENUE CODE OF 1986.—Section 432 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(k) LEGACY PLANS.—Sections 412, 431, and 432 shall not apply to an employer that has an obligation to

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contribute to a plan that is a legacy plan within the meaning of section 440A(a) solely because the employer has an obligation to contribute to a composite plan described in section 437 that is associated with that legacy plan.''.

(h) TERMINATION OF COMPOSITE PLAN.—Section 403(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1103(d) is amended—

(1) in paragraph (1), by striking ''regulations of the Secretary.'' and inserting ''regulations of the Secretary, or as provided in paragraph (3).''; and

(2) by adding at the end the following:

''(3) Section 4044(a) of this Act shall be applied in the case of the termination of a composite plan by—

''(A) limiting the benefits subject to paragraph (3) thereof to benefits as defined in section 802(b)(3)(B); and

''(B) including in the benefits subject to paragraph (4) all other benefits (if any) of individuals under the plan that would be guaranteed under section 4022A if the plan were subject to title IV.''.

(i) GOOD FAITH COMPLIANCE PRIOR TO GUIDANCE.—Where the implementation of any provision of law added or amended by this division is subject to issuance

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of regulations by the Secretary of Labor, the Secretary of the Treasury, or the Pension Benefit Guaranty Corporation, a multiemployer plan shall not be treated as failing to meet the requirements of any such provision prior to the issuance of final regulations or other guidance to carry out such provision if such plan is operated in accordance with a reasonable, good faith interpretation of such provision.

SEC. 106. EFFECTIVE DATE.

Unless otherwise specified, the amendments made by this division shall apply to plan years beginning after the date of the enactment of this Act.

DIVISION W—OTHER MATTERS

SEC. 199991. HOME ENERGY AND WATER SERVICE CONTINUITY.

Any entity receiving financial assistance pursuant to [this Act] shall, to the maximum extent practicable, establish or maintain in effect policies to ensure that no home energy service or public water system service to an individual or household, which is provided or regulated by such entity, is disconnected or interrupted during the emergency period described in section 1135(g)(1)(B) of the Social Security Act. For purposes of this section, the term ''home energy service'' means a service to provide home energy, as such term is defined in section 2604 of

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the Low-Income Home Energy Assistance Act of 1981, and electric service, as that term is used in the Public Utility Regulatory Policies Act of 1978, and the term ''public water system'' has the meaning given that term in section 1401 of the Safe Drinking Water Act. Nothing in this section shall be construed to require forgiveness of outstanding debt owed to an entity or to absolve an individual of any obligation to an entity for service.

SEC. 199992. LOW-INCOME HOUSEHOLD DRINKING WATER AND WASTEWATER ASSISTANCE.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $1,500,000,000 to the Secretary to carry out this section. Such sums shall remain available until expended.

(b) LOW-INCOME HOUSEHOLD DRINKING WATER AND WASTEWATER ASSISTANCE.—The Secretary shall make grants to States and Indian Tribes to assist low-income households, particularly those with the lowest incomes, that pay a high proportion of household income for drinking water and wastewater services.

(c) USE OF LIHEAP RESOURCES.—In carrying out this section, the Secretary, States, and Indian Tribes, as applicable, shall use the existing processes, procedures, policies, and systems in place to carry out the Low-Income Home Energy Assistance Act of 1981, as the Secretary

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determines appropriate, including by using the application and approval process under such Act to the maximum extent practicable.

(d) ALLOTMENT.—

(1) FACTORS.—The Secretary shall allot amounts appropriated pursuant to this section to a State or Indian Tribe taking into account—

(A) the percentage of households in the State, or under the jurisdiction of the Indian Tribe, that are low-income, as determined by the Secretary;

(B) the average State or Tribal drinking water and wastewater service rates; and

(C) the extent to which the State or Indian Tribe has been impacted by the public health emergency.

(2) NOTIFICATION TO CONGRESS.—Not later than 15 days after determining an amount to allot to each State or Indian Tribe pursuant to paragraph (1), and prior to making grants under this section, the Secretary shall notify Congress of such allotment amounts.

(e) DETERMINATION OF LOW-INCOME HOUSEHOLDS.—

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(1) MINIMUM DEFINITION OF LOW-INCOME.—In determining whether a household is considered low-income for the purposes of this section, a State or Indian Tribe shall—

(A) ensure that, at a minimum, all households within 150 percent of the Federal poverty line are included as low-income households; and

(B) consider households that have not previously received assistance under the Low-Income Home Energy Assistance Act of 1981 in the same manner as households that have previously received such assistance.

(2) HOUSEHOLD DOCUMENTATION REQUIREMENTS.—States and Indian Tribes shall—

(A) to the maximum extent practicable, seek to limit the income history documentation requirements for determining whether a household is considered low-income for the purposes of this section; and

(B) for the purposes of income eligibility, accept proof of job loss or severe income loss dated after February 29, 2020, such as a layoff or furlough notice or verification of application of unemployment benefits, as sufficient to dem-

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onstrate lack of income for an individual or household.

(f) APPLICATIONS.—Each State or Indian Tribe desiring to receive a grant under this section shall submit an application to the Secretary, in such form as the Secretary shall require.

(g) STATE AGREEMENTS WITH DRINKING WATER AND WASTEWATER PROVIDERS.—To the maximum extent practicable, a State that receives a grant under this section shall enter into agreements with community water systems, municipalities, nonprofit organizations associated with providing drinking water and wastewater services to rural and small communities, and Indian Tribes, to assist in identifying low-income households and to carry out this section.

(h) ADMINISTRATIVE COSTS.—A State or Indian Tribe that receives a grant under this section may use up to 15 percent of the granted amounts for administrative costs.

(i) FEDERAL AGENCY COORDINATION.—In carrying out this section, the Secretary shall coordinate with the Administrator of the Environmental Protection Agency and consult with other Federal agencies with authority over the provision of drinking water and wastewater services.

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(j) AUDITS.—The Secretary shall require each State and Indian Tribe receiving a grant under this section to undertake periodic audits and evaluations of expenditures made by such State or Indian Tribe pursuant to this section.

(k) REPORTS TO CONGRESS.—The Secretary shall submit to Congress a report on the results of activities carried out pursuant to this section—

(1) not later than 1 year after the date of enactment of this section; and

(2) upon disbursement of all funds appropriated pursuant to this section.

(l) DEFINITIONS.—In this section:

(1) COMMUNITY WATER SYSTEM.—The term ''community water system'' has the meaning given such term in section 1401 of the Safe Drinking Water Act (42 U.S.C. 300f).

(2) INDIAN TRIBE.—The term ''Indian Tribe'' means any Indian Tribe, band, group, or community recognized by the Secretary of the Interior and exercising governmental authority over a Federal Indian reservation.

(3) MUNICIPALITY.—The term ''municipality'' has the meaning given such term in section 502 of

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the Federal Water Pollution Control Act (33 U.S.C. 1362).

(4) PUBLIC HEALTH EMERGENCY.—The term ''public health emergency'' means the public health emergency described in section 1135(g)(1)(B) of the Social Security Act.

(5) SECRETARY.—The term ''Secretary'' means the Secretary of Health and Human Services.

(6) STATE.—The term ''State'' means a State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

SEC. 199993. DELAY OF STRATEGIC PETROLEUM RESERVE SALE.

(a) BIPARTISAN BUDGET ACT OF 2015.—Section 404 of the Bipartisan Budget Act of 2015 (42 U.S.C. 6239 note) is amended—

(1) in subsection (e), by striking ''2020'' and inserting ''2022''; and

(2) in subsection (g), by striking ''2020'' and inserting ''2022''.

(b) FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020.—Title III of division C of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) is amend-

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ed in the matter under the heading ''Department of Energy—Energy Programs—Strategic Petroleum Reserve'' by striking ''*Provided*, That'' and all that follows through the period at the end and inserting the following: ''*Provided*, That, as authorized by section 404 of the Bipartisan Budget Act of 2015 (Public Law 114–74; 42 U.S.C. 6239 note), the Secretary of Energy shall draw down and sell not to exceed a total of $450,000,000 of crude oil from the Strategic Petroleum Reserve in fiscal year 2020, fiscal year 2021, or fiscal year 2022: *Provided further*, That the proceeds from such drawdown and sale shall be deposited into the 'Energy Security and Infrastructure Modernization Fund' during the fiscal year in which the sale occurs and shall be made available in such fiscal year, to remain available until expended, for necessary expenses to carry out the Life Extension II project for the Strategic Petroleum Reserve.''.

SEC. 199994. EXPANSION OF DOL AUTHORITY TO POSTPONE CERTAIN DEADLINES.

Section 518 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1148) is amended by striking ''or a terroristic or military action (as defined in section 692(c)(2) of such Code), the Secretary may'' and inserting ''a terroristic or military action (as defined in section 692(c)(2) of such Code), or a public health emergency

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declared by the Secretary of Health and Human Services pursuant to section 319 of the Public Health Service Act, the Secretary may''.

SEC. 199995. PROVIDING BUREAU OF THE CENSUS ACCESS TO INSTITUTIONS OF HIGHER EDUCATION.

(a) IN GENERAL.—Notwithstanding any other provision of law, including section 444 of the General Education Provisions Act (commonly known as the ''Family Educational Rights and Privacy Act of 1974''), an institution of higher education may, in furtherance of a full and accurate decennial census of population count, provide to the Bureau of the Census information requested by the Bureau for purposes of enumeration for the 2020 decennial Census.

(b) APPLICATION.—

(1) INFORMATION.—Only information requested on the official 2020 decennial census of population form may be provided to the Bureau of the Census pursuant to this section. No institution of higher education may provide any information to the Bureau on the immigration or citizenship status of any individual.

(2) GROUP QUARTERS.—Only students who, according to guidance from the Bureau, are living in

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group quarters may be included in the data provided to the Bureau under this section.

(3) NOTICE REQUIRED.—Before information can be provided to the Bureau, the institution of higher education shall give public notice of the categories of information which it plans to provide and shall allow 10 days after such notice has been given for a parent or student to inform the institution that any or all of the information designated should not be released without the parent or student's prior consent. No institution of higher education shall provide the Bureau with the information of any individual who has objected or whose legal guardian has objected to the provision of such information.

(4) USE OF INFORMATION.—Information provided to the Bureau pursuant to this section may only be used for the purposes of enumeration for the 2020 decennial census of population.

(c) SUNSET.—The authority provided in this section shall expire on December 31, 2020.

(d) DEFINITIONS.—In this section:

(1) GROUP QUARTERS.—The term ''group quarters'' means housing units owned or operated by an institution of higher education.

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(2) INSTITUTION OF HIGHER EDUCATION.—The term ''institution of higher education'' has the meaning given that term in section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002).

SEC. 199996. BUDGETARY EFFECTS.

(a) STATUTORY PAYGO SCORECARDS.—The budgetary effects of division B and each succeeding division shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

(b) SENATE PAYGO SCORECARDS.—The budgetary effects of division B and each succeeding division shall not be entered on any PAYGO scorecard maintained for purposes of section 4106 of H. Con. Res. 71 (115th Congress).

(c) CLASSIFICATION OF BUDGETARY EFFECTS.—Notwithstanding Rule 3 of the Budget Scorekeeping Guidelines set forth in the joint explanatory statement of the committee of conference accompanying Conference Report 105–217 and section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985, the budgetary effects of division B and each succeeding division shall not be estimated—

(1) for purposes of section 251 of such Act; and

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(2) for purposes of paragraph (4)(C) of section 3 of the Statutory Pay-As-You-Go Act of 2010 as being included in an appropriation Act.

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.....

(Original Signature of Member)

116TH CONGRESS
2D SESSION

H. R. _____

Making emergency supplemental appropriations for the fiscal year ending September 30, 2020, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M__._____ introduced the following bill; which was referred to the Committee on _____

A BILL

Making emergency supplemental appropriations for the fiscal year ending September 30, 2020, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Take Responsibility for Workers and Families Act''.

SEC. 2. TABLE OF CONTENTS.

The table of contents is as follows:

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DIVISION V—GROW ACT

DIVISION W—OTHER MATTERS

SEC. 3. REFERENCES.

Except as expressly provided otherwise, any reference to ''this Act'' contained in any division of this Act shall

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be treated as referring only to the provisions of that division.

DIVISION A—THIRD CORONAVIRUS PREPAREDNESS AND RESPONSE SUPPLEMENTAL APPROPRIATIONS ACT, 2020

TITLE I—AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND RELATED AGENCIES

DEPARTMENT OF AGRICULTURE

ANIMAL AND PLANT HEALTH INSPECTION SERVICE

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $55,000,000, to prevent, prepare for, and respond to coronavirus, to supplement amounts otherwise available for the Agricultural Quarantine Inspection Program: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

AGRICULTURAL MARKETING SERVICE

MARKETING SERVICES

For an additional amount for ''Marketing Services'', $45,000,000, to prevent, prepare for, and respond to coronavirus, to supplement amounts otherwise available for commodity grading, inspection, and audit activities:

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Provided, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FOOD SAFETY AND INSPECTION SERVICE

For an additional amount for ''Food Safety and Inspection Service'', $33,000,000, to prevent, prepare for, and respond to coronavirus, for the support of temporary and intermittent workers, temporary inspection relocation, and overtime inspection costs: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FARM SERVICE AGENCY

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $3,000,000, to prevent, prepare for, and respond to coronavirus, for temporary staff and overtime expenses: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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RURAL BUSINESS—COOPERATIVE SERVICE

RURAL BUSINESS PROGRAM ACCOUNT

For an additional amount for ''Rural Business Program Account'', $20,500,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, for the cost of loans for rural business development programs authorized by section 310B and described in subsection (g) of section 310B of the Consolidated Farm and Rural Development Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RURAL UTILITIES SERVICE

DISTANCE LEARNING, TELEMEDICINE, AND BROADBAND PROGRAM

For an additional amount for ''Distance Learning, Telemedicine, and Broadband Program'', $25,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, for grants for telemedicine and distance learning services in rural areas as authorized by 7 U.S.C. 950aaa et seq.: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FOOD AND NUTRITION SERVICE

COMMODITY ASSISTANCE PROGRAM

For an additional amount for ''Commodity Assistance Program'', for the emergency food assistance program as authorized by section 27(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2036(a)) and section 204(a)(1) of the Emergency Food Assistance Act of 1983 (7 U.S.C. 7508(a)(1)), $450,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the funds made available, the Secretary may use up to $200,000,000 for costs associated with the distribution of commodities: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FOREIGN AGRICULTURAL SERVICE

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $4,000,000, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement

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pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $80,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus, for efforts on potential medical product shortages, enforcement work against counterfeit or misbranded products, work on Emergency Use Authorizations, pre- and post-market work on medical countermeasures, therapies, vaccines and research, and related administrative activities: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—THIS TITLE

SEC. 10101. For an additional amount for grants under the pilot program established under section 779 of Public Law 115–141, to prevent, prepare for, and respond to coronavirus, $258,000,000, to remain available until September 30, 2021: *Provided*, That at least 90 percent of the households to be served by a project receiving a

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grant shall be in a rural area without sufficient access to broadband: *Provided further*, That for purposes of such pilot program, a rural area without sufficient access to broadband shall be defined as 10 Mbps downstream and 1 Mbps upstream, and such definition shall be reevaluated and redefined, as necessary, on an annual basis by the Secretary of Agriculture: *Provided further*, That an entity to which a grant is made under the pilot program shall not use a grant to overbuild or duplicate broadband expansion efforts made by any entity that has received a broadband loan from the Rural Utilities Service: *Provided further*, That priority consideration for grants shall be given to previous applicants now eligible as a result of adjusted eligibility requirements: *Provided further*, That not more than three percent of the funds made available in this paragraph may be used for administrative costs to carry out the program: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10102. The first amount under "Child Nutrition Programs" in Division B of the Further Consolidated Appropriations Act, 2020 (P.L. 116–94) is amended by

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striking ''$23,615,098,000'' and inserting ''$32,615,098,000''.

SEC. 10103. The matter under the heading ''Supplemental Nutrition Assistance Program'' in division B of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) is amended by inserting before '': *Provided*,'' the following: ''and for an additional amount, such sums as may be necessary to remain available through September 30, 2022, which shall be placed in reserve for use only in such amounts and at such times as may become necessary to carry out program operations''.

SEC. 10104. For an additional amount for ''Supplemental Nutrition Assistance Program'', to supplement funds otherwise available for the Food Distribution Program on Indian Reservations, $100,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the total amount available, $50,000,000 is for administrative expenses, including facility improvements and equipment upgrades, and $50,000,000 is for the costs relating to additional food purchases: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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SEC. 10105. In addition to amounts otherwise made available, $200,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus, shall be available for the Secretary of Agriculture to provide grants to the Commonwealth of the Northern Mariana Islands, Puerto Rico, and American Samoa for nutrition assistance: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10106. The Secretary may extend the term of a marketing assistance loan authorized by section 1201 of the Agricultural Act of 2014 (7 U.S.C. 9033) for any loan commodity to 12 months: *Provided*, That the authority made available pursuant to this section shall expire on September 30, 2020: *Provided further*, That amounts made available by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10107. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

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TITLE II—COMMERCE, JUSTICE, SCIENCE, AND RELATED AGENCIES

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS

(INCLUDING TRANSFERS OF FUNDS)

For an additional amount for ''Economic Development Assistance Programs'' for necessary expenses related to responding to economic injury as a result of coronavirus, $2,000,000,000, to remain available until September 30, 2022: *Provided*, That such amount shall be for economic adjustment assistance as authorized by section 209 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3149): *Provided further*, That within the amount appropriated, up to 2 percent of funds appropriated in this paragraph may be transferred to ''Salaries and Expenses'' for administration and oversight activities: *Provided further*, That the Secretary of Commerce is authorized to appoint and fix the compensation of such temporary personnel as may be necessary to implement the requirements under this heading, without regard to the provisions of title 5, United States Code, governing appointments in competitive service: *Provided further*, That the Secretary of Commerce is authorized to appoint such temporary personnel, after serving continu-

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ously for 2 years, to positions in the Economic Development Administration in the same manner that competitive service employees with competitive status are considered for transfer, reassignment, or promotion to such positions, and an individual appointed under this proviso shall become a career-conditional employee, unless the employee has already completed the service requirements for career tenure: *Provided further*, That within the amount appropriated in this paragraph, $4,000,000 shall be transferred to ''Office of Inspector General'' for carrying out investigations and audits related to the funding provided under this heading: *Provided further,* That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MINORITY BUSINESS DEVELOPMENT AGENCY

MINORITY BUSINESS DEVELOPMENT

For an additional amount for ''Minority Business Development'' for necessary expenses for the Business Centers and Specialty Centers, including any cost sharing requirements that may exist, for assisting minority business enterprises to prevent, prepare for, and respond to coronavirus, including identifying and accessing local, State, and Federal government assistance related to such virus, $15,000,000, to remain available until September

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30, 2021: *Provided*, That such amount is designated by Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES

For an additional amount for ''Scientific and Technical Research and Services'' for necessary expenses to prevent, prepare for, and respond to coronavirus, $6,000,000, to remain available until September 30, 2021, including for measurement science to support testing for such virus (or viral strains mutating therefrom) and biomanufacturing: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INDUSTRIAL TECHNOLOGY SERVICES

For an additional amount for ''Industrial Technology Services'' for necessary expenses, $75,000,000, to remain available until September 30, 2021, of which $50,000,000 shall be for the Hollings Manufacturing Extension Partnership to assist manufacturers to prevent, prepare for, and respond to coronavirus, and of which $25,000,000 shall be for the National Network for Manufacturing Innovation (also known as ''Manufacturing USA'') to support

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development and manufacturing of medical countermeasures and biomedical equipment and supplies: *Provided,* That none of the funds provided under this heading shall be subject to cost share requirements under 15 U.S.C. 278k(e)(2) or 15 U.S.C. 278s(e)(7)(A): *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

OPERATIONS, RESEARCH, AND FACILITIES

For an additional amount for ''Operations, Research, and Facilities'' for necessary expenses to prevent, prepare for, and respond to coronavirus, $33,200,000, to remain available until September 30, 2021: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF JUSTICE

FEDERAL PRISON SYSTEM

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $100,000,000, to remain available until Sep-

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tember 30, 2021, for necessary expenses to prevent, prepare for, and respond to coronavirus, including for maintaining correctional operations, including overtime costs, temporary facilities, purchase and rental of equipment, medical services and supplies, and emergency preparedness: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

STATE AND LOCAL LAW ENFORCEMENT ACTIVITIES

STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE

For an additional amount for ''State and Local Law Enforcement Assistance'', $500,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for the purchase of personal protective equipment, for the Edward Byrne Memorial Justice Assistance Grant program as authorized by subpart 1 of part E of title I of the Omnibus Crime Control and Safe Streets Acts of 1968 (''1968 Act''), (except that the allocation provisions under sections 505(a) through (e) and the special rules for Puerto Rico under section 505(g), and section 1001(c), of the 1968 Act, shall not apply for purposes of this Act), to be distributed in relative proportion to fiscal year 2016 allocations: *Provided*, That awards made using amounts provided in this

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paragraph shall be made only with the same requirements, conditions, compliance, and certification as fiscal year 2016: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

JUVENILE JUSTICE PROGRAMS

For an additional amount for ''Juvenile Justice Programs'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, of which $75,000,000 shall be for programs authorized by section 221 of the Juvenile Justice and Delinquency Prevention Act of 1974 (''the 1974 Act''), and $25,000,000 for delinquency prevention, as authorized by section 261 of the 1974 Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SCIENCE

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

SAFETY, SECURITY AND MISSION SERVICES

For an additional amount for ''Safety, Security and Mission Services'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond

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to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CONSTRUCTION AND ENVIRONMENTAL COMPLIANCE AND RESTORATION

For an additional amount for ''Construction and Environmental Compliance and Restoration'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL SCIENCE FOUNDATION

RESEARCH AND RELATED ACTIVITIES

For an additional amount for ''Research and Related Activities'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, domestically and internationally, including to fund research grants and other necessary expenses: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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AGENCY OPERATIONS AND AWARD MANAGEMENT

For an additional amount for ''Agency Operations and Award Management'', $2,000,000, to prevent, prepare for, and respond to coronavirus, domestically and internationally, including to administer research grants and other necessary expenses: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RELATED AGENCIES

Legal Services Corporation

PAYMENT TO THE LEGAL SERVICES CORPORATION

For an additional amount for ''Payment to the Legal Services Corporation'' to carry out the purposes of the Legal Services Corporation Act by providing for necessary expenses to prevent, prepare for, and respond to coronavirus, $100,000,000, to remain available until September 30, 2021: *Provided*, That none of the funds appropriated in this Act to the Legal Services Corporation shall be expended for any purpose prohibited or limited by, or contrary to any of the provisions of, sections 501, 502, 503, 504, 505, and 506 of Public Law 105–119, and all funds appropriated in this Act to the Legal Services Corporation shall be subject to the same terms and conditions

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set forth in such sections, except that all references in sections 502 and 503 to 1997 and 1998 shall be deemed to refer instead to 2020 and 2021, respectively, and except that sections 501 and 503 of Public Law 104–134 (referenced by Public Law 105–119) shall not apply to the amount made available under this heading: *Provided further*, That for the purposes of this Act, the Legal Services Corporation shall be considered an agency of the United States Government: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—THIS TITLE

SEC. 10201. (a) Amounts provided by the Department of Commerce Appropriations Act, 2020, for the Hollings Manufacturing Extension Partnership under the heading ''National Institute of Standards and Technology—Industrial Technology Services'' shall not be subject to cost share requirements under 15 U.S.C. 278k(e)(2).

(b) Subsection (a) shall not apply to the extent that a Manufacturing Extension Partnership Center receives funding from a State that is conditioned upon the application of a Federal cost sharing requirement to the Center.

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SEC. 10202. (a) Funds appropriated in this title for the National Science Foundation may be made available to restore amounts, either directly or through reimbursement, for obligations incurred by the National Science Foundation for research grants and other necessary expenses to prevent, prepare for, and respond to coronavirus, domestically or internationally, prior to the date of enactment of this Act.

(b) Grants or cooperative agreements made by the National Science Foundation under this title, to carry out research grants and other necessary expenses to prevent, prepare for, and respond to coronavirus, domestically or internationally, shall include amounts to reimburse costs for these purposes incurred between January 20, 2020, and the date of issuance of such grants or agreements.

SEC. 10203. (a)(1) Section 110(b)(2)(C) of the Family and Medical Leave Act of 1993 (as added by division C of the Families First Coronavirus Response Act) and section 5110(5)(C) of the Families First Coronavirus Response Act (relating to varying schedule hours calculation) shall not apply to the Bureau of the Census regarding any employee hired pursuant to section 23(c) of title 13, United States Code.

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(2) Any such employee shall be entitled to 40 hours of paid leave under division E of the Families First Coronavirus Response Act.

(b) With respect to any temporary employee of the Bureau of the Census, including any employee hired pursuant to section 23(c) of title 13, United States Code, the Bureau may classify any leave provided by the Bureau pursuant to the amendments made by division C of the Families First Coronavirus Response Act or division E of such Act to such an employee (based on such employee's status as an employee of the Bureau) as any leave category necessary to comport with the Bureau's leave system.

SEC. 10204. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

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TITLE III—DEPARTMENT OF DEFENSE

DEPARTMENT OF DEFENSE

MILITARY PERSONNEL

MILITARY PERSONNEL, ARMY

For an additional amount for Military Personnel, Army, $37,900,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MILITARY PERSONNEL, NAVY

For an additional amount for Military Personnel, Navy, $37,900,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MILITARY PERSONNEL, MARINE CORPS

For an additional amount for Military Personnel, Marine Corps, $9,900,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MILITARY PERSONNEL, AIR FORCE

For an additional amount for Military Personnel, Air Force, $37,900,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL GUARD PERSONNEL, ARMY

For an additional amount for National Guard Personnel, Army, $804,529,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL GUARD PERSONNEL, AIR FORCE

For an additional amount for National Guard Personnel, Air Force, $402,063,000, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to sec-

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tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE

OPERATION AND MAINTENANCE, ARMY

For an additional amount for ''Operation and Maintenance, Army'', $105,300,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, NAVY

For an additional amount for ''Operation and Maintenance, Navy'', $568,408,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, MARINE CORPS

For an additional amount for ''Operation and Maintenance, Marine Corps'', $70,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, AIR FORCE

For an additional amount for ''Operation and Maintenance, Air Force'', $154,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, DEFENSE-WIDE

For an additional amount for ''Operation and Maintenance, Defense-Wide'', $927,800,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, ARMY RESERVE

For an additional amount for ''Operation and Maintenance, Army Reserve'', $48,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, ARMY NATIONAL GUARD

For an additional amount for ''Operation and Maintenance, Army National Guard'', $194,002,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATION AND MAINTENANCE, AIR NATIONAL GUARD

For an additional amount for ''Operation and Maintenance, Air National Guard'', $79,406,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PROCUREMENT

DEFENSE PRODUCTION ACT PURCHASES

For an additional amount for ''Defense Production Act Purchases'', $500,000,000 to remain available until September 30, 2022, to prevent, prepare for, and respond

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to coronavirus: *Provided*, That the Secretary of Defense may waive the requirements of 50 U.S.C. 5433(a)(6) on a case-by-case basis upon three days prior written notification to the Committees on Appropriations and Banking, Housing, and Urban Affairs of the Senate, and the Committees on Appropriations and Financial Services of the House of Representatives. *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OTHER DEPARTMENT OF DEFENSE PROGRAMS

DEFENSE HEALTH PROGRAM

For an additional amount for ''Defense Health Program'', $3,805,500,000, to prevent, prepare for, and respond to coronavirus; of which $3,561,500,000 shall be for operation and maintenance to remain available until September 30, 2020; and of which $244,000,000, to remain available for obligation until September 30, 2021, shall be for research, development, test and evaluation: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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GENERAL PROVISIONS—THIS TITLE

SEC. 10301. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

SEC. 10302. Upon the determination of the Secretary of Defense that such action is necessary in the national interest, the Secretary may transfer up to $500,000,000 between the appropriations or funds made available to the Department of Defense for expenses relating to the use of the National Guard in response to coronavirus: Provided, That such funds may only be transferred among military personnel and operation and maintenance accounts for the National Guard provided for in this title: Provided further, That the Secretary shall notify the Congress promptly of each transfer made pursuant to the authority in this section: Provided further, That the authority provided in this section is in addition to any other transfer authority available to the Department of Defense and is subject to the same terms and conditions as the authority provided in section 8005 of the Department of Defense Appropriations Act, 2020: Provided further, That the transfer authority in sections 8005 and 9002 of the Department of Defense Appropriations Act, 2020, shall

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not apply to amounts appropriated or otherwise made available in this title.

SEC. 10303. Notwithstanding section 2208(l)(3) of title 10, United States Code, during fiscal year 2020, the amount of advance billings rendered or imposed by Defense working capital funds may exceed $1,000,000,000. In the preceding sentence, the term ''advance billing'' has the meaning given the term in section 2208(l)(4) of such title.

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TITLE IV—ENERGY AND WATER DEVELOPMENT AND RELATED AGENCIES

CORPS OF ENGINEERS—CIVIL

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS—CIVIL

OPERATION AND MAINTENANCE

For an additional amount for ''Operation and Maintenance'', $50,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

EXPENSES

For an additional amount for ''Expenses'', $20,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

WATER AND RELATED RESOURCES

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''Water and Related Resources'', $12,500,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That $500,000 of the funds provided under this paragraph shall be transferred to the Central Utah Project Completion Account to prevent, prepare for, and respond to coronavirus: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

POLICY AND ADMINISTRATION

For an additional amount for ''Policy and Administration'', $8,100,000, to remain available until September 30, 2021, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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DEPARTMENT OF ENERGY

ENERGY PROGRAMS

SCIENCE

For an additional amount for ''Science'', $99,500,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, for necessary expenses related to providing support and access to scientific user facilities in the Office of Science, including equipment, enabling technologies, and personnel associated with the operations of those scientific user facilities: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL ADMINISTRATION

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''Departmental Administration'', $28,000,000, to remain available until September 30, 2021, for necessary expenses related to supporting remote access for personnel to prevent, prepare for, and respond to coronavirus: *Provided*, That funds appropriated under this paragraph in this Act may be transferred to, and merged with, other appropriation accounts of the Department of Energy for necessary expenses related to supporting remote access for personnel to prevent,

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prepare for, and respond to coronavirus: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INDEPENDENT AGENCIES

NUCLEAR REGULATORY COMMISSION

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $3,300,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That the amount provided in this paragraph shall not be derived from fee revenues notwithstanding 42 U.S.C. 2214: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—THIS TITLE

SEC. 10401. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

SEC. 10402. Funds appropriated in this title may be made available to restore amounts, either directly or

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through reimbursement, for obligations incurred for the same purposes to prevent, prepare for, and respond to coronavirus prior to the date of enactment of this Act.

SEC. 10403. Notwithstanding any other provision of law, and subject to the availability of appropriations, the Secretary of Energy, or designee, may include in or modify the terms and conditions of any Department of Energy contract, or other agreement, to authorize the Department to reimburse any contractor paid leave the contractor provides to its employees as the Secretary deems necessary to ensure the effective response to a declared national emergency or pandemic event. Such authority shall apply only to a contractor whose employees cannot perform work on a federally-owned or leased facility or site due to federal government directed closures or other restrictions, and who cannot telework because their job duties cannot be performed remotely. As determined by the Secretary, or designee, this authority also shall apply to subcontractors: *Provided*, That amounts provided by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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TITLE V—FINANCIAL SERVICES AND GENERAL GOVERNMENT

DEPARTMENT OF THE TREASURY

DEPARTMENTAL OFFICES

SALARIES AND EXPENSES

For an additional amount for [the Department of the Treasury/''Salaries and Expenses''], $100,000,000 to remain available until expended, for the necessary expenses to establish and support a COVID–19 Stimulus Accountability and Transparency Board to conduct oversight of funds provided in this Act in order to monitor spending, provide transparency to the public, and help prevent fraud, waste, and abuse; *Provided*, That not less frequently than monthly, and until all such funds are expended, the Secretary of the Treasury shall publish on a dedicated portion of the website established under section 2 of the Federal Funding Accountability and Transparency Act of 2006 (31 U.S.C. 6101 note), for any funds made available to or expended by a Federal agency or component of a Federal agency that were provided in Public Law 116–123, Public Law 116–127, or in the Take Responsibility for Workers and Families Act—

(1) for each appropriations account, including an expired or unexpired appropriations account, the amount—

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(A) of budget authority appropriated;

(B) that is obligated;

(C) of unobligated balances; and

(D) of any other budgetary resources;

(2) from which accounts and in what amount—

(A) appropriations are obligated for each program activity; and

(B) outlays are made for each program activity;

(3) from which accounts and in what amount—

(A) appropriations are obligated for each object class; and

(B) outlays are made for each object class; and

(4) for each program activity, the amount—

(A) obligated for each object class; and

(B) of outlays made for each object class.

Provided further, That the information required to be published pursuant to the preceding proviso shall be published in such a format that amounts allows such information to be sorted by the public law that provided the relevant obligational authority: *Provided further*, That such amounts are designated by the Congress as being for an emergency requirement

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pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND PROGRAM ACCOUNT

For an additional amount for ''Community Development Financial Institutions Fund Program Account'', $200,000,000, to remain available until September 30, 2020, to promote economic recovery due to the impact of coronavirus through financial assistance and technical assistance under subparagraphs (A) and (B) of section 108(a)(1), respectively, of Public Law 103–325 (12 U.S.C. 4707(a)(1)(A) and (B)), except that subsections (d) and (e) of section 108 of Public Law 103–325 shall not apply to the provision of such financial assistance and technical assistance: *Provided*, That up to $10,000,000 may be transferred to and merged with ''Administrative Expenses'' for administrative expenses to carry out financial assistance and technical assistance: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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INTERNAL REVENUE SERVICE

TAXPAYER SERVICES

For an additional amount for ''Taxpayer Services'', $236,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That not later than 30 days after the date of the enactment of this Act, the Commissioner of the Internal Revenue Service shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spend plan for such funds: *Provided further*, That such amounts are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ENFORCEMENT

For an additional amount for ''Enforcement'', $42,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That not later than 30 days after the date of the enactment of this Act, the Commissioner of the Internal Revenue Service shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spend plan for such funds: *Provided further*, That such amounts are designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OPERATIONS SUPPORT

For an additional amount for "Operations Support", $324,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That not later than 30 days after the date of the enactment of this Act, the Commissioner of the Internal Revenue Service shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spend plan for such funds: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATIVE PROVISIONS—INTERNAL REVENUE SERVICE

(INCLUDING TRANSFER OF FUNDS)

SEC. 10501. In addition to the authority provided in section 101 of title I of division C of Public Law 116–93, the funds provided to the Internal Revenue Service in this Act may be transferred among accounts of the Internal Revenue Service to prevent, prepare for, and respond to coronavirus. On the date of any such transfer, the Commissioner shall notify the Committees on Appro-

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priations of the House of Representatives and Senate of such transfer.

THE JUDICIARY

The Supreme Court of the United States

salaries and expenses

For an additional amount for ''Salaries and Expenses'', $500,000, to remain available until September 30, 2020, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

Courts Of Appeals, District Courts, And Other Judicial Services

salaries and expenses

For an additional amount for ''Salaries and Expenses'', $6,000,000 to remain available until September 30, 2020, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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DEFENDER SERVICES

For an additional amount for ''Defender Services'', $1,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DISTRICT OF COLUMBIA

FEDERAL FUNDS

FEDERAL PAYMENT FOR EMERGENCY PLANNING AND SECURITY COSTS IN THE DISTRICT OF COLUMBIA

For an additional amount for the ''Federal Payment for Emergency Planning and Security Costs in the District of Columbia'' for the Federal payment of necessary expenses, as determined by the Mayor of the District of Columbia in written consultation with the elected county or city officials of surrounding jurisdictions, $11,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amounts are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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INDEPENDENT AGENCIES

ELECTION ASSISTANCE COMMISSIONS

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $5,000,000, to assist States with contingency planning, preparation, and resilience of elections for Federal office: *Provided,* That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ELECTION ADMINISTRATION GRANTS

For an additional amount for payments by the Election Assistance Commission to States for contingency planning, preparation, and resilience of elections for Federal office, $4,000,000,000 to remain available until September 30, 2021: *Provided*, That under this heading the term ''State'' means each of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands: *Provided further,* That the amount of the payments made to a State under this heading shall be consistent with section 103 of the Help America Vote Act of 2002 (52 U.S.C. 20903): *Provided further*, That for the purposes of the preceding proviso, each reference to ''$5,000,000'' in sec-

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tion 103 shall be deemed to refer to ''$7,500,000'': *Provided further*, That not less than 50 percent of the amount of the payment made to a State under this heading shall be allocated in cash or in kind to the units of local government which are responsible for the administration of elections for Federal office in the State: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL COMMUNICATIONS COMMISSION

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $200,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus by providing to health care providers telecommunications services, information services, and devices necessary to enable the provision of telehealth services during an emergency period, as defined in section 1135(g)(1) of the Social Security Act (42 U.S.C. 1320b–5(g)(1)): *Provided*, That the Federal Communications Commission may rely on the rules of the Commission under part 54 of title 47, Code of Federal Regulations, in administering such amount if the Commission determines that such administration is in the public interest

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and upon the advance notification of the Committees on Appropriations of the House of Representatives and the Senate: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

[EMERGENCY CONNECTIVITY FUND]

[For an additional amount for the ''Emergency Connectivity Fund'', as authorized under title II of division U of the Take Responsibility for Workers and Families Act, for the provision of Wi-fi hotspots and connected devices to schools and libraries, $2,000,000,000, to remain available until September 30, 2021: Provided , That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.]

[EMERGENCY BROADBAND CONNECTIVITY FUND]

[For an additional amount for the ''Emergency Broadband Connectivity Fund'', as authorized under title III of division U of the Take Responsibility for Workers and Families Act, for the provision of Wi-fi hotspots and connected devices to schools and libraries, $1,000,000,000, to remain available until September 30, 2021: Provided , That such amount is designated by the

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Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.]

GENERAL SERVICES ADMINISTRATION

REAL PROPERTY ACTIVITIES

FEDERAL BUILDINGS FUND

BUILDING OPERATIONS

For an additional amount, to be deposited in the ''Federal Buildings Fund'', $275,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus: *Provided*, That such funds may be used to reimburse costs incurred for the purposes provided under this heading: *Provided further*, That amounts made available under this heading shall be in addition to any other amounts available for such purposes: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF PERSONNEL MANAGEMENT

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $12,100,000, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SMALL BUSINESS ADMINISTRATION

BUSINESS STABILIZATION LOAN PROGRAMS

For an additional amount for the cost of direct loans authorized under section 8 of the COVID–19 Relief for Small Businesses Act of 2020, such sums as may be necessary to make up to $100,000,000,000 in direct loans through September 30, 2022, to remain available until expended, and for an additional amount for the cost of guaranteed loans authorized under section 9 of the COVID–19 Relief for Small Businesses Act of 2020, $100,000,000,000, to remain available until expended: *Provided*, That, notwithstanding any other provision of law, no amounts made available under this heading shall be available for transfer to another budget account: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ECONOMIC INJURY GRANTS

For an additional amount for the cost of providing economic recovery grants for small businesses impacted by coronavirus as authorized by section 2 of the COVID–19 Relief for Small Businesses Act of 2020,

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$100,000,000,000, to remain available until September 30, 2021: *Provided*, That the Administrator shall notify a grant applicant whether their application has been approved within 14 days of the grant being submitted: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DISASTER LOANS PROGRAM ACCOUNT

For an additional amount for the ''Disaster Loans Program Account'' for the cost of direct loans authorized by section 7(b) of the Small Business Act, $25,739,000,000, to remain available until expended: *Provided*, That up to $739,000,000 may be transferred to and merged with ''Small Business Administration—Salaries and Expenses'': *Provided further*, That for purposes of section 7(b)(2)(D) of the Small Business Act, coronavirus shall be deemed to be a disaster and amounts available under ''Disaster Loans Program Account'' for the cost of direct loans in any fiscal year may be used to make economic injury disaster loans under such section in response to the coronavirus: *Provided further*, That none of the funds provided under this heading in this Act may be used for indirect administrative expenses: *Provided further*, That such amount is designated by the Congress as being

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for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985: *Provided further*, That amounts repurposed under this heading that were previously designated by the Congress as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SMALL BUSINESS DEBT RELIEF

For an additional amount for the cost of loan debt relief as authorized by section 3 of the COVID–19 Relief for Small Businesses Act of 2020, $16,800,000,000 to remain available until September 30, 2021: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

BUSINESS LOANS PROGRAM ACCOUNT

For an additional amount for ''Business Loans Program Account'', for the cost of direct loans and loan guarantees, such sums as may be necessary for the period of fiscal years 2020 and 2021, of which $10,200,000, to remain available until expended shall be for the cost of direct

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loans, such sums as may be necessary for the period of fiscal years 2020 and 2021, to remain available until expended, shall be for the cost of guaranteed loans, including loan modifications authorized by sections 4, 5, 6, and 7 of the COVID–19 Relief for Small Businesses Act of 2020, and for the cost of guaranteed loans under section 503 of the Small Business Investment Act of 1958 and section 7(a) of the Small Business Act for the period of fiscal years 2020 through 2021: *Provided*, That for the period of fiscal years 2020 through 2021, commitments for general business loans authorized under section 7(a) of the Small Business Act shall not exceed $75,000,000,000: *Provided further*, That amounts provide in this paragraph for the cost of guaranteed loans under section 7(a) of the Small Business Act are in addition to amounts otherwise available for the same purposes: *Provided further*, That notwithstanding any other provision of law, no amounts made available under this heading shall be available for transfer to another budget account: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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NEW MARKETS VENTURE CAPITAL PROGRAM

For an additional amount for the ''New Markets Venture Capital Program'' for the costs of grants and guaranteed loans authorized under the part B of the Small Business Investment Act of 1958, such sums as may be necessary, of which [$2,000,000,000] shall be for grants authorized under section 358 of the Small Business Investment Act of 1958 and such sums as may be necessary to guarantee $10,000,000,000 in debentures, to remain available until expended: *Provided*, That notwithstanding any other provision of law, no amounts made available under this heading shall be available for transfer to another budget account: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INTERMEDIARY LENDING PROGRAM

For an additional amount for the cost of the ''Intermediary Lending Program'' as authorized by section 16 of the COVID–19 Relief for Small Businesses Act of 2020, $50,000,000, to remain available until September 30, 2021: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pur-

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suant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ENTREPRENEURIAL DEVELOPMENT PROGRAMS

For an additional amount for ''Entrepreneurial Development Programs'' for grants to small business development centers, women's business centers, and chapters of the service corps of retired executives, as authorized under section 14 of the COVID–19 Relief for Small Businesses Act of 2020, $240,000,000, to remain available until September 30, 2021, of which $190,000,000 shall be for grants to small business development centers and $50,000,000 shall for grants to women's business centers and chapters of the service corps of retired executives: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $805,000,000, to remain available until September 30, 2021, to carry out the requirements of the COVID–19 Relief for Small Businesses Act of 2020, of which $80,000,000 shall be for marketing, management, and technical assistance under section 7(m) of the Small Business Act (15 U.S.C. 636(m)(4)) by intermediaries

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that make microloans under the microloan program, and of which $25,000,000 shall be for resources and services in languages other than English, as authorized in section 18 of the COVID–19 Relief for Small Businesses Act of 2020: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATIVE PROVISION—SMALL BUSINESS ADMINISTRATION

SEC. 10502. Notwithstanding section 7(b)(2)(D) of the Small Business Act, the Small Business Administration shall issue a disaster declaration for each State and territory for coronavirus.

UNITED STATES POSTAL SERVICE

PAYMENT TO POSTAL SERVICE FUND

For payment to the ''Postal Service Fund'', for revenue forgone due to the coronavirus pandemic, $20,000,000,000, to remain available until September 30, 2022: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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GENERAL PROVISION—THIS TITLE

SEC. 10503. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

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TITLE VI

DEPARTMENT OF HOMELAND SECURITY

MANAGEMENT DIRECTORATE

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $178,000,000, for the purchase of personal protective equipment and related supplies for components of the Department of Homeland Security to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

TRANSPORTATION AND SECURITY ADMINISTRATION

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $100,000,000, to prevent, prepare for, and respond to coronavirus; of which $54,000,000 is for enhanced sanitation at airport security checkpoints; of which $26,000,000 is for overtime and travel costs for Transportation Security Officers; and of which $20,000,000 is for the purchase of explosive trace detection swabs: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COAST GUARD

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $141,000,000, to prevent, prepare for, and respond to coronavirus through activation of Coast Guard Reserve personnel under section 12302 of title 10, United States Code and for purchases to increase the capability and capacity of information technology systems and infrastructure to support telework and remote access: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CYBERSECURITY AND INFRASTRUCTURE SECURITY AGENCY

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $14,400,000, to prevent, prepare for, and respond to coronavirus through interagency critical infrastructure coordination and related activities: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL EMERGENCY MANAGEMENT AGENCY

OPERATIONS AND SUPPORT

For an additional amount for ''Operations and Support'', $45,000,000, for facilities and information technology to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL ASSISTANCE

For an additional amount for ''Federal Assistance'', $200,000,000, for the emergency food and shelter program under title III of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11331 et seq.): *Provided*, That notwithstanding sections 315 and 316(b) of such Act, funds made available under this section shall be disbursed by the Emergency Food and Shelter Program National Board not later than 30 days after the date on which such funds become available: *Provided further*, That such funds may be used to reimburse jurisdictions or local recipient organizations for costs incurred in providing services on or after January 1, 2020: *Provided further*, That such amount is designated by the Congress as being for an

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emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

For an additional amount for ''Federal Assistance'', to supplement funds otherwise available for the ''Assistance to Firefighters Grants'' $100,000,000, to remain available until September 30, 2021, for the purchase of personal protective equipment and related supplies to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985

DISASTER RELIEF FUND

For an additional amount for ''Disaster Relief Fund'', $2,000,000,000, to remain available until expended: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—THIS TITLE

SEC. 10601. Notwithstanding any other provision of law, funds made available under each heading in this title, except for ''Federal Emergency Management Agency—

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Disaster Relief Fund'', shall only be used for the purposes specifically described under that heading.

SEC. 10602. (a) Assistance provided under the emergency declaration issued by the President on March 13, 2020, pursuant to section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121–5207), and under any subsequent major declaration under section 401 of such Act that supersedes such emergency declaration, shall be at a 100 percent Federal cost share.

(b) Amounts repurposed under this section that were previously designated by the Congress, respectively, as an emergency requirement or as being for disaster relief pursuant to the Balanced Budget and Emergency Deficit Control Act are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 or as being for disaster relief pursuant to section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10603. Notwithstanding any other provision of law, any amounts appropriated for ''Department of Homeland Security—Federal Emergency Management Agency—Disaster Relief Fund'' in this Act are available only for the purposes for which they were appropriated.

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SEC. 10604. (a) For calendar year 2020 and calendar year 2021, any provision of law limiting the aggregate amount of premium pay or overtime payable on a biweekly or calendar year basis, or establishing an aggregate limitation on pay, shall not apply to any premium pay or overtime that is funded, either directly or through reimbursement, by the ''Federal Emergency Management Agency—Disaster Relief Fund'' related to an emergency or major disaster declared in calendar year 2020.

(b) Pay exempted from otherwise applicable limits under this section shall not cause the aggregate pay for the calendar year to exceed the rate of basic pay payable for a position at level II of the Executive Schedule under section 5313 of title 5, United States Code.

(c) Notwithstanding any other provisions of law, an Executive agency shall not be liable for damages, fees, interests, or costs of any kind as a result of any delay occurring prior to the date of enactment of this Act in payments made pursuant to this section.

(d) This section shall take effect as if enacted on December 31, 2019.

(e) Amounts repurposed under this section that were previously designated by the Congress, respectively, as an emergency requirement or as being for disaster relief pursuant to the Balanced Budget and Emergency Deficit

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Control Act are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 or as being for disaster relief pursuant to section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 10605. The Secretary of Homeland Security, under the authority granted under section 205(b) of the REAL ID Act of 2005 (Public Law 109–13; 49 U.S.C. 30301 note) shall extend the deadline by which States are required to meet the driver license and identification card issuance requirements under section 202(a)(1) of such Act until not earlier than September 30, 2021.

SEC. 10606. (a) For the emergency declared on March 13, 2020, by the President under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191) the President may provide assistance for —

(1) activities, costs, and purchases of State and local jurisdictions including—

(A) activities eligible for assistance under sections 301, 415, 416, and 426 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5141, 5182, 5183, 5189d);

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(B) backfill costs for first responders and other essential employees who are ill or quarantined;

(C) increased operating costs for essential government services due to such emergency, including costs for implementing continuity plans;

(D) costs of providing guidance and information to the public and for call centers to disseminate such guidance and information;

(E) costs associated with establishing virtual services;

(F) costs for establishing and operating remote test sites;

(G) training provided specifically in anticipation of or in response to the event on which such emergency declaration is predicated;

(H) personal protective equipment and other critical supplies for first responders; and

(I) public health and medical supplies; and

(2) activities and costs of nonprofit organizations including—

(A) operating and equipment costs for blood donation activities, including personnel costs; and

(B) establishing and operating public call centers in support of government operations, including personnel costs.

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(b) The activities specified in subsection (a) may also be eligible for assistance under any major disaster declared by the President under section 401 of such Act that supersedes the emergency declaration described in such subsection.

(c) Nothing in this section shall be construed to make ineligible any assistance that would otherwise be eligible under section 502 of such Act.

SEC. 10607. (a) During the public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) with respect to the COVID–19 pandemic, the Secretary of Homeland Security, Secretary of State, Attorney General or Secretary of Labor, as appropriate, shall temporarily suspend or modify any procedural requirement with which an applicant, petitioner, or other person or entity must otherwise comply under the immigration laws, as defined in section 101(a)(17) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(17)), or any regulation pertaining thereto, when necessary to—

(1) promote government efficiency;

(2) ensure the timely and fair adjudication of applications or petitions;

(3) prevent hardship to applicants, petitioners, beneficiaries, or other persons or entities, including

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by granting automatic or other extensions or renewals when necessary to protect individuals from lapses in status or work authorization; or

(4) protect the public interest.

(b) Notwithstanding any other provision law, the requirements of chapter 5 of title 5, U.S. Code (commonly known as the Administrative Procedure Act), or any other law relating to rulemaking, information collection or publication in the Federal Register shall not apply to any action taken under the authority of this section.

(c) Notwithstanding any other provision of law, with respect to any alien whose nonimmigrant status, status under section 244 of the Immigration and Nationality Act (8 U.S.C. 1254a), or employment authorization has expired within the 30 days preceding the date of the enactment of this act, or will expire not later than one year after such date, the Secretary of Homeland Security shall automatically extend such status or work authorization for the same time period as the alien's prior status or work authorization.

(d) The amounts made available by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985

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SEC. 10608. (a) Amounts provided for ''Coast Guard—Operations and Support'' for fiscal year 2020 may, in addition to amounts otherwise available for such purposes, be available for pay and benefits of Coast Guard Yard and Vessel Documentation personnel, Non-Appropriated Funds personnel, and for Morale, Welfare and Recreation Programs.

(b) Any amounts repurposed under subsection (a) that were previously designated by the Congress as an emergency requirement or as being for Overseas Contingency Operations/Global War on Terrorism pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 or as for Overseas Contingency Operations/Global War on Terrorism pursuant to section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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TITLE VII—INTERIOR, ENVIRONMENT, AND RELATED AGENCIES

DEPARTMENT OF THE INTERIOR

Bureau of Indian Affairs

operation of indian programs

(including transfer of funds)

For an additional amount for ''Operation of Indian Programs'', $453,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including to support public safety and justice programs, welfare and social service programs (including assistance to individuals), and for aid to Tribal governments: *Provided*, That of such sums, funds may be used for executive direction to carry out cleaning of facilities, to purchase personal protective equipment, and to obtain information technology: *Provided further*, That the limitation on welfare assistance funds included in the matter preceding the first proviso under this heading in the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) shall not apply to amounts provided for such programs in this paragraph: *Provided further*, That assistance received hereunder shall not be included in the calculation of funds received by those Tribal governments who participate in the ''Small and Needy'' program: *Provided further*, That amounts provided under this heading in this Act may

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be made available for distribution through Tribal priority allocations for Tribal response and capacity building activities related to the purposes identified under this heading in this Act: *Provided further*, That such amounts, if transferred to Tribes and Tribal organizations under the Indian Self-Determination and Education Assistance Act: (1) will be transferred on a one-time basis, (2) are non-recurring funds that are not part of the amount required by 25 U.S.C. 5325, and (3) may only be used for the purposes identified under this heading in this Act, notwithstanding any other provision of law: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

BUREAU OF INDIAN EDUCATION

OPERATION OF INDIAN EDUCATION PROGRAMS

For an additional amount for ''Operation of Indian Education Programs'', $69,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including, in addition to amounts otherwise available, support for Tribally-Controlled Colleges and Universities, salaries, transportation, and information technology: *Provided*, That of the amounts provided in this paragraph, not less than $20,000,000 shall

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be for Tribally-Controlled Colleges and Universities: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL OFFICES

OFFICE OF THE SECRETARY

DEPARTMENTAL OPERATIONS

(INCLUDING TRANSFERS OF FUNDS)

For an additional amount for ''Departmental Operations'' for necessary expenses to prevent, preapre for, and respond to coronavirus, $158,400,000, to remain available until September 30, 2021: *Provided*, That the amounts made available in this paragraph shall be used to absorb increased operational costs associated with the coronavirus outbreak including but not limited to: purchase of equipment and supplies to disinfect and clean buildings and public areas, support law enforcement and emergency management operations, biosurveillance of wildlife and environmental persistence studies, employee overtime and special pay expenses, and for other response, mitigation, or recovery activities associated with the coronavirus outbreak: *Provided further*, That the amounts made available by this paragraph may be transferred between the Office of the Secretary and any Department of the Interior com-

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ponent bureau or office that received funding in division D of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94): *Provided further*, That concurrent with any such transfer the Secretary shall notify the House and Senate Committees on Appropriations in writing and provide a detailed description of and justification for each transfer: *Provided further*, That as soon as practicable after the date of enactment of this Act, the Secretary shall transfer $1,000,000 to the Office of the Inspector General, ''Salaries and Expenses'' account for oversight activities related to the implementation of programs, activities, or projects funded herein: *Provided further*, That expenditure of amounts made available herein may be made through direct expenditure or cooperative agreement: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INSULAR AFFAIRS

For an additional amount for ''Assistance to Territories'', $55,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, domestically or internationally, for territorial assistance, specifically for general technical assistance: *Provided*, That such amount is designated by the Congress

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as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ENVIRONMENTAL PROTECTION AGENCY

SCIENCE AND TECHNOLOGY

For an additional amount for ''Science and Technology'', $2,250,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, of which $750,000 shall be for necessary expenses for cleaning and disinfecting equipment or facilities of, or for use by, the Environmental Protection Agency, and $1,500,000 shall be for research on methods to reduce the risks from environmental transmission of coronavirus via contaminated surfaces or materials: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ENVIRONMENTAL PROGRAMS AND MANAGEMENT

For an additional amount for ''Environmental Programs and Management'', $3,910,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, of which $2,410,000 shall be for necessary expenses for cleaning and disinfecting equipment or facilities of, or for use by, the Environmental Pro-

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tection Agency, and operational continuity of Environmental Protection Agency programs and related activities, and $1,500,000 shall be for expediting registration and other actions related to pesticides to address coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

BUILDINGS AND FACILITIES

For an additional amount for ''Buildings and Facilities'', $300,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such funds shall be for necessary expenses for cleaning and disinfecting equipment or facilities of, or for use by, the Environmental Protection Agency: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HAZARDOUS SUBSTANCE SUPERFUND

For an additional amount for ''Hazardous Substance Superfund'', $770,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such funds shall be for necessary expenses for cleaning and disinfecting equipment

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or facilities of, or for use by, the Environmental Protection Agency: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

FOREST AND RANGELAND RESEARCH

For an additional amount for ''Forest and Rangeland Research'', $3,000,000, to remain available until September 30, 2021, for the reestablishment of abandoned or failed experiments associated with coronavirus restrictions: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL FOREST SYSTEM

For an additional amount for''National Forest System'', $33,800,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for personal protective equipment, for cleaning and disinfecting public recreation amenities, and for necessary expenses related to cybersecurity, the provision of telework ready equipment, and Information Technology help desk personnel: *Provided*, That such

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amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CAPITAL IMPROVEMENT AND MAINTENANCE

For an additional amount for ''Capital Improvement and Maintenance'', $26,800,000, to remain available until September 30, 2021, for necessary expenses related to cybersecurity, the provision of telework ready equipment, and Information Technology help desk personnel, and for the cleaning, disinfecting, and janitorial services to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

WILDLAND FIRE MANAGEMENT

For an additional amount for ''Wildland Fire Management'' to supplement amounts otherwise available for Preparedness, $7,000,000, to remain available until September 30, 2021, for personal protective equipment and necessary expenses of first responders to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDIAN HEALTH SERVICE

INDIAN HEALTH SERVICES

For an additional amount for ''Indian Health Services'', $1,032,000,000, to remain available until September 30, 2021, for preparedness, response, surveillance, and health service activities for coronavirus, including for public health support, electronic health record modernization, telehealth and other IT upgrades, Purchased/Referred care, Catastrophic Health Emergency Fund, community health representatives, Urban Indian Organizations, Tribal Epidemiology Centers, and other activities to protect the safety of patients and staff: *Provided*, That none of the funds appropriated by this Act to the Indian Health Service for the Electronic Health Record system shall be made available for obligation to execute a Request for Proposal for selection of core components appropriate to support the initial capacity of the system unless the Committees on Appropriations of the House of Representatives and the Senate have been briefed 90 days in advance of such execution of a Request for Proposal: *Provided further*, That of the amount provided in this para-

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graph, not less than $450,000,000 shall be distributed through Tribal shares and contracts with Urban Indian Organizations: *Provided further*, That any amounts provided in this paragraph not allocated pursuant to the preceding proviso shall be allocated at the discretion of the Director of the Indian Health Service: *Provided further*, That such amounts may be used to supplement amounts otherwise available under ''Indian Health Facilities'': *Provided further*, That such amounts, if transferred to Tribes and Tribal organizations under the Indian Self-Determination and Education Assistance Act, will be transferred on a one-time basis and that these non-recurring funds are not part of the amount required by 25 U.S.C. 5325, and that such amounts may only be used for the purposes identified under this heading notwithstanding any other provision of law: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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AGENCY FOR TOXIC SUBSTANCES AND DISEASE REGISTRY

TOXIC SUBSTANCES AND ENVIRONMENTAL PUBLIC HEALTH

For an additional amount for ''Toxic Substances and Environmental Public Health'', $12,500,000, to remain available until September 30, 2021, to monitor, prevent, prepare for, and respond to coronavirus and other emerging infectious diseases, domestically or internationally; of which $7,500,000 shall be for necessary expenses of the Geospatial Research, Analysis and Services Program (GRASP) to support spatial analysis and GIS mapping of infectious disease hot spots, including cruise ships; and $5,000,000 shall be for necessary expenses for awards for Pediatric Environmental Health Specialties Units and state health departments to provide guidance and outreach on safe practices for home, school, and daycare facilities disinfection for facilities that have experienced or want to prevent coronavirus and other emerging infectious disease cases: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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INSTITUTE OF AMERICAN INDIAN AND ALASKA NATIVE CULTURE

PAYMENT TO THE INSTITUTE

For an additional amount for ''Payment to the Institute'', $78,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SMITHSONIAN INSTITUTION

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $7,500,000, to remain available until September 30, 2021, for cleaning, security, information technology, and staff overtime, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

OPERATIONS AND MAINTENANCE

For an additional amount for ''Operations and Maintenance'', $35,000,000, to remain available until Sep-

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tember 30, 2021, for operations and maintenance requirements related to the consequences of coronavirus: *Provided*, That notwithstanding the provisions of 20 U.S.C. 76h et seq., funds provided in this Act shall be made available to cover operating expenses required to ensure the continuity of the John F. Kennedy Center for the Performing Arts and its affiliates, including for employee compensation and benefits, grants, contracts, payments for rent or utilities, fees for artists or performers, information technology, and other administrative expenses: *Provided further*, That no later than October 31, 2020, the Board of Trustees of the Center shall submit a report to the Committees on Appropriations of the House of Representatives and Senate that includes a detailed explanation of the distribution of the funds provided herein: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES

NATIONAL ENDOWMENT FOR THE ARTS

GRANTS AND ADMINISTRATION

For an additional amount for ''Grants and Administration'', $300,000,000, to remain available until Sep-

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tember 30, 2021, for grants to respond to the impacts of coronavirus: *Provided*, That such funds are available under the same terms and conditions as grant funding appropriated to this heading in P.L. 116–94: *Provided further*, That 40 percent of such funds shall be distributed to State arts agencies and regional arts organizations and 60 percent of such funds shall be for direct grants: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985:

NATIONAL ENDOWMENT FOR THE HUMANITIES

GRANTS AND ADMINISTRATION

For an additional amount for ''Grants and Administration'', $300,000,000, to remain available until September 30, 2021, for grants to respond to the impacts of coronavirus: *Provided*, That such funds are available under the same terms and conditions as grant funding appropriated to this heading in Public Law 116–94: *Provided further*, That 40 percent of such funds shall be distributed to state humanities councils and 60 percent of such funds shall be for direct grants: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS

SEC. 10701. Notwithstanding any other provision of law, funds made available under the heading ''National Foundation on the Arts and the Humanities—National Endowment for the Arts—Grants and Administration'' for each of fiscal years 2019 and 2020 for grants for the purposes described in section 5(c) of the National Foundation on the Arts and Humanities Act of 1965 (20 U.S.C. 954(c)) may also be used by the recipients of such grants for purposes of the general operations of such recipients and the matching requirements under subsections (e), (g)(4)(A), and (p)(3) of section 5 of the National Foundation on the Arts and Humanities Act of 1965 (20 U.S.C. 954) may be waived with respect to such grants.

SEC. 10702. Notwithstanding any other provision of law, funds made available under the heading ''National Foundation on the Arts and the Humanities—National Endowment for the Humanities—Grants and Administration'' for each of fiscal years 2019 and 2020 for grants for the purposes described in section 7(c) and 7(h)(1) of the National Foundation on the Arts and Humanities Act of 1965 may also be used by the recipients of such grants for purposes of the general operations of such recipients

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and the matching requirements under subsection (h)(2)(A) of section 7 of the National Foundation on the Arts and Humanities Act of 1965 may be waived with respect to such grants.

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TITLE VIII—DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

For an additional amount for ''Training and Employment Services'', $960,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus through activities under the Workforce Innovation and Opportunity Act (referred to in this Act as ''WIOA'') as follows:

(1) $212,000,000 for grants to States for adult employment and training activities, including supportive services and needs-related payments;

(2) $227,000,000 for grants to States for youth activities, including supportive services;

(3) $261,000,000 for grants to States for dislocated worker employment and training activities, including supportive services and needs-related payments;

(4) $250,000,000 for the Dislocated Worker National Reserve, of which $150,000,000 shall be for the Strengthening Community College Training Grant program as outlined under the heading

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''Training and Employment Services'' in paragraph (2)(A)(ii) of title I of division A of Public Law 116–94 to assist community colleges in meeting the educational and training needs of their communities as a result of coronavirus;

(5) $10,000,000 for Migrant and Seasonal Farmworkers, including for emergency supportive services to farmworkers, of which $500,000 shall be available for the collection and dissemination of electronic and printed materials related to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

JOB CORPS

For an additional amount for ''Job Corps'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for student services: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

For an additional amount for ''State Unemployment and Insurance and Employment Service Operations'', $150,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus through grants to States in accordance with section 6 of the Wagner-Peyser Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

For an additional amount for ''Community Service Employment for Older Americans'', $120,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That funds made available under this heading in this Act may, in accordance with section 517(c) of the Older Americans Act of 1965, be recaptured and reobligated: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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PROGRAM ADMINISTRATION

For an additional amount for ''Program Administration'', $15,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including for the administration, oversight, and coordination of unemployment insurance activities related thereto: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

EMPLOYEE BENEFITS SECURITY ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for ''Employee Benefits Security Administration'', $3,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including for the administration, oversight, and coordination of worker protection activities related thereto: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

WAGE AND HOUR DIVISION

SALARIES AND EXPENSES

For an additional amount for ''Wage and Hour Division'', $6,500,000, to remain available until September

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30, 2020, to prevent, prepare for, and respond to coronavirus, including for the administration, oversight, and coordination of worker protection activities related thereto: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION

SALARIES AND EXPENSES

For an additional amount for ''Occupational Safety and Health Administration'', $30,000,000, to remain available until September 30, 2021, for worker protection activities to prevent, prepare for, and respond to coronavirus: *Provided*, That of that amount, $10,000,000 shall be available for Susan Harwood training grants: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL MANAGEMENT

OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

For an additional amount for ''Office of Inspector General'', $1,500,000, to remain available until September 30, 2022, for oversight of activities supported with funds

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appropriated to the Department of Labor: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

VETERANS EMPLOYMENT AND TRAINING

For an additional amount for ''Veterans Employment and Training,'' $15,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for programs to assist homeless veterans and veterans at risk of homelessness: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH RESOURCES AND SERVICES ADMINISTRATION

PRIMARY HEALTH CARE

For an additional amount for ''Primary Health Care'', $1,300,000,000, to remain available until September 30, 2021, for necessary expenses to prevent, prepare for, and respond to coronavirus, for grants and cooperative agreements under the Health Centers Program, as defined by section 330 of the Public Health Service Act,

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and for eligible entities under the Native Hawaiian Health Care Improvement Act, including maintenance of current health care center capacity and staffing levels: *Provided*, That sections 330(r)(2)(B), 330(e)(6)(A)(iii), and 330(e)(6)(B)(iii) shall not apply to funds provided under this heading in this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RYAN WHITE HIV/AIDS PROGRAM

For an additional amount for ''Ryan White HIV/AIDS Program'', $90,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That awards from funds provided under this heading in this Act shall be through modifications to existing contracts and supplements to existing grants and cooperative agreements under parts A , B, C, D, F, and section 2692(a) of title XXVI of the Public Health Service Act: *Provided further*, That such supplements shall be awarded using a data-driven methodology determined by the Secretary of Health and Human Services: *Provided further*, That sections 2604(c), 2612(b), and 2651(c) of the Public Health Service Act shall not apply to funds provided under this heading in

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this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HEALTH CARE SYSTEMS

For an additional amount for ''Health Care Systems'', $5,000,000, to remain available until September 30, 2021 to prevent, prepare for, and respond to coronavirus, for activities authorized under sections 1271 and 1273 of the Public Health Service Act to improve the capacity of poison control centers to respond to increased calls and communications: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RURAL HEALTH

For an additional amount for ''Rural Health'', $460,000,000, to remain available through September 30, 2021, to prevent, prepare for, and respond to coronavirus, including telephonic and virtual care for the underinsured, and for continuation and expansion of telehealth and rural health activities under sections 330A and 330I of the Public Health Service Act and section 711 of the Social Security Act: *Provided*, That of the amount provided under this heading in this Act, not less than $15,000,000 shall be

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allocated to tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CENTERS FOR DISEASE CONTROL AND PREVENTION

CDC–WIDE ACTIVITIES AND PROGRAM SUPPORT

For an additional amount for ''CDC–Wide Activities and Program Support'', $5,500,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That not less than $2,000,000,000 of the amount provided shall be for grants to or cooperative agreements with States, localities, territories, tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes, for such purposes including to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities: *Provided further*, That every grantee that received a Public Health Emergency Preparedness grant for fiscal year 2019 shall receive not less than 100 percent of that grant level from funds provided in the first proviso under this heading in this Act, and not less than $125,000,000 of such funds

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shall be allocated to tribes, tribal organizations, urban Indian health organizations, or health service providers to tribes: *Provided further*, That the Director of the Centers for Disease Control and Prevention (''CDC'') may satisfy the funding thresholds outlined in the preceding two provisos by making awards through other grant or cooperative agreement mechanisms: *Provided further*, That of the amount provided under this heading in this Act, not less than $1,000,000,000 shall be for global disease detection and emergency response: *Provided further*, That of the amount provided under this heading in this Act, $500,000,000 shall be for public health data surveillance and analytics infrastructure modernization: *Provided further*, That funds appropriated under this heading in this Act may be used for grants for the rent, lease, purchase, acquisition, construction, alteration, or renovation of non-Federally owned facilities to improve preparedness and response capability at the State and local level: *Provided further*, That funds may be used for purchase and insurance of official motor vehicles in foreign countries: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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NATIONAL INSTITUTES OF HEALTH

NATIONAL HEART, LUNG, AND BLOOD INSTITUTE

For an additional amount for ''National Heart, Lung, and Blood Institute'', $103,400,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES

For an additional amount for ''National Institute of Allergy and Infectious Diseases'', $550,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL INSTITUTE OF ENVIRONMENTAL HEALTH SCIENCES

For an additional amount for ''National Institute of Environmental Health Sciences'', $10,000,000, to remain available until September 30, 2024, for worker-based

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training to prevent and reduce exposure of hospital employees, emergency first responders, and other workers who are at risk of exposure to coronavirus through their work duties: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL INSTITUTE OF BIOMEDICAL IMAGING AND BIOENGINEERING

For an additional amount for ''National Institute of Biomedical Imaging and Bioengineering'', $60,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL LIBRARY OF MEDICINE

For an additional amount for ''National Library of Medicine'', $10,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL CENTER FOR ADVANCING TRANSLATIONAL SCIENCES

For an additional amount for ''National Center for Advancing Translational Sciences'', $36,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF THE DIRECTOR

For an additional amount for ''Office of the Director'', $30,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally: *Provided*, That the funds provided under this heading in this Act shall be available for the Common Fund established under section 402A(c)(1) of the Public Health Service Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION

HEALTH SURVEILLANCE AND PROGRAM SUPPORT

For an additional amount for ''Health Surveillance and Program Support'', $435,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, for program support and cross-cutting activities that supplement activities funded under the headings ''Mental Health'', ''Substance Abuse Treatment'', and ''Substance Abuse Prevention'' in carrying out titles III, V, and XIX of the Public Health Service Act (''PHS Act''): *Provided*, That $200,000,000 of the funds made available under this heading in this Act shall be for grants to communities and community organizations who meet criteria for Certified Community Behavioral Health Clinics pursuant to section 223(a) of Public Law 113–93: *Provided further*, That $60,000,000 of the funds made available under this heading in this Act shall be for services to the homeless population: *Provided further*, That $10,000,000 of the funds made available under this heading in this Act shall be for the National Child Traumatic Stress Network: *Provided further*, That not less than $50,000,000 of the funds made available under this heading in this Act shall be for suicide prevention programs: *Provided further*, That not less than $100,000,000

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of the amount made available under this heading in this Act is available for State Emergency Response Grants authorized under section 501(o) of the PHS Act: *Provided further*, That not less than $15,000,000 of the amount made available under this heading in this Act shall be allocated to tribes, tribal organizations, urban Indian health organizations, or health or behavioral health service providers to tribes: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

AGENCY FOR HEALTHCARE RESEARCH AND QUALITY

For an additional amount for ''Healthcare Research and Quality'', $80,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, to carry out titles III and IX of the Public Health Service Act, part A of title XI of the Social Security Act, and section 1013 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003: *Provided*, That section 947(c) of the Public Health Service Act shall not apply to funds made available under this heading in this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the

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Balanced Budget and Emergency Deficit Control Act of 1985.

CENTERS FOR MEDICARE & MEDICAID SERVICES

PROGRAM MANAGEMENT

For an additional amount for ''Program Management'', $550,000,000, to remain available until September 30, 2022 to prevent, prepare for, and respond to coronavirus, of which $100,000,000 shall be for necessary expenses of the survey and certification program, prioritizing nursing home facilities in localities with community transmission of coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATION FOR CHILDREN AND FAMILIES

LOW INCOME HOME ENERGY ASSISTANCE

For an additional amount for ''Low Income Home Energy Assistance'', $1,400,000,000, to remain available until September 30, 2021, for making payments under subsection (b) of section 2602 of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.): *Provided*, That of the amount provided under this heading in this Act, $700,000,000 shall be allocated as though the total appropriation for such payments for fiscal year 2020

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was less than $1,975,000,000: *Provided further*, That section 2607(b)(2)(B) of such Act (42 U.S.C. 8626(b)(2)(B)) shall not apply to funds made available under this heading in this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PAYMENTS TO STATES FOR THE CHILD CARE AND DEVELOPMENT BLOCK GRANT

For an additional amount for ''Payments to States for the Child Care and Development Block Grant'', $4,000,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including for Federal administrative expenses, which shall be used to supplement, not supplant State, Territory, and Tribal general revenue funds for child care assistance for low-income families without regard to requirements in section 658E(c)(3)(D), section 658E(c)(3)(E), section 658G(a), or section 658G(c) of the Child Care and Development Block Grant Act (''CCDBG Act''): *Provided*, That funds made available under this heading in this Act may also be used for costs of waiving family copayments and covering costs typically paid through family copayments, continued payments and assistance to child care providers in cases of decreased enrollment, child absences, or pro-

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vider closures related to coronavirus, and to ensure child care providers are able to remain open or reopen as appropriate and applicable: *Provided further*, That States, Territories, and Tribes are encouraged to place conditions on payments to child care providers that ensure that child care providers use a portion of funds received to continue to pay the salaries and wages of staff: *Provided further*, That such funds may be used for mobilizing emergency child care services, for providing temporary assistance to eligible child care providers to support costs associated with coronavirus, and for supporting child care resource and referral services: *Provided further*, That States, Territories, and Tribes are authorized to use funds appropriated under this heading to provide child care assistance to health care sector employees, emergency responders, sanitation workers, and other workers deemed essential during the response to coronavirus by public officials, without regard to the income eligibility requirements of section 658P(4) of the CCDBG Act: *Provided further*, That the Secretary shall remind States that CCDBG State plans do not need to be amended prior to utilizing existing authorities in the CCDBG Act for the purposes provided herein: *Provided further*, That funds appropriated under this heading in this Act shall be available to eligible child care providers under section 658P(6) of the CCDBG Act,

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even if such providers were not receiving CCDBG assistance prior to the public health emergency as a result of the coronavirus, for the purposes of cleaning and sanitation, and other activities necessary to maintain or resume the operation of programs: *Provided further*, That obligations incurred for the purposes provided herein prior to the date of enactment of this Act may be charged to funds appropriated under this heading in this Act: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CHILDREN AND FAMILIES SERVICES PROGRAMS

For an additional amount for ''Children and Families Services Programs'', $4,302,000,000, to remain available until September 30, 2021, which shall be used as follows:

(1) $1,000,000,000 for making payments under the Head Start Act to be allocated in an amount that bears the same ratio to such portion as the number of enrolled children served by the agency involved bears to the number of enrolled children by all Head Start agencies: *Provided*, That none of the funds appropriated in this paragraph shall be included in the calculation of the ''base grant'' in subsequent fiscal years, as such term is defined in sec-

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tions 640(a)(7)(A), 641A(h)(1)(B), or 645(d)(3) of the Head Start Act: *Provided further*, That funds appropriated in this paragraph are not subject to the allocation requirements of section 640(a) of the Head Start Act and in addition to allowable uses of fund in 45 CFR 1301–1305, shall be allowable for developing and implementing procedures and systems to improve the coordination, preparedness and response efforts with State, local, tribal, an territorial public health departments, and other relevant agencies; cost of meals and snacks not reimbursed by the Secretary of Agriculture; mental health services and supports; mental health crisis response and intervention services; training and professional development for staff on infectious disease management; purchasing necessary supplies and contracted services to sanitize and clean facilities and vehicles, if applicable; and other costs that are necessary to maintain and resume the operation of programs, such as substitute staff, technology infrastructure, or other emergency assistance; *Provided further*, That up to $600,000,000 shall be available for the purpose of operating supplemental summer programs through non-competitive grant supplements to existing grantees determined to be most ready to op-

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erate those programs by the Office of Head Start: *Provided further*, That not more than $15,000,000 shall be available for Federal administrative expenses and shall remain available through September 30, 2021: *Provided further*, That obligations incurred for the purposes provided herein prior to the date of enactment of this subdivision may be charged to funds appropriated under this heading.

(2) $2,500,000,000 for activities to carry out the Community Services Block Grant Act: *Provided*, That of the amount made available in this paragraph in this Act, $50,000,000 shall be available for Statewide activities in accordance with section 675C(b)(1) of such Act: *Provided further*, That of the amount made available in this paragraph in this Act, $25,000,000 shall be available for grants to support the procurement and distribution of diapers through non-profit organizations: *Provided further*, That of the amount made available in this paragraph in this Act, $25,000,000 shall be available for administrative expenses in accordance with section 675C(b)(2) of such Act: *Provided further*, That each State, territory, or tribe shall allocate not less than xx percent of its formula award to non-profit organizations: *Provided further*, That for services furnished

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under such Act during fiscal years 2020 and 2021, States may apply the last sentence of section 673(2) of such Act by substituting ''200 percent'' for ''125 percent''.

(3) $2,000,000, for the National Domestic Violence Hotline as authorized by Section 303(b) of the Family Violence Prevention and Services Act: *Provided*, That the Secretary may use amounts made available in the preceding proviso for providing hotline services remotely.

(4) $100,000,000 for Family Violence Prevention and Services formula grants as authorized by Section 303(a) of the Family Violence and Prevention and Services Act; *Provided*, That the Secretary may use amounts made available in the preceding proviso for providing temporary housing and in-person assistance to victims of family, domestic, and dating violence: *Provided further*, That for funds obligated during the period of any public health emergency declared under section 319 of the Public Health Service Act with respect to coronavirus, the Secretary may waive such statutory and regulatory program requirements as the Secretary determines appropriate to respond to the public health emer-

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gency, including the matching funds requirement in section 306(c)(4) of such Act.

(5) $100,000,000 for carrying out activities under the Runaway and Homeless Youth Act: *Provided*, That amounts made available in the preceding proviso shall be used to supplement, not supplant, existing funds and shall be available without regard to matching requirements.

(6) $1,500,000,000 for necessary expenses for grants for assisting low-income households, as defined by the grantee, in paying their water and wastewater utility costs: *Provided*, That eligible grantees shall be those identified in section 2003 of the Social Security Act, and funds appropriated in this paragraph shall be allocated among such entities proportionately to the size of the allotment to each such entity under such section;

Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATION FOR COMMUNITY LIVING

AGING AND DISABILITY SERVICES PROGRAMS

For an additional amount for ''Aging and Disability Services Programs'', $1,205,000,000, to remain available

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until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the amount made available under this heading in this Act, $1,070,000,000 shall be for activities authorized under the Older Americans Act of 1965 (''OAA''), including $200,000,000 for supportive services under part B of title III; $720,000,000 for nutrition services under subparts 1 and 2 of part C of title III; $30,000,000 for nutrition services under title VI; $100,000,000 for support services for family caregivers under part E of title III; and $20,000,000 for elder rights protection activities, including the long-term ombudsman program under title VII of such Act: *Provided further*, That of the amount made available under this heading in this Act, $50,000,000 shall be for aging and disability resource centers authorized in sections 202(b) and 411 of the OAA: *Provided further*, That of the amount made available under this heading in this Act, $85,000,000 shall be available for centers for independent living that have received grants funded under part C of chapter I of title VII of the Rehabilitation Act of 1973: *Provided further*, That to facilitate State use of funds provided under this heading in this Act, matching requirements under sections 304(d)(1)(D) and 373(g)(2) of the OAA shall not apply to funds made available under this heading: *Provided further*, That the transfer authority

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under section 308(b)(4)(A) of the OAA shall apply to funds made available under this heading in this Act by substituting ''100 percent'' for ''40 percent'': *Provided further*, That the State Long-Term Care Ombudsman shall have continuing direct access (or other access through the use of technology) to residents of long-term care facilities, during any portion of the public health emergency relating to coronavirus as of the date of enactment of this Act and ending on September 30, 2020, to provide services described in section 712(a)(3)(B) of the OAA: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF THE SECRETARY

PUBLIC HEALTH AND SOCIAL SERVICES EMERGENCY FUND

For an additional amount for ''Public Health and Social Services Emergency Fund'', $6,077,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, domestically or internationally, including the development of necessary countermeasures and vaccines, prioritizing platform-based technologies with U.S.-based manufacturing capabilities, the purchase of vaccines, therapeutics, diagnostics, and

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necessary medical supplies, as well as medical surge capacity, workforce modernization, enhancements to the U.S. Commissioned Corps, telehealth access and infrastructure, initial advanced manufacturing, and related administrative activities: *Provided*, That no less than $1,000,000,000 shall be dedicated to the development, translation and demonstration at scale of innovations in manufacturing platforms to support vitally necessary medical countermeasures to support a reliable U.S.-sourced supply chain of: (a) vaccines, (b) therapeutics, (c) small molecule APIs (active pharmaceutical ingredients), including construction costs: *Provided further*, That the Secretary of Health and Human Services shall purchase vaccines developed using funds made available under this heading in this Act to respond to an outbreak or pandemic related to coronavirus in quantities determined by the Secretary to be adequate to address the public health need: *Provided further*, That products purchased by the Federal government with funds made available under this heading, including vaccines, therapeutics, and diagnostics, shall be purchased in accordance with Federal Acquisition Regulation guidance on fair and reasonable pricing: *Provided further*, That the Secretary may take such measures authorized under current law to ensure that vaccines, therapeutics, and diagnostics developed from funds provided in

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this Act will be affordable in the commercial market *Provided further*, That in carrying out the preceding proviso, the Secretary shall not take actions that delay the development of such products: Provided further, That products purchased with funds appropriated in this paragraph may, at the discretion of the Secretary of Health and Human Services, be deposited in the Strategic National Stockpile under section 319F–2 of the Public Health Service Act (''PHS Act''): *Provided further*, That funds appropriated under this heading in this Act may be transferred to, and merged with, the fund authorized by section 319F–4, the Covered Countermeasure Process Fund, of the PHS Act: *Provided further*, That funds appropriated under this heading in this Act may be used for grants for the construction, alteration, or renovation of non-Federally owned facilities to improve preparedness and response capability at the State and local level: *Provided further*, That funds appropriated under this heading in this Act may be used for the construction, alteration, or renovation of non-Federally owned facilities for the production of vaccines, therapeutics, and diagnostics where the Secretary determines that such a contract is necessary to secure sufficient amounts of such supplies: *Provided further*, That of the amount provided under this heading in this Act, $1,635,000,000 shall be for expenses necessary to carry

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out section 319F–2(a) of the PHS Act: *Provided further*, That of the amount provided under this heading in this Act, not less than $500,000,000 shall be available to the Biomedical Advanced Research and Development Authority for acquisition, construction, or renovation of privately owned U.S.-based next generation manufacturing facilities: *Provided further*, That not later than seven days after the date of enactment of this Act, and weekly thereafter until [insert end date], the Secretary shall report to the Committees on Appropriations of the House of Representatives and the Senate on the current inventory of personal protective equipment in the Strategic National Stockpile, including the numbers of face shields, gloves, goggles and glasses, gowns, head covers, masks, and respirators, as well as deployment of personal protective equipment during the previous week, reported by state and other jurisdiction: *Provided further*, That after the date that a report is required to be submitted pursuant to the preceding proviso, amounts made available for ''Department of Health and Human Services—Office of the Secretary—General Departmental Management'' in Public Law 116–94 for salaries and expenses of the Immediate Office of the Secretary shall be reduced by $250,000 for each day that such report has not been submitted: *Provided further*, That such amount is designated by the Congress as being

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for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

For an additional amount for ''Public Health and Social Services Emergency Fund'', $100,000,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus, to provide grants to public entities, not-for-profit entities, and Medicare and Medicaid enrolled suppliers and institutional providers, including for-profit entities to reimburse for health care related expenses or lost revenues directly attributable to the public health emergency resulting from the coronavirus: *Provided*, That grants shall be awarded in coordination with the Administrator of the Centers for Medicare & Medicaid Services: Provided further, That funds under this paragraph shall not be used to provide grants to reimburse for health care related expenses or lost revenues that have been reimbursed or are eligible for reimbursement from other sources: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

For an additional amount for ''Public Health and Social Services Emergency Fund'', $4,500,000,000, to remain available until September 30, 2022, to prevent, pre-

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pare for, and respond to coronavirus, to reimburse the Department of Veterans Affairs for expenses incurred by the Veterans Affairs health care system to provide medical care to civilians: *Provided*, That funds provided under this paragraph shall be made available only if the Secretary of Health and Human Services certifies to the Committees on Appropriations of the House of Representatives and the Senate that such funds are necessary to reimburse the Department of Veterans Affairs for expenses incurred to provide health care to civilians: *Provided further*, That the Secretary shall notify the Committees on Appropriations of the House of Representatives and the Senate prior to such certification: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF EDUCATION

STATE FISCAL STABILIZATION FUND

For an additional amount for ''State Fiscal Stabilization Fund'', $30,000,000,000, to remain available until September 30, 2022, to prevent, prepare for, and respond to coronavirus: *Provided*, That the Secretary of Education (referred to under this heading as ''Secretary'') shall make grants to the Governor of each State for support of elementary, secondary, and postsecondary education and, as

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applicable, early childhood education programs and services: *Provided further*, That of the amount made available, the Secretary shall first allocate up to one-half of 1 percent to the outlying areas and one-half of 1 percent to the Bureau of Indian Education (BIE) for activities consistent with this heading under such terms and conditions as the Secretary may determine: *Provided further*, That of the amount made available, the Secretary shall allocate 1 percent of funds to provide grants to States with the highest coronavirus burden to support activities under this heading: *Provided further*, That the Secretary shall issue a notice inviting applications not later than 30 days of enactment of this Act and approve or deny applications not later than 30 days after receipt: *Provided further*, That the Secretary may reserve up to $30,000,000 for administration and oversight of the activities under this heading: *Provided further*, That the Secretary shall allocate 61 percent of the remaining funds made available to carry out this heading to the States on the basis of their relative population of individuals aged 5 through 24 and allocate 39 percent on the basis of their relative number of children counted under section 1124(c) of the Elementary and Secondary Education Act of 1965 (referred to under this heading as ''ESEA'') as State grants: *Provided further*, That State grants shall support statewide elementary, sec-

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ondary, and postsecondary activities; subgrants to local educational agencies; and, subgrants to public institutions of higher education: *Provided further*, That States shall allocate not less than 30 percent of the funds received under the sixth proviso as subgrants to local educational agencies on the basis of their relative number of children counted under section 1124(c) of the ESEA: *Provided further*, That States shall allocate not less than 30 percent of the funds received under the sixth proviso as subgrants to public institutions of higher education on the basis of the relative share of full-time equivalent students who received Pell Grants at the institution in the previous award year and of the total enrollment of full-time equivalent students at the institution in the previous award year: *Provided further*, That the Governor shall return to the Secretary any funds received that the Governor does not award to local educational agencies and public institutions of higher education or otherwise commit within two years of receiving such funds, and the Secretary shall reallocate such funds to the remaining States in accordance with the sixth proviso: *Provided further*, That Governors shall use State grants to maintain or restore State fiscal support for elementary, secondary and postsecondary education: *Provided further*, That funds for local educational agencies may be used for any activity authorized by the ESEA, the

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Individuals with Disabilities Education Act, the McKinney-Vento Homeless Assistance Act (Title VII, Subpart B), the Adult Education and Family Literacy Act or the Carl D. Perkins Career and Technical Education Act of 2006 (''the Perkins Act''): *Provided further*, That a State or local educational agency receiving funds under this heading may use the funds for activities coordinated with State, local, tribal, and territorial public health departments to detect, prevent, or mitigate the spread of infectious disease or otherwise respond to coronavirus; support online learning by purchasing educational technology and internet access for students, which may include assistive technology or adaptive equipment, that aids in regular and substantive educational interactions between students and their classroom instructor; provide ongoing professional development to staff in how to effectively provide quality online academic instruction; provide assistance for children and families to promote equitable participation in quality online learning; plan and implement activities related to summer learning, including providing classroom instruction or quality online learning during the summer months; plan for and coordinate during long-term closures, provide technology for quality online learning to all students, and how to support the needs of low-income students, racial and ethnic minorities, students with disabil-

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ities, English learners, students experiencing homelessness, and children in foster care, including how to address learning gaps that are created or exacerbated due to long-term closures; and other activities that are necessary to maintain the operation of and continuity of services in local educational agencies, including maintaining employment of existing personnel: *Provided further*, That a public institution of higher education that receives funds under this heading shall use funds for education and general expenditures and grants to students for expenses directly related to coronavirus and the disruption of campus operations (which may include emergency financial aid to students for food, housing, technology, health care, and child care costs that shall not be required to be repaid by such students) or for the acquisition of technology and services directly related to the need for distance learning and the training of faculty and staff to use such technology and services (which shall not include paying contractors a portion of tuition revenue or for pre-enrollment recruitment activities): *Provided further*, That priority shall be given to under-resourced institutions, institutions with high burden due to the coronavirus, and institutions who do not possess distance education capabilities at the time of enactment of this Act: *Provided further*, That an institution of higher education may not use funds received under this

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heading to increase its endowment or provide funding for capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship: *Provided further*, That funds may be used to support hourly workers, such as education support professionals, classified school employees, and adjunct and contingent faculty: *Provided further*, That a Governor of a State desiring to receive an allocation under this heading shall submit an application at such time, in such manner, and containing such information as the Secretary may reasonably require: *Provided further*, That a State's application shall include assurances that the State will maintain support for elementary and secondary education in fiscal year 2020, fiscal year 2021, and fiscal year 2022 at least at the level of such support that is the average of such State's support for elementary and secondary education in the 3 fiscal years preceding the date of enactment of this Act: *Provided further*, That a State's application shall include assurances that the State will maintain State support for higher education (not including support for capital projects or for research and development or tuition and fees paid by students) in fiscal year 2020, fiscal year 2021, and fiscal year 2022 at least at the level of such support that is the average of such State's support for higher education (which shall include State and local gov-

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ernment funding to institutions of higher education and state need-based financial aid) in the 3 fiscal years preceding the date of enactment of this Act: *Provided further*, That in such application, the Governor shall provide baseline data that demonstrates the State's current status in each of the areas described in such assurances in the preceding provisos: *Provided further*, That a State's application shall include assurances that the State will not construe any provisions under this heading as displacing any otherwise applicable provision of any collective-bargaining agreement between an eligible entity and a labor organization as defined by section 2(5) of the National Labor Relations Act (29 U.S.C. 152(5)) or analogous State law: *Provided further*, That a State's application shall include assurances that the State shall maintain the wages, benefits, and other terms and conditions of employment set forth in any collective-bargaining agreement between the eligible entity and a labor organization, as defined in the preceding proviso: *Provided further*, That a State receiving funds under this heading shall submit a report to the Secretary, at such time and in such manner as the Secretary may require, that describes the use of funds provided under this heading: *Provided further*, That no recipient of funds under this heading shall use funds to provide financial assistance to students to attend private elementary or

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secondary schools, unless such funds are used to provide special education and related services to children with disabilities, as authorized by the Individuals with Disabilities Education Act: *Provided further*, That the terms ''elementary education'' and ''secondary education'' have the meaning given such terms under State law: *Provided further*, That the term ''institution of higher education'' has the meaning given such term in section 101 of the Higher Education Act of 1965: *Provided further*, That the term ''fiscal year'' shall have the meaning given such term under State law: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SAFE SCHOOLS AND CITIZENSHIP EDUCATION

For an additional amount for ''Safe Schools and Citizenship Education'', to supplement funds otherwise available for the ''Project School Emergency Response to Violence program'', $200,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including to help elementary, secondary and postsecondary schools clean and disinfect affected schools, and assist in counseling and distance learning and associated costs: *Provided*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GALLAUDET UNIVERSITY

For an additional amount for ''Gallaudet University'', $7,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including to help defray the expenses (which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance learning, faculty and staff trainings, and payroll) directly caused by coronavirus and to enable grants to students for expenses directly related to coronavirus and the disruption of university operations (which may include food, housing, transportation, technology, health care, and child care): *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

STUDENT AID ADMINISTRATION

For an additional amount for ''Student Aid Administration'', $75,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus in carrying out part D of title I, and subparts 1, 3, 9 and 10 of part A, and parts B, C, D, and E of title IV of the HEA, and subpart 1 of part A of title VII

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of the Public Health Service Act to support essential services directly related to coronavirus: *Provided*, That not later than 30 days after the date of enactment of this Act, the Secretary shall, using outbound communications, provide all Federal student loan borrowers a notice of their options to lower or delay payments as a result of the coronavirus by enrolling in income-driven repayment, deferment, or forbearance, and including a brief description of such options: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HIGHER EDUCATION

For an additional amount for ''Higher Education'', $9,500,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including under parts A and B of title III, part A of title V, subpart 4 of part A of title VII, and part B of title VII of the Higher Education Act, which may be used to defray expenses (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll) incurred by institutions of higher education and for grants to students for any component

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of the student's cost of attendance (as defined under section 472 of the Higher Education Act), including food, housing, course materials, technology, health care, and child care as follows:

(1) $1,500,000,000 for parts A and B of title III, part A of title V, and subpart 4 of part A of title VII to address needs directly related to coronavirus: *Provided*, That the Secretary of Education shall allow institutions to use prior awards under the authorities covered by the preceding proviso to prevent, prepare for, and respond to coronavirus;

(2) $8,000,000,000 for part B of title VII of the Higher Education Act for institutions of higher education (as defined in section 101 or 102(c) of the Higher Education Act) to address needs directly related to coronavirus: *Provided*, That such funds shall be available to the Secretary only for payments to help defray the expenses incurred by such institutions of higher education that were forced to close campuses or alter delivery of instruction as a result of coronavirus: *Provided further*, That any non-profit, private institution of higher education that is not otherwise eligible for a grant of at least $1,000,000, shall be eligible to receive an amount equal to which-

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ever is lesser of the total loss of revenue and increased costs associated with the coronavirus or $1,000,000: *Provided further*, That, notwithstanding sections 484 and 741(d)(1) of the Higher Education Act, funds may be used to make payments to such institutions to provide emergency grants to students who attend such institutions for academic years beginning on or after July 1, 2019:

Provided further, That such payments shall be made in accordance with criteria established by the Secretary and made publicly available without regard to section 437 of the General Education Provisions Act, section 553 of title 5, United States Code, or part B of title VII of the HEA: *Provided further*, That institutions receiving funds under the heading State Fiscal Stabilization Fund (not including amounts provided through state-based financial aid) shall not be eligible for additional funding for part B of title VII under this heading: *Provided further*, That such payments shall not be used to increase endowments or provide funding for capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship: *Provided further*, That such amounts is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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HOWARD UNIVERSITY

For an additional amount for ''Howard University'', $13,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including to help defray the expenses (which may include lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance learning, faculty and staff trainings, and payroll) directly caused by coronavirus and to enable grants to students for expenses directly related to coronavirus and the disruption of university operations (which may include food, housing, transportation, technology, health care, and child care): *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL MANAGEMENT

PROGRAM ADMINISTRATION

For an additional amount for ''Program Administration'', $10,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus: *Provided*, That such funds shall only be used to support network bandwidth and capacity for telework for Departmental staff and the cleaning of facilities as a result of coronavirus: *Provided further*, That such amount

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is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF THE INSPECTOR GENERAL

For an additional amount for the ''Office of Inspector General'', $11,000,000, to remain available until September 30, 2022, to prevent, prepare for, and respond to coronavirus, including for salaries and expenses necessary for oversight and audit of programs, grants, and projects funded in this Act to respond to coronavirus *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RELATED AGENCIES

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

For an additional amount for the ''Corporation for National and Community Service'', $250,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section

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251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ADMINISTRATIVE PROVISION—CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

SEC. 10801. (a)(1) The remaining unobligated balances of funds as of September 30, 2020, from amounts provided to ''Corporation for National and Community Service—Operating Expenses'' in title IV of Division A of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94), are hereby permanently rescinded.

(2) In addition to any amounts otherwise provided, there is hereby appropriated on September 30, 2020, for an additional amount for fiscal year 2020, an amount equal to the unobligated balances rescinded pursuant to paragraph (1): *Provided*, That amounts made available pursuant to this paragraph shall remain available until September 30, 2021, and shall be available for the same purposes and under the same authorities that they were originally made available in Public Law 116–94.

(b)(1) The remaining unobligated balances of funds as of September 30, 2020, from amounts provided to ''Corporation for National and Community Service—Salaries and Expenses'' in title IV of Division A of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94), are hereby permanently rescinded.

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(2) In addition to any amounts otherwise provided, there is hereby appropriated on September 30, 2020, for an additional amount for fiscal year 2020, an amount equal to the unobligated balances rescinded pursuant to paragraph (1): *Provided*, That amounts made available pursuant to this paragraph shall remain available until September 30, 2021, and shall be available for the same purposes and under the same authorities that they were originally made available in Public Law 116–94.

(c)(1) The remaining unobligated balances of funds as of September 30, 2020, from amounts provided to ''Corporation for National and Community Service—Office of Inspector General'' in title IV of Division A of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94), are hereby permanently rescinded.

(2) In addition to any amounts otherwise provided, there is hereby appropriated on September 30, 2020, for an additional amount for fiscal year 2020, an amount equal to the unobligated balances rescinded pursuant to paragraph (1): *Provided*, That amounts made available pursuant to this paragraph shall remain available until September 30, 2021, and shall be available for the same purposes and under the same authorities that they were originally made available in Public Law 116–94.

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CORPORATION FOR PUBLIC BROADCASTING

For an additional amount for ''Corporation for Public Broadcasting'', $300,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including for fiscal stabilization grants to public telecommunications entities, with no deduction for administrative or other costs of the Corporation, to maintain programming and services and preserve small and rural stations threatened by declines in non-Federal revenues, of which $50,000,000 shall be used to support the public television system: *Provided* , That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INSTITUTE OF MUSEUM AND LIBRARY SERVICES

For an additional amount for ''Institute of Museum and Library Services'', $500,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including grants to States, museums, territories and tribes to expand digital network access, purchase tablets and other internet-enabled devices, for operational expenses, and provide technical support services: *Provided*, That any matching funds requirements for States, museums, or tribes are waived: *Provided further*, That such amount is designated by the Congress as

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being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RAILROAD RETIREMENT BOARD

LIMITATION ON ADMINISTRATION

For an additional amount for ''Limitation on Administration'', $10,000,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including the purchase of information technology equipment to improve the mobility of the workforce, and to provide for additional hiring or overtime hours as needed to administer the Railroad Unemployment Insurance Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SOCIAL SECURITY ADMINISTRATION

LIMITATION ON ADMINISTRATIVE EXPENSES

For an additional amount for ''Limitation on Administrative Expenses'', $510,000,000, to remain available until September 30, 2021, for necessary expenses to prevent, prepare for, and respond to coronavirus, including paying the salaries and benefits of employees affected as a result of office closures, telework, phone and communication services for employees, overtime costs, and sup-

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plies, and for resources necessary for processing disability and retirement workloads and backlogs, of which the amount made available under this heading in this Act, $210,000,000 shall be for the purposes of issuing emergency assistance payments: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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SEC. 10802. Notwithstanding any other provision of law, funds made available under each heading in this title shall only be used for the purposes specifically described under that heading.

SEC. 10803. (a) Funds appropriated in this title may be made available to restore amounts, either directly or through reimbursement, for obligations incurred by agencies of the Department of Health and Human Services to prevent, prepare for, and respond to coronavirus, domestically or internationally, prior to the date of enactment of this Act. This subsection shall not apply to obligations incurred by the Infectious Diseases Rapid Response Reserve Fund.

(b) Grants or cooperative agreements with States, localities, territories, tribes, tribal organizations, urban In-

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dian health organizations, or health service providers to tribes, under this title, to carry out surveillance, epidemiology, laboratory capacity, infection control, mitigation, communications, and other preparedness and response activities to prevent, prepare for, and respond to coronavirus shall include amounts to reimburse costs for these purposes incurred between January 20, 2020, and the date of enactment of this Act.

SEC. 10804. Funds appropriated by this title may be used by the Secretary of the Health and Human Services to appoint, without regard to the provisions of sections 3309 through 3319 of title 5 of the United States Code, candidates needed for positions to perform critical work relating to coronavirus for which—

(1) public notice has been given; and

(2) the Secretary has determined that such a public health threat exists.

SEC. 10805. Funds made available by this title may be used to enter into contracts with individuals for the provision of personal services (as described in section 104 of part 37 of title 48, Code of Federal Regulations (48 CFR 37.104)) to support the prevention of, preparation for, or response to coronavirus, domestically and internationally, subject to prior notification to the Committees on Appropriations of the House of Representatives and the

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Senate: Provided, That such individuals may not be deemed employees of the United States for the purpose of any law administered by the Office of Personnel Management: Provided further, That the authority made available pursuant to this section shall expire on September 30, 2024.

SEC. 10806. Of the funds appropriated by this title under the heading ''Public Health and Social Services Emergency Fund'', $4,000,000 shall be transferred to, and merged with, funds made available under the heading ''Office of the Secretary, Office of Inspector General'', and shall remain available until expended, for oversight of activities supported with funds appropriated to the Department of Health and Human Services in this Act: Provided, That the Inspector General of the Department of Health and Human Services shall consult with the Committees on Appropriations of the House of Representatives and the Senate prior to obligating such funds: Provided further, That the transfer authority provided by this section is in addition to any other transfer authority provided by law.

SEC. 10807. Of the funds provided under the heading ''CDC–Wide Activities and Program Support'', $1,000,000,000, to remain available until expended, shall be available to the Director of the CDC for deposit in the Infectious Diseases Rapid Response Reserve Fund estab-

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lished by section 231 of division B of Public Law 115–245.

SEC. 10808. (a) PREMIUM PAY AUTHORITY.—If services performed by an employee of the Department of Health and Human Services during fiscal year 2020 are determined by the head of the agency to be primarily related to preparation, prevention, or response to SARS–CoV–2 or another coronavirus with pandemic potential, any premium pay for such services shall be disregarded in calculating the aggregate of such employee's basic pay and premium pay for purposes of a limitation under section 5547(a) of title 5, United States Code, or under any other provision of law, whether such employee's pay is paid on a biweekly or calendar year basis.

(b) OVERTIME AUTHORITY.—Any overtime pay for such services shall be disregarded in calculating any annual limit on the amount of overtime pay payable in a calendar or fiscal year.

(c) APPLICABILITY OF AGGREGATE LIMITATION ON PAY.—With regard to such services, any pay that is disregarded under either subsection (a) or (b) shall be disregarded in calculating such employee's aggregate pay for purposes of the limitation in section 5307 of such title 5.

(d) LIMITATION OF PAY AUTHORITY.—

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(1) Pay that is disregarded under subsection (a) or (b) shall not cause the aggregate of the employee's basic pay and premium pay for the applicable calendar year to exceed the rate of basic pay payable for a position at level II of the Executive Schedule under section 5313 of title 5, United States Code, as in effect at the end of such calendar year.

(2) For purposes of applying this subsection to an employee who would otherwise be subject to the premium pay limits established under section 5547 of title 5, United States Code, ''premium pay'' means the premium pay paid under the provisions of law cited in section 5547(a).

(3) For purposes of applying this subsection to an employee under a premium pay limit established under an authority other than section 5547 of title 5, United States Code, the agency responsible for administering such limit shall determine what payments are considered premium pay.

(e) EFFECTIVE DATE.—This section shall take effect as if enacted on February 2, 2020.

(f) TREATMENT OF ADDITIONAL PAY.—If application of this section results in the payment of additional premium pay to a covered employee of a type that

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is normally creditable as basic pay for retirement or any other purpose, that additional pay shall not—

(1) be considered to be basic pay of the covered employee for any purpose; or

(2) be used in computing a lump-sum payment to the covered employee for accumulated and accrued annual leave under section 5551 or section 5552 of title 5, United States Code.

SEC. 10809. (a) Funds appropriated for ''Department of Health and Human Services—Centers for Disease Control and Prevention—CDC–Wide Activities and Program Support'' in title III of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116 - 123) shall be paid to ''Department of Homeland Security—Countering Weapons of Mass Destruction Office—Federal Assistance'' for costs incurred under other transaction authority and related to screening for coronavirus, domestically or internationally, including costs incurred prior to the enactment of such Act.

(b) The amounts repurposed under subsection (a) that were previously designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Con-

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gress as an emergency requirement pursuant to such section of such Act.

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TITLE IX—LEGISLATIVE BRANCH

SENATE

CONTINGENT EXPENSES OF THE SENATE

SERGEANT AT ARMS AND DOORKEEPER OF THE SENATE

For an additional amount for ''Sergeant at Arms and Doorkeeper of the Senate'', $1,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MISCELLANEOUS ITEMS

For an additional amount for ''Miscellaneous Items'', $9,000,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOUSE OF REPRESENTATIVES

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $25,000,000, to remain available until September 30, 2021, except that $5,000,000 shall remain available until expended, for necessary expenses of the House of

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Representatives to prevent, prepare for, and respond to coronavirus, to be allocated in accordance with a spend plan submitted to the Committee on Appropriations of the House of Representatives by the Chief Administrative Officer and approved by such Committee: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

JOINT ITEMS

OFFICE OF THE ATTENDING PHYSICIAN

For an additional amount for ''Office of the Attending Physician'', $400,000, to remain available until expended, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

CAPITOL POLICE

SALARIES

For an additional amount for ''Salaries'', $12,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That amounts provided in this paragraph may be transferred between Capitol Police ''Salaries'' and

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''General Expenses'' for the purposes provided herein without the approval requirement of section 1001 of the Legislative Branch Appropriations Act, 2014 (2 U.S.C. 1907a): *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ARCHITECT OF THE CAPITOL

Capital Construction and Operations

For an additional amount for ''Capital Construction and Operations'', $25,000,000, to remain available until September 30, 2021, for necessary expenses of the Architect of the Capitol to prevent, prepare for, and respond to coronavirus, including the purchase and distribution of cleaning and sanitation products throughout all facilities and grounds under the care of the Architect of the Capitol, wherever located, including any related services and operational costs: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

LIBRARY OF CONGRESS

Salaries and Expenses

For an additional amount for ''Salaries and Expenses'', $700,000, to remain available until September

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30, 2020, to be made available to the Little Scholars Child Development Center, subject to approval by the Committees on Appropriations of the Senate and House of Representatives, and the Senate Committee on Rules and Administration, and the Committee on House Administration: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GOVERNMENT ACCOUNTABILITY OFFICE

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $20,000,000, to remain available until expended, for audits and investigations relating to coronavirus: *Provided*, That, not later than 90 days after the date of enactment of this Act, the Government Accountability Office shall submit to the Committees on Appropriations of the House of Representatives and the Senate a spend plan specifying funding estimates and a timeline for such audits and investigations: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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GENERAL PROVISIONS—THIS TITLE

SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES AND EXPENSES OF SENATE EMPLOYEE CHILD CARE CENTER

SEC. 10901. The Secretary of the Senate shall reimburse the Senate Employee Child Care Center for personnel costs incurred starting on April 1, 2020, for employees of such Center who have been ordered to cease working due to measures taken in the Capitol complex to combat coronavirus, not to exceed $84,000 per month, from amounts in the appropriations account "MISCELLANEOUS ITEMS" within the contingent fund of the Senate.

SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES AND EXPENSES OF LITTLE SCHOLARS CHILD DEVELOPMENT CENTER

SEC. 10902. The Library of Congress shall reimburse Little Scholars Child Development Center for salaries for employees incurred from April 1, 2020, to September 30, 2020, for employees of such Center who have been ordered to cease working due to measures taken in the Capitol complex to combat coronavirus, not to exceed $113,000 per month, from amounts in the appropriations account "Library of Congress—Salaries and Expenses".

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SOURCE OF FUNDS USED FOR PAYMENT OF SALARIES AND EXPENSES OF HOUSE OF REPRESENTATIVES CHILD CARE CENTER

SEC. 10903. (a) AUTHORIZING USE OF REVOLVING FUND OR APPROPRIATED FUNDS.—Section 312(d)(3)(A) of the Legislative Branch Appropriations Act, 1992 (2 U.S.C. 2062(d)(3)(A)) is amended—

(1) in subparagraph (A), by striking the period at the end and inserting the following: ", and, at the option of the Chief Administrative Officer during an emergency situation, the payment of the salary of other employees of the Center."; and

(2) by adding at the end the following new subparagraph:

"(C) During an emergency situation, the payment of such other expenses for activities carried out under this section as the Chief Administrative Officer determines appropriate.".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to fiscal year 2020 and each succeeding fiscal year.

PAYMENTS TO ENSURE CONTINUING AVAILABILITY OF GOODS AND SERVICES DURING THE CORONAVIRUS EMERGENCY

SEC. 10904. (a) AUTHORIZATION TO MAKE PAYMENTS.—Notwithstanding any other provision of law and

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subject to subsection (b), during an emergency situation, the Chief Administrative Officer of the House of Representatives may make payments under contracts with vendors providing goods and services to the House in amounts and under terms and conditions other than those provided under the contract in order to ensure that those goods and services remain available to the House throughout the duration of the emergency.

(b) CONDITIONS.—

(1) APPROVAL REQUIRED.—The Chief Administrative Officer may not make payments under the authority of subsection (a) without the approval of the Committee on House Administration of the House of Representatives.

(2) AVAILABILITY OF APPROPRIATIONS.—The authority of the Chief Administrative Officer to make payments under the authority of subsection (a) is subject to the availability of appropriations to make such payments.

(c) APPLICABILITY.—This section shall apply with respect to fiscal year 2020 and each succeeding fiscal year.

AUTHORIZING PAYMENTS UNDER SERVICE CONTRACTS DURING THE CORONAVIRUS EMERGENCY

SEC. 10905. (a) AUTHORIZING PAYMENTS.—Notwithstanding section 3324(a) of title 31, United States Code, or any other provision of law and subject to sub-

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section (b), if the employees of a contractor with a service contract with the Architect of the Capitol are furloughed or otherwise unable to work during closures, stop work orders, or reductions in service arising from or related to the impacts of coronavirus, the Architect of the Capitol may continue to make the payments provided for under the contract for the weekly salaries and benefits of such employees for not more than 16 weeks.

(b) AVAILABILITY OF APPROPRIATIONS.—The authority of the Architect of the Capitol to make payments under the authority of subsection (a) is subject to the availability of appropriations to make such payments.

(c) REGULATIONS.—The Architect of the Capitol shall promulgate such regulations as may be necessary to carry out this section.

MASS MAILINGS AS FRANKED MAIL

SEC. 10906. (a) WAIVER OF RESTRICTIONS TO RESPOND TO THREATS TO LIFE SAFETY.—(1) Section 3210(a)(6)(D) of title 39, United States Code, is amended by striking the period at the end of the first sentence and inserting the following: ‘‘, and in the case of the Commission, to waive this paragraph in the case of mailings sent in response to or to address threats to life safety.’’.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to mailings sent on or after the date of the enactment of this Act.

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TECHNICAL CORRECTION

SEC. 10907. In the matter preceding the first proviso under the heading ''Library of Congress—Salaries and Expenses'' in division E of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94), strike ''$504,164,000'' and insert ''$510,164,000''.

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TITLE X

MILITARY CONSTRUCTION, VETERANS AFFAIRS, AND RELATED AGENCIES

DEPARTMENT OF VETERANS AFFAIRS

VETERANS BENEFITS ADMINISTRATION

GENERAL OPERATING EXPENSES, VETERANS BENEFITS ADMINISTRATION

For an additional amount for ''General Operating Expenses, Veterans Benefits Administration'', $13,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

VETERANS HEALTH ADMINISTRATION

MEDICAL SERVICES

For an additional amount for ''Medical Services'', $14,432,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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MEDICAL COMMUNITY CARE

For an additional amount for ''Medical Community Care'', $2,100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MEDICAL SUPPORT AND COMPLIANCE

For an additional amount for ''Medical Support and Compliance'', $100,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MEDICAL FACILITIES

For an additional amount for ''Medical Facilities'', $605,613,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to sec-

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tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENTAL ADMINISTRATION

GENERAL ADMINISTRATION

For an additional amount for ''General Administration'', $6,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INFORMATION TECHNOLOGY SYSTEMS

For an additional amount for ''Information Technology Systems'', $3,000,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including related impacts on health care delivery: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF INSPECTOR GENERAL

For an additional amount for ''Office of Inspector General'', $14,300,000, to remain available until September 30, 2022, for oversight of activities funded by this title and administered by the Department of Veterans Af-

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fairs: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

ARMED FORCES RETIREMENT HOME

TRUST FUND

For an additional amount for ''Armed Forces Retirement Home Trust Fund'', $2,800,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, to be paid from funds available in the Armed Forces Retirement Home Trust Fund: *Provided*, That of the amounts made available under this heading from funds available in the Armed Forces Retirement Home Trust Fund, $2,800,000 shall be paid from the general fund of the Treasury to the Trust Fund: *Provided further*, That the Chief Executive Officer of the Armed Forces Retirement Home shall submit to the Committees on Appropriations of the House of Representatives and the Senate monthly reports detailing obligations, expenditures, and planned activities: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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TITLE XI—DEPARTMENT OF STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS

DEPARTMENT OF STATE

ADMINISTRATION OF FOREIGN AFFAIRS

DIPLOMATIC PROGRAMS

For an additional amount for ''Diplomatic Programs'', $315,000,000, to remain available until September 30, 2022, for necessary expenses to prevent, prepare for, and respond to coronavirus, including for evacuation expenses, emergency preparedness, and maintaining consular operations: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

FUNDS APPROPRIATED TO THE PRESIDENT

OPERATING EXPENSES

For an additional amount for ''Operating Expenses'', $95,000,000, to remain available until September 30, 2022, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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BILATERAL ECONOMIC ASSISTANCE

FUNDS APPROPRIATED TO THE PRESIDENT

INTERNATIONAL DISASTER ASSISTANCE

For an additional amount for ''International Disaster Assistance'', $300,000,000, to remain available until expended, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

DEPARTMENT OF STATE

MIGRATION AND REFUGEE ASSISTANCE

For an additional amount for ''Migration and Refugee Assistance'', $300,000,000, to remain available until expended, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

INDEPENDENT AGENCIES

PEACE CORPS

For an additional amount for ''Peace Corps'', $90,000,000, to remain available until September 30,

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2022, for necessary expenses to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS — THIS TITLE

(INCLUDING TRANSFER OF FUNDS)

SEC. 11101. The authorities and limitations of section 402 of the Coronavirus Preparedness and Response Supplemental Appropriations Act (division A of Public Law 116–123) shall apply to funds appropriated by this title as follows:

(1) subsections (a), (d), (e) and (f) shall apply to funds under the heading ''Diplomatic Programs''; and

(2) subsections (c), (d), (e), and (f) shall apply to funds under the heading ''International Disaster Assistance''.

SEC. 11102. Funds appropriated by this title under the headings ''Diplomatic Programs'', ''Operating Expenses'', and ''Peace Corps'' may be used to reimburse such accounts administered by the Department of State, the United States Agency for International Development, and the Peace Corps for obligations incurred to prevent,

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prepare for, and respond to coronavirus prior to the date of enactment of this Act.

SEC. 11103. Section 7064(a) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (division G of Public Law 116–94), is amended by striking ''$100,000,000'' and inserting in lieu thereof ''$110,000,000'' , and by adding before the period at the end the following '': *Provided*, That no amounts may be used that were designated by the Congress for Overseas Contingency Operations/Global War on Terrorism pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985''.

SEC. 11104. The reporting requirements of section 406(b) of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (division A of Public Law 116–123) shall apply to funds appropriated by this title: *Provided*, That the requirement to jointly submit such reports shall not apply to the Director of the Peace Corps: *Provided further*, That reports required by such section may be consolidated and shall include information on all funds made available to such executive agency to prevent, prepare for, and respond to coronavirus.

SEC. 11105. Notwithstanding any other provision of law, and in addition to leave authorized under any other

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provision of law, the Secretary of State, the Administrator of the United States Agency for International Development, or the head of another Federal agency with employees under Chief of Mission Authority, may, in order to prevent, prepare for, and respond to coronavirus, provide additional paid leave to address employee hardships resulting from coronavirus: *Provided*, That this authority shall apply to leave taken since January 29, 2020, and may be provided abroad and domestically: *Provided further*, That the head of such agency shall consult with the Committee on Appropriations and the Committee on Foreign Affairs of the House of Representatives and the Committee on Appropriations and the Committee on Foreign Relations of the Senate prior to the initial implementation of such authority: *Provided further*, That the authority made available pursuant to this section shall expire on September 30, 2022.

SEC. 11106. The Secretary of State, to prevent, prepare for, and respond to coronavirus, may exercise the authorities of section 3(j) of the State Department Basic Authorities Act of 1956 (22 U.S.C. 2670(j)) to provide medical services or related support for private United States citizens, nationals, and permanent resident aliens abroad, or third country nationals connected to United States persons or the diplomatic or development missions of the

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United States abroad who are unable to obtain such services or support otherwise: *Provided*, That such assistance shall be provided on a reimbursable basis to the extent feasible: *Provided further*, That such reimbursements may be credited to the applicable Department of State appropriation, to remain available until expended: *Provided further*, That the Secretary shall prioritize providing medical services or related support to individuals eligible for the health program under section 904 of the Foreign Service Act of 1980 (22 U.S.C. 4084): *Provided further*, That the authority made available pursuant to this section shall expire on September 30, 2022.

SEC. 11107. Notwithstanding section 6(b) of the Department of State Authorities Act of 2006 (Public Law 109–472), during fiscal years 2020 and 2021, passport and immigrant visa surcharges collected in any fiscal year pursuant to the fourth paragraph under the heading ''Diplomatic and Consular Programs'' in title IV of the Consolidated Appropriations Act, 2005 (division B of Public Law 108–447 (8 U.S.C. 1714)) may be obligated and expended on the costs of providing consular services: *Provided*, That such funds should be prioritized for American citizen services.

SEC. 11108. The Secretary of State is authorized to enter into contracts with individuals for the provision of

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personal services (as described in section 104 of part 37 of title 48, Code of Federal Regulations and including pursuant to section 904 of the Foreign Service Act of 1980 (22 U.S.C. 4084)) to prevent, prepare for, and respond to coronavirus, within the United States, subject to prior consultation with, and the regular notification procedures of, the Committee on Appropriations and the Committee on Foreign Affairs of the House of Representatives and the Committee on Appropriations and the Committee on Foreign Relations of the Senate: *Provided*, That such individuals may not be deemed employees of the United States for the purpose of any law administered by the Office of Personnel Management: *Provided further*, That not later than 15 days after utilizing this authority, the Secretary of State shall provide a report to such committees on the overall staffing needs for the Office of Medical Services: *Provided further*, That the authority made available pursuant to this section shall expire on September 30, 2022.

SEC. 11109. The matter under the heading ''Emergencies in the Diplomatic and Consular Service'' in title I of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (division G of Public Law 116–94) is amended by striking ''$1,000,000'' and inserting in lieu thereof ''$5,000,000''.

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SEC. 11110. The first proviso under the heading ''Millennium Challenge Corporation'' in title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020 (division G of Public Law 116–94) is amended by striking ''$105,000,000'' and inserting in lieu thereof ''$107,000,000''.

SEC. 11111. Notwithstanding any other provision of law, any oath of office required by law may, in particular circumstances that could otherwise pose health risks, be administered remotely, subject to appropriate verification: *Provided*, That prior to exercising the authority of this section, the Secretary of State shall submit a report to the Committee on Appropriations and the Committee on Foreign Relations of the Senate and the Committee on Appropriations and the Committee on Foreign Affairs of the House of Representatives describing the process and procedures for administering such oaths, including appropriate verification: *Provided further*, That the authority made available pursuant to this section shall expire on September 30, 2021.

SEC. 11112. (a) PURPOSES.—For purposes of strengthening the ability of foreign countries to prevent, prepare for, and respond to coronavirus and to the adverse economic impacts of coronavirus, in a manner that would protect the United States from the spread of coronavirus

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and mitigate an international economic crisis resulting from coronavirus that may pose a significant risk to the economy of the United States, each paragraph of subsection (b) shall take effect upon enactment of this Act.

(b) CORONAVIRUS RESPONSES.—

(1) INTERNATIONAL DEVELOPMENT ASSOCIATION REPLENISHMENT.—The International Development Association Act (22 U.S.C. 284 et seq.) is amended by adding at the end the following new section:

"SEC. 31 NINETEENTH REPLENISHMENT.

''(a) IN GENERAL.—The United States Governor of the International Development Association is authorized to contribute on behalf of the United States $3,004,200,000 to the nineteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.

''(b) AUTHORIZATION OF APPROPRIATIONS.—In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $3,004,200,000 for payment by the Secretary of the Treasury.''.

(2) INTERNATIONAL FINANCE CORPORATION AUTHORIZATION.—The International Finance Cor-

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poration Act (22 U.S.C. 282 et seq.) is amended by adding at the end the following new section:

"SEC. 18 CAPITAL INCREASES AND AMENDMENT TO THE ARTICLES OF AGREEMENT.

"(a) VOTES AUTHORIZED.—The United States Governor of the Corporation is authorized to vote in favor of—

"(1) a resolution to increase the authorized capital stock of the Corporation by 16,999,998 shares, to implement the conversion of a portion of the retained earnings of the Corporation into paid-in capital, which will result in the United States being issued an additional 3,771,899 shares of capital stock, without any cash contribution;

"(2) a resolution to increase the authorized capital stock of the Corporation on a general basis by 4,579,995 shares; and

"(3) a resolution to increase the authorized capital stock of the Corporation on a selective basis by 919,998 shares.

"(b) AMENDMENT OF THE ARTICLES .—The United States Governor of the Corporation is authorized to agree to and accept an amendment to article II, section 2(c)(ii) of the Articles of Agreement of the Corporation that would increase the vote by which the Board of Governors of the Corporation may increase the capital stock of the Corpora-

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tion from a four-fifths majority to an eighty-five percent majority.''.

(3) AFRICAN DEVELOPMENT BANK.—The African Development Bank Act (22 U.S.C. 290i et seq.) is amended by adding at the end the following new section:

''SEC. 1345 SEVENTH CAPITAL INCREASE.

''(a) SUBSCRIPTION AUTHORIZED.—

''(1) IN GENERAL.—The United States Governor of the Bank may subscribe on behalf of the United States to 532,023 additional shares of the capital stock of the Bank.

''(2) LIMITATION.—Any subscription by the United States to the capital stock of the Bank shall be effective only to such extent and in such amounts as are provided in advance in appropriations Acts.

''(b) AUTHORIZATIONS OF APPROPRIATIONS.—

''(1) IN GENERAL.—In order to pay for the increase in the United States subscription to the Bank under subsection (a), there are authorized to be appropriated, without fiscal year limitation, $7,286,587,008 for payment by the Secretary of the Treasury.

''(2) SHARE TYPES.—Of the amount authorized to be appropriated under paragraph (1)—

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''(A) $437,190,016 shall be for paid in shares of the Bank; and

''(B) $6,849,396,992 shall be for callable shares of the Bank.''.

(4) AFRICAN DEVELOPMENT FUND.—The African Development Fund Act (22 U.S.C. 290g et seq.) is amended by adding at the end the following new section:

''SEC. 226 FIFTEENTH REPLENISHMENT.

''(a) IN GENERAL.—The United States Governor of the Fund is authorized to contribute on behalf of the United States $513,900,000 to the fifteenth replenishment of the resources of the Fund, subject to obtaining the necessary appropriations.

''(b) AUTHORIZATION OF APPROPRIATIONS.—In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $513,900,000 for payment by the Secretary of the Treasury.''.

(5) INTERNATIONAL MONETARY FUND AUTHORIZATION FOR NEW ARRANGEMENTS TO BORROW.—

(A) IN GENERAL.—Section 17 of the Bretton Woods Agreements Act (22 U.S.C. 286e–2) is amended—

(i) in subsection (a)—

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(I) by redesignating paragraphs (3), (4), and (5) as paragraphs (4), (5), and (6), respectively;

(II) by inserting after paragraph (2) the following new paragraph:

"(3) In order to carry out the purposes of a one-time decision of the Executive Directors of the International Monetary Fund (the Fund) to expand the resources of the New Arrangements to Borrow, established pursuant to the decision of January 27, 1997, referred to in paragraph (1), the Secretary of the Treasury is authorized to make loans, in an amount not to exceed the dollar equivalent of 28,202,470,000 of Special Drawing Rights, in addition to any amounts previously authorized under this section, except that prior to activation of the New Arrangements to Borrow, the Secretary of the Treasury shall report to Congress whether supplementary resources are needed to forestall or cope with an impairment of the international monetary system and whether the Fund has fully explored other means of funding to the Fund."; and

(III) in paragraph (5), as so redesignated, by striking "paragraph (3)" and inserting "paragraph (4)".

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(ii) in paragraph (6), as so redesignated, by striking ''December 16, 2022'' and inserting ''December 31, 2025''; and

(iii) in subsection (e)(1) by striking ''(a)(2),'' each place such term appears and inserting ''(a)(2), (a)(3)''.

(c) The amounts provided by the amendments made by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

TECHNICAL CORRECTIONS

SEC. 11113. (a) ENVIRONMENT COOPERATION COMMISSIONS; NORTH AMERICAN DEVELOPMENT BANK.—Section 601 of the United States-Mexico-Canada Agreement Implementation Act (Public Law 116–113; 134 Stat. 78) is amended by inserting '', other than sections 532 and 533 of such Act and part 2 of subtitle D of title V of such Act (as amended by section 831 of this Act),'' before ''is repealed''.

(b) PROTECTIVE ORDERS.—Section 422 of the United States-Mexico-Canada Agreement Implementation Act (134 Stat. 64) is amended in subsection (a)(2)(A) by striking ''all that follows through ', the administering authority' '' and inserting ''all that follows through 'Agreement, the administering authority' ''.

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(c) DISPUTE SETTLEMENT.—Subsection (j) of section 504 of the United States-Mexico-Canada Agreement Implementation Act (134 Stat. 76) is amended in the item proposed to be inserted into the table of contents of such Act relating to section 414 by striking ''determination'' and inserting ''determinations''.

(d) EFFETIVE DATE.—Each amendment made by this section shall take effect as if included in the enactment of the United States-Mexico-Canada Agreement Implementation Act.

(e) NORTH AMERICAN DEVELOPMENT BANK: LIMITATION ON CALLABLE CAPITAL SUBSCRIPTIONS.—The Secretary of the Treasury may subscribe without fiscal year limitation to the callable capital portion of the United States share of capital stock of the North American Development Bank in an amount not to exceed $1,020,000,000. The authority in the preceding sentence shall be in addition to any other authority provided by previous Acts.

(f) The amounts provided by the amendments made by this section are designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 11114. Notwithstanding any other provision of law, funds made available under each heading in this title

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shall only be used for the purposes specifically described under that heading.

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TITLE XII

TRANSPORTATION, HOUSING AND URBAN DEVELOPMENT, AND RELATED AGENCIES

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

SALARIES AND EXPENSES

For an additional amount for ''Salaries and Expenses'', $1,753,000, to remain available until September 30, 2020, to prevent, prepare for, and respond to coronavirus, including necessary expenses for operating costs and capital outlays: *Provided*, That such amounts are in addition to any other amounts made available for this purpose: *Provided further*, That obligations of amounts under this heading in this Act shall not be subject to the limitation on obligations under the heading ''Office of the Secretary—Working Capital Fund'' in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94): *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PAYMENT TO AIR CARRIERS

In addition to funds made available to the ''Payment to Air Carriers'' program in Public Law 116–94 to carry

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out the essential air service program under sections 41731 through 41742 of title 49, United States Code, $100,000,000, to be derived from the general fund and made available to the Essential Air Service and Rural Improvement Fund, to remain available until expended: *Provided*, That in determining between or among carriers competing to provide service to a community, the Secretary may consider the relative subsidy requirements of the carriers: *Provided further*, That basic essential air service minimum requirements shall not include the 15-passenger capacity requirement under section 41732(b)(3) of such title: *Provided further*, That none of the funds in this Act or any other Act shall be used to enter into a new contract with a community located less than 40 miles from the nearest small hub airport before the Secretary has negotiated with the community over a local cost share: *Provided further*, That amounts authorized to be distributed for the essential air service program under section 41742(b) of title 49, United States Code, shall be made available from amounts otherwise provided to the Administrator of the Federal Aviation Administration: *Provided further*, That the Administrator may reimburse such amounts from fees credited to the account established under section 45303 of such title: *Provided further*, That such amount is designated by the Congress as being for

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an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF AIRLINE INDUSTRY FINANCIAL OVERSIGHT

For the necessary expenses of the Office of Airline Industry Financial Oversight, as authorized in [section [301] of title [III of division R]] of teh Take Responsibility for Workers and Families Act, $3,000,000: Provided, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

AIRLINE ASSISTANCE TO RECYCLE AND SAVE PROGRAM

For the necessary expenses of the Airline Assistance to Recycle and Save Program, as authorized in [section 702 of title VII of division R] of the Take Responsibility for Workers and Families Act, $1,000,000,000 to remain available until expended: Provided, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PANDEMIC RELIEF FOR AVIATION WORKERS

For necessary expenses for providing pandemic relief for aviation workers, $40,000,000,000, to remain available until September 30, 2021 of which $37,000,000,000 shall

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be for the purposes authorized in [section [101(a)(1)(A)] of title [I] of division R] of the Take Responsibility for Workers and Families Act, and $3,000,000,000, shall be for the purposes authorized in [section [101(a)(1)(B)] of title [I] of division R] of the Take Responsibility for Workers and Families Act: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

In addition, for the cost of making direct loans and loan guarantees in accordance with the terms and conditions in [sections [101–103 and 105] of title [I] of division R] of the Take Responsibility for Workers and Families Act, such sums as may be necessary to remain available until September 30, 2021: *Provided*, That such costs, including the cost of modifying such loans, shall be defined by section 502 of the Congressional Budget Act of 1974: *Provided further*, That subject to section 502 of the Congressional Budget Act of 1974, during fiscal years 2020 and 2021, the aggregate sum of the principle for direct loans and guaranteed loans shall not exceed $21,000,000,000: *Provided further*, That such amount is designated by the Congress as being for an emergency re-

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quirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL AVIATION ADMINISTRATION

OPERATIONS

(AIRPORT AND AIRWAY TRUST FUND)

Of the amounts made available from the Airport and Airway Trust Fund for ''Federal Aviation Administration—Operations'' in title XI of subdivision 1 of division B of the Bipartisan Budget Act of 2018 (Public Law 115–123), not more than $25,000,000 may be used to prevent, prepare for, and respond to coronavirus: *Provided*, That amounts repurposed under this heading in this Act that were previously designated by the Congress as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GRANTS-IN-AID FOR AIRPORTS

For an additional amount for ''Grants-In-Aid for Airports'', to enable the Secretary of Transportation to make grants in accordance with the terms and conditions in section 401 of title IV division R of the Take Responsibility for Workers and Families Act, $10,000,000,000, to remain available until expended: *Provided*, That amounts

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made available under this heading in this Act shall be derived from the general fund: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

RESEARCH, ENGINEERING, AND DEVELOPMENT

For an additional amount for ''Research, Engineering, and Development'', as authorized in ⟦section 705 of title VII of division R⟧ of the Take Responsibility for Workers and Families Act, $100,000,000, to remain available until expended: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

MOTOR CARRIER SAFETY OPERATIONS AND PROGRAMS

Of prior year unobligated contract authority and liquidating cash provided for Motor Carrier Safety in the Transportation Equity Act for the 21st Century (Public Law 105–178), SAFETEA–LU (Public Law 109–59), or any other Act, in addition to amounts already appropriated in fiscal year 2020 for ''Motor Carrier Safety Operations and Programs'' $150,000 in additional obligation limitation is provided and repurposed for obligations in-

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curred to support activities to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL RAILROAD ADMINISTRATION

SAFETY AND OPERATIONS

For an additional amount for ''Safety and Operations'', $250,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NORTHEAST CORRIDOR GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''Northeast Corridor Grants to the National Railroad Passenger Corporation'', $492,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including to enable the Secretary of Transportation to make or amend existing grants to the National Railroad Passenger Corporation for activities associated with the Northeast Corridor as authorized by section 11101(a) of

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the Fixing America's Surface Transportation Act (division A of Public Law 114–94): *Provided*, That amounts made available under this heading in this Act may be transferred to and merged with ''National Network Grants to the National Railroad Passenger Corporation'' to prevent, prepare for, and respond to coronavirus: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIONAL NETWORK GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

(INCLUDING TRANSFER OF FUNDS)

For an additional amount for ''National Network Grants to the National Railroad Passenger Corporation'', $526,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus, including to enable the Secretary of Transportation to make or amend existing grants to the National Railroad Passenger Corporation for activities associated with the National Network as authorized by section 11101(b) of the Fixing America's Surface Transportation Act (division A of Public Law 114–94): *Provided*, That a State shall not be required to pay the National Railroad Passenger Corporation more than 80 percent of the amount paid in

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fiscal year 2019 under section 209 of the Passenger Rail Investment and Improvement Act of 2008 (Public Law 110–432) and that not less than $239,000,000 of the amounts made available under this heading in this Act shall be made available for use in lieu of any increase in a State's payment: *Provided further*, That amounts made available under this heading in this Act may be transferred to and merged with the ''Northeast Corridor Grants to the National Railroad Passenger Corporation'' to prevent, prepare for, and respond to coronavirus: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

FEDERAL TRANSIT ADMINISTRATION

TRANSIT INFRASTRUCTURE GRANTS

For an additional amount for ''Transit Infrastructure Grants'' $25,000,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That the Secretary of Transportation shall provide funds appropriated under this heading in this Act as if such funds were provided under section 5307 of title 49, United States Code, and apportion such funds in accordance with section 5336 of such title (other than subsections (h)(1) and (h)(4)), sections 5311, 5337,

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and 5340 of title 49, United States Code, and apportion such funds in accordance with such sections, except that funds apportioned under section 5337 shall be added to funds apportioned under section 5307 for administration under section 5307: *Provided further*, That the Secretary shall allocate the amounts provided in the preceding proviso under sections 5307, 5311, 5337, and 5340 of title 49, United States Code, among such sections in the same ratio as funds were provided in the fiscal year 2020 apportionments: *Provided further*, That funds apportioned under this heading shall be apportioned not later than 7 days after the date of enactment of this Act: *Provided further*, That funds shall be apportioned using the fiscal year 2020 apportionment formulas: *Provided further*, That not more than three-quarters of 1 percent of the funds for transit infrastructure grants shall be available for administrative expenses and ongoing program management oversight as authorized under sections 5334 and 5338(f)(2) of title 49, United States Code, and shall be in addition to any other appropriations for such purpose: *Provided further*, That notwithstanding subsection (a)(1) or (b) of section 5307 of title 49, United States Code, funds provided under this heading are available for the operating expenses of transit agencies related to the response to a public health emergency as described in section 319 of the

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Public Health Service Act, including, beginning on January 31, 2020, reimbursement for operating costs to maintain service and lost revenue due to the public health emergency, the purchase of personal protective equipment, and paying the administrative leave of operations personnel due to reductions in service: *Provided further*, That such operating expenses are not required to be included in a transportation improvement program, long-range transportation, statewide transportation plan, or a statewide transportation improvement program: *Provided further*, That the Secretary shall not waive the requirements of section 5333 of title 49, United States Code, for funds appropriated under this heading or for funds previously made available under section 5307 of title 49, United States Code, or sections 5311, 5337, or 5340 of such title as a result of the coronavirus: *Provided further*, That unless otherwise specified, applicable requirements under chapter 53 of title 49, United States Code, shall apply to funding made available under this heading, except that the Federal share of the costs for which any grant is made under this heading shall be, at the option of the recipient, up to 100 percent: *Provided further*, That the amount made available under this heading shall be derived from the general fund and shall not be subject to any limitation on obligations for transit programs set forth in any Act:

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Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

MARITIME ADMINISTRATION

OPERATIONS AND TRAINING

For an additional amount for ''Operations and Training'', $3,134,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the amounts made available under this heading in this Act, $1,000,000 shall be for the operations of the United States Merchant Marine Academy: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

For an additional amount for ''Office of Inspector General'', $5,000,000, to remain available through September 30, 2021: *Provided*, That the amount made available under this heading in this Act shall be for necessary expenses of the Office of Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended: *Provided further*, That the amounts made avail-

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able under this heading in this Act shall be used to conduct audits and investigations of activities carried out with amounts made available in this Act to the Department of Transportation to prevent, prepare for, and respond to coronavirus: *Provided further*, That the Inspector General shall have all the necessary authority, in carrying out the duties specified in the Inspector General Act, as amended (5 U.S.C. App 3), to investigate allegations of fraud, including false statements to the Government (18 U.S.C. 1001), by any person or entity that is subject to regulation by the Department of Transportation: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

GENERAL PROVISIONS—DEPARTMENT OF TRANSPORTATION

SEC. 11201. For amounts made available by this Act under the headings ''Northeast Corridor Grants to the National Railroad Passenger Corporation'' and ''National Network Grants to the National Railroad Passenger Corporation'', the Secretary of Transportation may not waive the requirements under section 24312 of title 49, United States Code, and section 24305(f) of title 49, United States Code: *Provided*, That for amounts made available

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by this Act under such headings the Secretary shall require the National Railroad Passenger Corporation to comply with the Railway Retirement Act of 1974 (45 U.S.C. 231 et seq.), the Railway Labor Act (45 U.S.C. 151 et seq.), and the Railroad Unemployment Insurance Act (45 U.S.C. 351 et seq.): *Provided further*, That not later than 7 days after the date of enactment of this Act and each subsequent 7 days thereafter, the Secretary shall notify the House and Senate Committees on Appropriations, the Committee on Transportation and Infrastructure of the House of Representatives, and the Committee on Commerce, Science, and Transportation of the Senate of any National Railroad Passenger Corporation employee furloughs as a result of efforts to prevent, prepare for, and respond to coronavirus: *Provided further*, That in the event of any National Railroad Passenger Corporation employee furloughs as a result of efforts to prevent, prepare for, and respond to coronavirus, the Secretary shall require the National Railroad Passenger Corporation to provide such employees the opportunity to be recalled to their previously held positions as intercity passenger rail service is restored to March 1, 2020 levels and not later than the date on which intercity passenger rail service has been fully restored to March 1, 2020 levels.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

MANAGEMENT AND ADMINISTRATION

ADMINISTRATIVE SUPPORT OFFICES

For an additional amount for ''Administrative Support Offices'', $10,000,000, to remain available until September 30, 2021, to prevent, prepare for, and respond to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PROGRAM OFFICES

For an additional amount for ''Program Offices'', $10,000,000, to remain available until September 30, 2030, to prevent, prepare for, and respond to coronavirus: *Provided*, That of the sums appropriated under this heading in this Act—

(1) $2,500,000 shall be available for the Office of Public and Indian Housing;

(2) $5,000,000 shall be available for the Office of Community Planning and Development; and

(3) $2,500,000 shall be available for the Office of Housing:

Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant

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to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

PUBLIC AND INDIAN HOUSING

TENANT-BASED RENTAL ASSISTANCE

For an additional amount for ''Tenant-Based Rental Assistance'', $1,500,000,000, to remain available until expended, to provide additional funds for public housing agencies to maintain operations and take other necessary actions to prevent, prepare for, and respond to coronavirus: *Provided*, That of the amounts made available under this heading in this Act, $1,000,000,000 shall be available for additional administrative and other expenses of public housing agencies in administering their section 8 programs, including Mainstream vouchers, in response to coronavirus: *Provided further*, That such other expenses shall be new eligible activities to be defined by the Secretary and shall be activities to support or maintain the health and safety of assisted individuals and families, and costs related to retention and support of current participating landlords: *Provided further*, That amounts made available under paragraph (3) of this heading in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) may be used for the other expenses as described in the preceding proviso in addition to their other available uses: *Provided further*, That of the

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amounts made available under this heading in this Act, $500,000,000 shall be available for adjustments in the calendar year 2020 section 8 renewal funding allocations, including Mainstream vouchers, for public housing agencies that experience a significant increase in voucher per-unit costs due to extraordinary circumstances or that, despite taking reasonable cost savings measures, as determined by the Secretary, would otherwise be required to terminate rental assistance for families as a result of insufficient funding: *Provided further*, That the Secretary shall allocate amounts provided in the preceding proviso based on need, as determined by the Secretary: *Provided further*, That for any amounts provided under this heading in prior Acts for tenant-based rental assistance contracts, including necessary administrative expenses, under section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013) that remain available for this purpose after funding renewals and administrative expenses, the Secretary shall award no less than 50 percent of the remaining amounts for the same purpose within 60 days of enactment of this Act: *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of the amounts made available under this heading and the same

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heading of Public Law 116–94 (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the safe and effective administration of these funds to prevent, prepare for, and respond to coronavirus: *Provided further*, That the Secretary shall notify the public through the Federal Register or other appropriate means to ensure the most expeditious allocation of this funding of any such waiver or alternative requirement in order for such waiver or alternative requirement to take effect, and that such public notice may be provided at a minimum on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*, That any such waivers or alternative requirements shall remain in effect for the time and duration specified by the Secretary in such public notice and may be extended if necessary upon additional notice by the Secretary: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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PUBLIC HOUSING OPERATING FUND

For an additional amount for ''Public Housing Operating Fund'' for 2020 payments to public housing agencies for the operation and management of public housing, as authorized by section 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(e)), $720,000,000, to remain available until September 30, 2021: *Provided*, That such amount shall be combined with the amount appropriated for the same purpose under the same heading of Public Law 116–94, and distributed to all public housing agencies pursuant to the Operating Fund formula at part 990 of title 24, Code of Federal Regulations: *Provided further*, That for the period from the enactment of this Act through December 31, 2020, such combined total amount may be used for eligible activities under subsections (d)(1) and (e)(1) of such section 9 and for other expenses to prevent, prepare for, and respond to coronavirus, including activities to support or maintain the health and safety of assisted individuals and families, and activities to support education and child care for impacted families: *Provided further*, That amounts made available under the headings ''Public Housing Operating Fund'' and ''Public Housing Capital Fund'' in prior Acts, except for any set-asides listed under such headings, may be used for all of the purposes described in the preceding proviso: *Provided further*,

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That the expanded uses and funding flexibilities described in the previous two provisos shall be available to all public housing agencies through December 31, 2020, except that the Secretary may extend the period under which such flexibilities shall be available in additional 12 month increments upon a finding that individuals and families assisted by the public housing program continue to require expanded services due to the coronavirus pandemic: *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of such combined total amount of funds made available under the headings ''Public Housing Operating Fund'' and ''Public Housing Capital Fund'' in prior Acts (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the safe and effective administration of these funds to prevent, prepare for, and respond to coronavirus: *Provided further*, That the Secretary shall notify the public through the Federal Register or other appropriate means to ensure the most expeditious allocation of this funding of any such waiver or alternative requirement in order for such waiver or alternative requirement to take effect, and that such public no-

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tice may be provided at a minimum on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*, That any such waivers or alternative requirements shall remain in effect for the time and duration specified by the Secretary in such public notice and may be extended if necessary upon additional notice by the Secretary: *Provided further*, That amounts repurposed under this heading that were previously designated by the Congress as an emergency requirement pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985 are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

NATIVE AMERICAN PROGRAMS

For an additional amount for ''Native American Programs'', $350,000,000, to remain available until September 30, 2024, to prevent, prepare for, and respond to coronavirus, of which—

(1) $250,000,000 shall be for the Native American Housing Block Grants program, as authorized

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under title I of the Native American Housing Assistance and Self-Determination Act of 1996 (''NAHASDA'') (25 U.S.C. 4111 et seq.): *Provided*, That amounts made available in this paragraph shall be distributed according to the same funding formula used in fiscal year 2020: *Provided further*, That such amounts may be used to cover the cost of and reimbursement of allowable costs to prevent, prepare for, and respond to coronavirus incurred by a recipient regardless of the date on which such costs were incurred: *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of amounts made available in this paragraph and in paragraph (1) under this heading in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary to expedite or facilitate the use of such amounts, including to prevent, prepare for, and respond to coronavirus: *Provided further*, That any such waivers shall apply retroactively

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to activities to prevent, prepare for, and respond to coronavirus carried out with any amounts described in the preceding proviso; and

(2) $100,000,000 shall be for grants to Indian tribes for carrying out the Indian Community Development Block Grant program, as authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) with respect to Indian tribes for use to respond to emergencies that constitute imminent threats to health and safety: *Provided*, That, notwithstanding section 106(a)(1) of such Act, the Secretary shall prioritize, without competition, allocations of such amounts for activities and projects to prevent, prepare for, and respond to coronavirus: *Provided further*, That not to exceed 20 percent of any grant made with amounts made available in this paragraph shall be expended for planning and management development and administration: *Provided further*, That such amounts may be used to cover the cost of and reimbursement of allowable costs to prevent, prepare for, and respond to coronavirus incurred by a recipient regardless of the date on which such costs were incurred: *Provided further*, That, notwithstanding section 105(a)(8) of the Housing and Community De-

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velopment Act of 1974 (42 U.S.C. 5301 et seq.), there shall be no percent limitation on the use of amounts for public services activities to prevent, prepare for, and respond to coronavirus: *Provided further*, That the preceding proviso shall apply to all such activities funded with amounts made available in this paragraph and in paragraph (4) under this heading in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94): *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of amounts made available in this paragraph and in paragraph (4) under this heading in division H of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary to expedite or facilitate the use of such amounts, including to prevent, prepare for, and respond to coronavirus: *Provided further*, That any such waivers shall apply retroactively to activities to prevent, prepare for, and respond to coronavirus car-

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ried out with any amounts described in the preceding proviso:

Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COMMUNITY PLANNING AND DEVELOPMENT

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

For an additional amount for carrying out the ''Housing Opportunities for Persons with AIDS'' program, as authorized by the AIDS Housing Opportunity Act (42 U.S.C. 12901 et seq.), $130,000,000, to remain available until September 30, 2021, except that amounts allocated pursuant to section 854(c)(5) of such Act shall remain available until September 30, 2022, to provide additional funds to maintain operations and for rental assistance, supportive services, and other necessary actions, in order to prevent, prepare for, and respond to the coronavirus: *Provided*, That not less than $100,000,000 of the amount provided under this heading in this Act shall be allocated pursuant to the formula in section 854 of such Act using the same data elements as utilized pursuant to that same formula in fiscal year 2020: *Provided further*, That up to $20,000,000 of the amount provided under this heading in this Act shall be to provide an addi-

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tional one-time, non-renewable award to grantees currently administering existing contracts for permanent supportive housing that initially were funded under section 854(c)(5) of such Act from funds made available under this heading in fiscal year 2010 and prior years: *Provided further*, That such awards shall be made proportionally to their existing grants: *Provided further*, That, notwithstanding section 858(b)(3)(B) of such Act (42 U.S.C. 12907(b)(3)(B)), housing payment assistance for rent, mortgage, or utilities payments may be provided for a period of up to 24 months: *Provided further*, That such awards are not required to be spent on permanent supportive housing: *Provided further*, That, to protect persons who are living with HIV/AIDS, such amounts provided under this heading in this Act may be used to self-isolate, quarantine, or to provide other coronavirus infection control services as recommended by the Centers for Disease Control and Prevention for household members not living with HIV/AIDS: *Provided further*, That such amounts may be used to provide relocation services, including to provide lodging at hotels, motels, or other locations in order to satisfy the objectives of the preceding proviso: *Provided further*, That, notwithstanding section 856(g) of such Act (42 U.S.C. 12905(g)), a grantee may use up to 6 percent of its award under this Act for administrative

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purposes, and a project sponsor may use up to 10 percent of its sub-award under this Act for administrative purposes: *Provided further*, That such amounts provided under this heading in this Act may be used to reimburse allowable costs consistent with the purposes of this heading incurred by a grantee or project sponsor regardless of the date on which such costs were incurred: *Provided further*, That any regulatory waivers the Secretary may issue may be deemed to be effective as of the date a grantee began preparing for coronavirus: *Provided further*, That any additional activities or authorities authorized under this heading in this Act may also apply at the discretion and upon notice of the Secretary to all amounts made available under this same heading in Public Law 116–94 if such amounts are used by grantees for the purposes described under this heading: *Provided further*, That up to 2 percent of amounts made available under this heading in this Act may be used, without competition, to increase prior awards made to existing technical assistance providers to provide an immediate increase in capacity building and technical assistance available to grantees under this heading and under the same heading in prior Acts: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant

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to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

COMMUNITY DEVELOPMENT FUND

For an additional amount for ''Community Development Fund'', $15,000,000,000, for assistance under the community development block grant program under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.) to prevent, prepare for, and respond to coronavirus, to remain available until September 30, 2022: *Provided*, That up to $8,000,000,000 of the amount made available under this heading shall be distributed pursuant to section 106 of such Act (42 U.S.C. 5306) to grantees that received allocations pursuant to that same formula in fiscal year 2020, and that such allocations shall be made within 30 days of enactment of this Act: *Provided further*, That, in addition to amounts allocated pursuant to the preceding proviso, an additional $5,000,000,000 shall be allocated directly to States to prevent, prepare for, and respond to coronavirus within the State, including activities within entitlement and nonentitlement communities, based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions, and other factors, as determined by the Secretary, using best available data and that

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such allocations shall be made within 45 days of enactment of this Act: *Provided further*, That any remaining amounts shall be distributed directly to the State or unit of general local government, at the discretion of the Secretary, according to a formula based on factors to be determined by the Secretary, prioritizing risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions resulting from coronavirus: *Provided further*, That such allocations may be made on a rolling basis as additional needs develop and data becomes available: *Provided further*, That the Secretary shall make all such allocations based on the best available data at the time of allocation: *Provided further*, That amounts made available in the preceding provisos may be used to reimburse allowable costs consistent with the purposes of this heading in this Act incurred by a State or locality regardless of the date on which such costs were incurred: *Provided further*, That section 116(b) of such Act (42 U.S.C. 5316(b)) and any implementing regulations, which require grantees to submit their final statements of activities no later than August 16 of a given fiscal year, shall not apply to final statements submitted in accordance with sections 104(a)(2) and (a)(3) of such Act (42 U.S.C. 5304(a)(2) and (a)(3)) and comprehensive housing affordability strat-

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egies submitted in accordance with section 105 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12705) for fiscal years 2019 and 2020: *Provided further*, That such final statements and comprehensive housing affordability strategies shall instead be submitted not later than August 16, 2021: *Provided further*, That the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of amounts made available under this heading and for fiscal years 2019 and 2020 (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), if the Secretary finds that good cause exists for the waiver or alternative requirement and such waiver or alternative requirement would not be inconsistent with the overall purpose of title I of the Housing and Community Development Act of 1974 , including for the purposes of addressing the impact of coronavirus: *Provided further*, That any such waiver or alternative requirement shall not take effect before the expiration of the 5-day period that begins on the date on which the Secretary notifies the public through the Federal Register or other appropriate means, including by means of the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*,

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That of the amounts made available under this heading, up to $10,000,000 shall be made available for capacity building and technical assistance to support the use of such amounts to expedite or facilitate infectious disease response: *Provided further*, That, notwithstanding sections 104(a)(2), (a)(3), and (c) of the Housing and Community Development Act of 1974 (42 U.S.C. 5304(a)(2), (a)(3), and (c)) and section 105 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12705), a grantee may not be required to amend its statement of activities in order to engage in activities to prevent, prepare, and respond to coronavirus or the economic and housing disruption caused by such virus, but shall make public a report within 180 days of the end of the crisis which fully accounts for those activities: *Provided further*, That a grantee may not be required to hold in-person public hearings in connection with citizen participation plan, but shall provide citizens with notice and a reasonable opportunity to comment of no less than 15 days: *Provided further*, That such procedures shall apply to grants from amounts made available under this heading and for fiscal years 2019 and 2020: *Provided further*, That, during the period that national or local health authorities recommend social distancing and limiting public gatherings for public health reasons, a grantee may carry out virtual public

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hearings to fulfill applicable public hearing requirements for all grants from funds made available under this heading in this and prior Acts: *Provided further*, That any such virtual hearings shall provide reasonable notification and access for citizens in accordance with the grantee's certifications, timely responses from local officials to all citizen questions and issues, and public access to all questions and responses: *Provided further*, That, notwithstanding subsection 105(a)(8) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)(8)), there shall be no percent limitation for the use of funds for public services activities to prevent, prepare, and respond to coronavirus or the economic and housing disruption caused by it: *Provided further*, That the preceding proviso shall apply to all such activities carried out with grants of funds made available under this heading and for fiscal years 2019 and 2020: *Provided further*, That the Secretary shall ensure there are adequate procedures in place to prevent any duplication of benefits as defined by section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5155) and act in accordance with section 1210 of the Disaster Recovery Reform Act of 2018 (division D of Public Law 115–254; 132 Stat. 3442) and section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5115):

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Provided further, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOMELESS ASSISTANCE GRANTS

For an additional amount for ''Homeless Assistance Grants'', $5,000,000,000, to remain available until September 30, 2022, for the Emergency Solutions Grants program as authorized under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371 et seq.), as amended, to prevent, prepare for, and respond to coronavirus among individuals and families who are homeless, receiving homeless assistance, or at risk of homelessness and to support additional homeless assistance and homelessness prevention activities to mitigate the impacts created by coronavirus: *Provided*, That up to $1,500,000,000 of the amount appropriated under this heading in this Act shall be distributed pursuant to 24 CFR 576.3 to grantees that received allocations pursuant to that same formula in fiscal year 2020, and that such allocations shall be made within 30 days of enactment of this Act: *Provided further*, That, in addition to amounts allocated in the preceding proviso, an additional $1,500,000,000 shall be allocated directly to a State or unit of general local government by a formula to be devel-

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oped by the Secretary and that such allocations shall be made within 45 days of enactment of this Act: *Provided further*, That such formula shall allocate such amounts for the benefit of unsheltered homeless, sheltered homeless, and those at risk of homelessness to geographical areas with the greatest need based on the risk of increasing transmission of coronavirus, rising rates of sheltered and unsheltered homelessness, and disruptions to economic and housing markets and other factors, as determined by the Secretary: *Provided further*, That not less than every 60 days thereafter, the Secretary shall allocate a minimum of an additional $500,000,000: *Provided further*, That amounts in the preceding proviso shall be allocated by a formula to be developed by the Secretary which takes into consideration the factors contained in the third proviso under this heading, in addition to the best available data on the number of coronavirus cases and disruptions in economic and housing markets, and other factors as determined by the Secretary: *Provided further*, That such amounts may be used to reimburse allowable costs consistent with the purposes of this heading incurred by a State or locality regardless of the date on which such costs were incurred: *Provided further*, That individuals and families who are very low-income (as such term is defined in section 3(b) of the United States Housing Act of 1937

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(42 U.S.C. 1437a(b)) shall be considered ''at risk of homelessness'' and eligible for homelessness prevention assistance if they meet the criteria in subparagraphs (B) and (C) of section 401(1) of the McKinney-Vento Homeless Act (42 U.S.C. 11360(1)(B) and (C)): *Provided further*, That any individuals and families who are low-income (as such term is defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)) shall be eligible for rental assistance: *Provided further*, That recipients may deviate from applicable procurement standards when procuring goods and services consistent with the purposes of this heading: *Provided further*, That a recipient may use up to 10 percent of its allocation for administrative purposes: *Provided further*, That the use of such amounts shall not be subject to the consultation, citizen participation, or match requirements that otherwise apply to the Emergency Solutions Grants program, except that a recipient must publish how it has and will utilize its allocation at a minimum on the Internet at the appropriate Government web site or through other electronic media: *Provided further*, That the spending cap established pursuant to section 415(b) of the McKinney-Vento Homeless Act (42 U.S.C. 11374) shall not apply to such amounts: *Provided further*, That such amounts may be used to provide temporary emergency shelters (through leasing of existing

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property, temporary structures, or other means) for the purposes described under this heading, and that such temporary emergency shelters shall not be subject to the minimum periods of use required by section 416(c)(1) of such Act (42 U.S.C. 11375(c)(1)): *Provided further*, That Federal habitability and environmental review standards and requirements shall not apply to the use of such amounts for those temporary emergency shelters that have been determined by Federal, State, or local health officials to be necessary to prevent and mitigate the spread of coronavirus: *Provided further*, That such amounts may be used for training on infectious disease prevention and mitigation and to provide hazard pay, including for time worked prior to enactment of this Act, for staff working directly to prevent and mitigate the spread of coronavirus among persons who are homeless or at risk of homelessness, and that such activities shall not be considered administrative costs for purposes of the 10 percent cap: *Provided further*, That in administering the amounts made available under this heading in this Act, the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation (except for any requirements related to fair housing, nondiscrimination, labor standards, and the environment) that the Secretary administers in connection with the obligation or use by the

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recipient of these amounts, if the Secretary finds that good cause exists for the waiver or alternative requirement and such waiver or alternative requirement is consistent with the purposes described under this heading: *Provided further*, That any such waivers shall be deemed to be effective as of the date a State or unit of local government began preparing for coronavirus and shall apply to the use of amounts provided under this heading and amounts provided under the same heading in fiscal year 2020 used by recipients for the purposes described under this heading: *Provided further*, That the Secretary shall notify the public through the Federal Register or other appropriate means, 5 days before the effective date, of any such waiver or alternative requirement, and that such public notice may be provided on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*, That up to 1 percent of amounts made available under this heading in this Act may be used to increase prior awards made to existing technical assistance providers with experience in providing health care services in order to provide an immediate increase in capacity building and technical assistance to recipients of the Emergency Solutions Grants program under this heading and under the same heading in fiscal years 2018, 2019 and 2020: *Provided further*,

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That none of the funds provided under this heading may be used to require people experiencing homelessness to receive treatment or perform any other prerequisite activities as a condition for receiving shelter, housing, or other services: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

EMERGENCY RENTAL ASSISTANCE

For and additional amount for ''Emergency Rental Assistance'', as authorized in section 105 of title I of division I of the Take Responsibility for Workers and Families Act, $100,000,000,000, to remain available until expended: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOUSING ASSISTANCE FUND

For an additional amount for the ''Housing Assistance Fund'', as authorized in section 108 of title I of division I of the Take Responsibility for Workers and Families Act, $35,000,000,000, to remain available until expended: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to sec-

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tion 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

HOUSING PROGRAMS

ASSISTED HOUSING STABILITY

For an additional amount for assistance to owners or sponsors of properties receiving project-based assistance pursuant to section 202 of the Housing Act of 1959 (12 U.S.C. 17012), section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), or section 8 of the United States Housing Act of 1937, as amended, (42 U.S.C. 1437f), $1,100,000,000, to remain available until expended, unless otherwise specified: *Provided*, That such amounts shall be used to prevent, prepare for, and respond to coronavirus: *Provided further*, That of the amounts made available under this heading in this Act:

(1) $1,000,000,000 shall be for ''Project-Based Rental Assistance'' to supplement funds already available for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act (42

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U.S.C. 11401), for renewal of section 8 contracts for units in projects that are subject to approved plans of action under the Emergency Low Income Housing Preservation Act of 1987 or the Low-Income Housing Preservation and Resident Homeownership Act of 1990, and for administrative and other expenses associated with project-based activities and assistance funded under this paragraph;

(2) $75,000,000, to remain available until September 30, 2022, shall be for ''Housing for the Elderly'' to supplement funds already available for project rental assistance for the elderly under section 202(c)(2) of such Housing Act of 1959, including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, for senior preservation rental assistance contracts, including renewals, as authorized by section 811(e) of the American Housing and Economic Opportunity Act of 2000, as amended, and for supportive services associated with the housing for the elderly as authorized by such section 202: *Provided further*, That funds made available under this paragraph shall be used to provide emergency assistance for continuation of contracts for project rental assistance and amendment to such

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contracts, supportive services, existing service coordinators, one-time grants to hire additional service coordinators, other staffing, rent supports, and emergency preparedness relating to coronavirus; and

(3) $25,000,000, to remain available until September 30, 2023, shall be for ''Housing for Persons with Disabilities'' to supplement funds already available for project rental assistance for supportive housing for persons with disabilities under section 811(d)(2) of such Cranston-Gonzalez National Affordable Housing Act, for project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86–372; 73 Stat. 667), including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, for project rental assistance to State housing finance agencies and other appropriate entities as authorized under section 811(b)(3) of the Cranston-Gonzalez National Housing Act, and for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act:

Provided further, That for the purposes of addressing the impact of coronavirus, the Secretary may waive, or specify alternative requirements for, any provision of any statute

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or regulation that the Secretary administers in connection with the use of amounts made available under this heading in this Act (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment) upon a finding by the Secretary that any such waivers or alternative requirements are necessary to expedite or facilitate the use of such amounts: *Provided further*, That the Secretary shall notify the public through the Federal Register or other appropriate means of any such waiver or alternative requirement in order for such waiver or alternative requirement to take effect, and that such public notice may be provided at minimum on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary: *Provided further*, That up to 1 percent of the amounts provided under paragraphs (1), (2) and (3) may be used to make new awards or increase prior awards made to existing technical assistance providers, without competition, to provide an immediate increase in capacity building and technical assistance available to recipients of amounts identified in the preceding proviso, to remain available until September 30, 2024: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the

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Balanced Budget and Emergency Deficit Control Act of 1985.

FAIR HOUSING AND EQUAL OPPORTUNITY

FAIR HOUSING ACTIVITIES

For an additional amount for ''Fair Housing Activities'', $7,000,000, to remain available until September 30, 2021, for contracts, grants, and other assistance, as authorized by title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988, and section 561 of the Housing and Community Development Act of 1987, to prevent, prepare for, and respond to coronavirus, of which $4,000,000 shall be for the Fair Housing Assistance Program Partnership for Special Enforcement grants to address fair housing issues relating to coronavirus, and $3,000,000 shall be for the Fair Housing Initiatives Program for education and outreach activities under such section 561 to educate the public about fair housing issues related to coronavirus: *Provided*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

OFFICE OF INSPECTOR GENERAL

For an additional amount for ''Office of Inspector General'', $5,000,000, to remain available until September

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30, 2021: *Provided*, That the amount made available under this heading in this Act shall be for necessary salaries and expenses of the Office of Inspector General in carrying out the Inspector General Act of 1978 and to conduct audits and investigations of activities carried out with amounts made available in this Act to the Department of Housing and Urban Development to prevent, prepare for, and respond to coronavirus: *Provided further*, That the Inspector General shall have independent authority over all personnel issues within this office: *Provided further*, That such amount is designated by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

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TITLE XIII

GENERAL PROVISIONS—THIS DIVISION

SEC. 11301. Not later than 30 days after the date of enactment of this Act, the head of each executive agency that receives funding in this Act, or that received funding in the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (division A of Public Law 116–123) or the Second Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (division A of Public Law 116–127), shall provide a report detailing the anticipated uses of all such funding to the Committees on Appropriations of the House of Representatives and the Senate: *Provided*, That each report shall include estimated personnel and administrative costs, as well as the total amount of funding apportioned, allotted, obligated, and expended, to date: *Provided further*, That each such report shall be updated and submitted to such Committees every 60 days until all funds are expended or expire: *Provided further*, That reports submitted pursuant to this section shall satisfy the requirements of section 1701 of division A of Public Law 116–127.

SEC. 11302. Each amount appropriated or made available by this Act is in addition to amounts otherwise appropriated for the fiscal year involved.

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SEC. 11303. In this Act, the term ''coronavirus'' means SARS–CoV–2 or another coronavirus with pandemic potential.

SEC. 11304. No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein.

SEC. 11305. Unless otherwise provided for by this Act, the additional amounts appropriated by this Act to appropriations accounts shall be available under the authorities and conditions applicable to such appropriations accounts for fiscal year 2020.

SEC. 11306. Each amount designated in this Act by the Congress as being for an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be available (or rescinded or transferred, if applicable) only if the President subsequently so designates all such amounts and transmits such designations to the Congress.

SEC. 11307. Any amount appropriated by this Act, designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 and subsequently so designated by the President, and transferred pursuant to transfer authorities provided by this Act shall retain such designation.

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SEC. 11308. Notwithstanding any other provision of law, and subject to the availability of appropriations, funds made available by this Act or any other Act may be used to modify the terms and conditions of a contract, or other agreement, without consideration, to authorize a federal agency to reimburse at contract billing rates not to exceed an average of 40 hours per week any contractor paid leave, including sick leave, the contractor provides to its employees to ensure the effective response to the declared national emergency for the coronavirus pandemic event. Such authority shall apply only to a contractor whose employees cannot perform work on a federally-owned or leased facility or site due to federal government directed closures or other restrictions, and who cannot telework because their job duties cannot be performed remotely during the declared national emergency for the coronavirus pandemic event. This authority also shall apply to subcontractors. The amounts made available by this section are designated by the Congress as an emergency requirement pursuant to section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985.

This division may be cited as the ''Emergency Pension Plan Relief Act of 2020''.

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DIVISION B—EMERGENCY FAMILY AND MEDICAL LEAVE EXPANSION ACT

REFERENCES

SEC. 20001.

Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Family and Medical Leave Act of 1993 (29 U.S.C. 2601 et seq.), as amended by the Emergency Family and Medical Leave Expansion Act (Public Law 116–127).

EMPLOYER CLARIFICATION

SEC. 20002.

Section 101(4) is amended by adding at the end the following:

"(C) CLARIFICATION.—Subparagraph (A)(i) shall not apply with respect to a public agency described in subparagraph (A)(iii).".

EMERGENCY LEAVE EXTENSION

SEC. 20003.

Section 102(a)(1)(F) is amended by striking "December 31, 2020" and inserting "December 31, 2021".

EMERGENCY LEAVE DEFINITIONS

SEC. 20004.

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(a) ELIGIBLE EMPLOYEE.—Section 110(a)(1) is amended in subparagraph (A), by striking ''sections 101(2)(A) and 101(2)(B)(ii)'' and inserting ''section 101(2)''.

(b) EMPLOYER THRESHOLD.—Section 110(a)(1)(B) is amended by striking ''fewer than 500 employees'' and inserting ''1 or more employees''.

(c) PARENT.—Section 110(a)(1) is amended by adding at the end the following:

''(C) PARENT.—In lieu of the definition in section 101(7), the term 'parent', with respect to an employee, means any of the following:

''(i) A biological, foster, or adoptive parent of the employee.

''(ii) A stepparent of the employee.

''(iii) A parent-in-law of the employee.

''(iv) A parent of a domestic partner of the employee.

''(v) A legal guardian or other person who stood in loco parentis to an employee when the employee was a child.''.

(d) QUALIFYING NEED RELATED TO A PUBLIC HEALTH EMERGENCY.—Section 110(a)(2)(A) is amended to read as follows:

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''(A) QUALIFYING NEED RELATED TO A PUBLIC HEALTH EMERGENCY.—The term 'qualifying need related to a public health emergency', with respect to leave, means that the employee is unable to perform the functions of the position of such employee due to a need for leave for any of the following:

''(i) To comply with a recommendation or order by a public official having jurisdiction or a health care provider on the basis that the physical presence of the employee on the job would jeopardize the health of others because of—

''(I) the exposure of the employee to COVID–19; or

''(II) exhibition of symptoms of COVID–19 by the employee.

''(ii) To care for a family member of an eligible employee with respect to whom a public official having jurisdiction or a health care provider makes a determination that the presence of such family member in the community would jeopardize the health of other individuals in the community because of—

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"(I) the exposure of the family member to COVID–19; or

"(II) exhibition of symptoms of COVID–19 by the family member.

"(iii) To care for the son or daughter of such employee if the school or place of care has been closed, or the child care provider of such son or daughter is unavailable, due to a public health emergency.

"(iv) To care for a family member who meets criteria of 101(12)(B) or is a senior citizen, if the place of care for such family member is closed, or the direct care provider is unavailable, due to a public health emergency.".

(e) FAMILY MEMBER.—Section 110(a)(2) is amended by adding at the end the following:

"(E) FAMILY MEMBER.—The term 'family member', with respect to an employee, means any of the following:

"(i) A parent of the employee.

"(ii) A spouse of the employee.

"(iii) A sibling of the employee.

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''(iv) Next of kin of the employee or a person for whom the employee is next of kin.

''(v) A son or daughter of the employee.

''(vi) A grandparent or grandchild of the employee.

''(vii) An domestic partner of the employee.

''(F) DOMESTIC PARTNER.—

''(i) IN GENERAL.—The term 'domestic partner', with respect to an individual, means another individual with whom the individual is in a committed relationship.

''(ii) COMMITTED RELATIONSHIP DEFINED.—The term 'committed relationship' means a relationship between 2 individuals, each at least 18 years of age, in which each individual is the other individual's sole domestic partner and both individuals share responsibility for a significant measure of each other's common welfare. The term includes any such relationship between 2 individuals that is granted legal recognition by a State or political subdivi-

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sion of a State as a marriage or analogous relationship, including a civil union or domestic partnership.''.

REGULATORY AUTHORITIES

SEC. 20005.

(a) IN GENERAL.—Section 110(a) is amended by striking paragraph (3).

(b) FORCE OR EFFECT OF REGULATIONS.—Any regulation issued under section 110(a)(3), as in effect on the day before the date of the enactment of this Act, shall have no force or effect.

RELATIONSHIP TO PAID LEAVE

SEC. 20006.

Section 110(b) is amended—

(1) in paragraph (1)—

(A) in the header, by striking ''10 DAYS'' and inserting ''2 WORKWEEKS''; and

(B) in subparagraph (A), by striking ''10 days'' and inserting ''2 workweeks'';

(C) in subparagraph (B), by inserting, '', including leave provided under section 5102 of the Emergency Paid Sick Leave Act (Public Law 116–127),'' after ''medical or sick leave''; and

(D) by inserting at the end the following:

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''(C) EMPLOYER REQUIREMENT.—An employer may not require an employee to substitute any leave described in subparagraph (B) for leave under section 102(a)(1)(F).

''(D) RELATIONSHIP TO OTHER FAMILY AND MEDICAL LEAVE.—Leave taken under subparagraph (F) of section 102(a)(1) shall not count towards the 12 weeks of leave to which an employee is entitled under subparagraphs (A) through (E) of such section.''; and

(2) in paragraph (2)(A), by striking ''10 days'' and inserting ''2 workweeks''.

WAGE RATE

SEC. 20007.

Section 110(2)(B)(I) is amended to read as follows:

''(I) an amount that is not less than the greater of—

''(aa) the minimum wage rate in effect under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1));

''(bb) the minimum wage rate in effect for such employee in the applicable State or locality,

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whichever is greater, in which the employee is employed; or

''(cc) two thirds of an employee's regular rate of pay (as determined under section 7(e) of the Fair Labor Standards Act of 1938 (29 U.S.C. 207(e)); and''.

NOTICE

SEC. 20008.

Section 110(c) is amended by inserting ''or subsection (a)(2)(A)(iv)'' after ''for the purpose described in subsection (a)(2)(A)(iii)''.

CERTIFICATION

SEC. 20009.

Section 110 is amended by adding at the end the following:

''(e) CERTIFICATION.—

''(1) IN GENERAL.—An employer may require that a request for leave under section 102(a)(1)(F) be supported by documentation described in paragraph (2). An employer may not require such documentation before the date that is 3 weeks after the date on which the employee takes such leave.

''(2) SUFFICIENT CERTIFICATION.—The following documentation shall be sufficient certification:

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''(A) With respect to leave taken for the purposes described in clause (i) or (ii) of subsection (a)(2)(A)—

''(i) a recommendation or order from a public official having jurisdiction or a health care provider that the relevant individual has symptoms of COVID–19 or should be quarantined; or

''(ii) documentation or evidence that the relevant individual has been exposed to COVID–19.

''(B) With respect to leave taken for purposes described in clause (iii) or (iv) of such subsection, notice of closure or unavailability from the school, place of care, child care provider, or direct care provider of the family member.''.

AMENDMENTS TO THE EMERGENCY FAMILY AND MEDICAL LEAVE EXPANSION ACT

SEC. 20010.

The Emergency Family and Medical Leave Expansion Act (Public Law 116–127) is amended—

(1) in section 3103(b), by striking ''Employees'' and inserting, ''Notwithstanding section 102(a)(1)(A) of the Family and Medical Leave Act of 1993 (29 U.S.C. 2612(a)(1)(A)), employees''; and

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(2) by striking sections 3104 and 3105.

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DIVISION C—EMERGENCY PAID SICK LEAVE ACT AMENDMENTS

SEC. 30001. REFERENCES.

Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of division E of the Families First Coronavirus Response Act (Public Law 116–127).

SEC. 30002. PAID SICK TIME REQUIREMENT.

(a) USES.—Section 5102(a) is amended to read as follows:

''(a) IN GENERAL.—An employer shall provide to each employee employed by the employer paid sick time for any of the following uses:

''(1) To self-isolate because the employee is diagnosed with COVID–19.

''(2) To obtain a medical diagnosis or care if such employee is experiencing the symptoms of COVID–19.

''(3) To comply with a recommendation or order by a public official with jurisdiction or a health care provider on the basis that the physical presence of the employee on the job would jeopardize the health of others because of—

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"(A) the exposure of the employee to COVID–19; or

"(B) exhibition of symptoms of COVID–19 by the employee.

"(4) To care for or assist a family member of the employee—

"(A) who—

"(i) is self-isolating because such family member has been diagnosed with COVID–19; or

"(ii) is experiencing symptoms of COVID–19 and needs to obtain medical diagnosis or care.

"(B) with respect to whom a public official with jurisdiction or a health care provider makes a determination that the presence of the family member in the community would jeopardize the health of other individuals in the community because of—

"(i) the exposure of such family member to the COVID–19; or

"(ii) exhibition of symptoms of COVID–19 by such family member.

"(5) To care for the son or daughter of such employee if the school or place of care has been

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closed, or the child care provider of such son or daughter is unavailable, due to COVID–19.''.

(b) EMPLOYERS WITH EXISTING POLICIES.—Section 5102 by adding at the end the following:

''(f) EMPLOYERS WITH EXISTING POLICIES.—With respect to an employer that provides paid leave on the day before the date of enactment of this Act—

''(1) the paid sick time under this Act shall be made available to employees of the employer in addition to such paid leave; and

''(2) the employer may not change such paid leave on or after such date of enactment to avoid being subject to paragraph (1).''.

SEC. 30003. PROHIBITED ACTS.

Section 5104(1) is amended by striking ''and'' at the end and inserting ''or''.

SEC. 30004. SUNSET.

Section 5109 is amended by striking ''December 31, 2020'' and inserting ''December 31, 2021''.

SEC. 30005. DEFINITIONS.

(a) EMPLOYEE.—Section 5110(1)(A)(i) is amended by striking '' paragraph (5)(A)'' and inserting ''paragraph (2)(A)'';

(b) EMPLOYER.—Section 5110(2)(B) is amended—

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(1) by amending subclause (I) of clause (i) to read as follows:

"(I) means any person engaged in commerce or in any industry or activity affecting commerce that employs 1 or more employees;"; and

(2) by amending clause (ii) to read as follows:

"(ii) PUBLIC AGENCY AND NON-PROFIT ORGANIZATIONS.—For purposes of clause (i)(I), a public agency and a non-profit organization shall be considered to be a person engaged in commerce or in an industry or activity affecting commerce.".

(c) FMLA TERMS.—Section 5110(4) is amended to read as follows:

"(4) FMLA TERMS.—The terms 'health care provider', 'next of kin', 'son or daughter', and 'spouse' have the meanings given such terms in section 101 of the Family and Medical Leave Act of 1993 (29 U.S.C. 2611).".

(d) PAID SICK LEAVE.—Section 5110(5) is amended—

(1) in subparagraph (A)—

(A) in clause (i), by striking "section 2(a)" and inserting "section 5102(a)"; and

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(B) in clause (ii), by striking ''exceed'' and all that follows and inserting ''exceed $511 per day and $5,110 in the aggregate.'';

(2) in subparagraph (B)—

(A) by striking the following:

''(B) REQUIRED COMPENSATION.—

''(i) IN GENERAL.—Subject to subparagraph (A)(ii),''; and inserting the following:

''(B) REQUIRED COMPENSATION.—Subject to subparagraph (A)(ii),''; and

(B) by striking clause (ii); and

(3) in subparagraph (C), by striking '' section 2(a)'' and inserting ''section 5102(a)''.

(a) ADDITIONAL DEFINITIONS.—Section 5110 is amended by adding at the end the following:

''(6) DOMESTIC PARTNER.—

''(A) IN GENERAL.—The term 'domestic partner', with respect to an individual, means another individual with whom the individual is in a committed relationship.

''(B) COMMITTED RELATIONSHIP DEFINED.—The term 'committed relationship' means a relationship between 2 individuals, each at least 18 years of age, in which each in-

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dividual is the other individual's sole domestic partner and both individuals share responsibility for a significant measure of each other's common welfare. The term includes any such relationship between 2 individuals that is granted legal recognition by a State or political subdivision of a State as a marriage or analogous relationship, including a civil union or domestic partnership.

''(7) FAMILY MEMBER.—The term 'family member', with respect to an employee, means any of the following:

''(A) A parent of the employee.

''(B) A spouse of the employee.

''(C) A son or daughter of the employee.

''(D) A sibling of the employee;

''(E) A next of kin of the employee or a person for whom the employee is next of kin;

''(F) A grandparent or grandchild of the employee; or

''(G) A domestic partner of the employee.

''(8) FFCRA TERMS.—The terms 'child care provider' and 'school' have the meanings given such terms in section 110(a)(2) of the Family and Medical and Leave Act of 1993.

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''(9) PARENT.—The term 'parent', with respect to an employee, means any of the following:

''(A) A biological, foster, or adoptive parent of the employee.

''(B) A stepparent of the employee.

''(C) A parent-in-law of the employee.

''(D) A parent of a domestic partner of the employee.

''(E) A legal guardian or other person who stood in loco parentis to an employee when the employee was a child.''.

SEC. 30006. REGULATORY AUTHORITIES.

(a) IN GENERAL.—Division E is amended by striking section 5111.

(b) FORCE OR EFFECT OF REGULATIONS.—Any regulation issued under section 5111 of division E of the Families First Coronavirus Response Act (Public Law 116–127), as in effect on the day before the date of the enactment of this Act, shall have no force or effect.

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DIVISION D—COVID–19 WORKERS FIRST PROTECTION ACT OF 2020

SEC. 40001. SHORT TITLE.

This division may be cited as the ''COVID–19 Workers First Protection Act of 2020''.

SEC. 40002. EMERGENCY TEMPORARY AND PERMANENT STANDARDS.

(a) EMERGENCY TEMPORARY STANDARD.—

(1) IN GENERAL.—In consideration of the grave risk presented by COVID–19 and the need to strengthen protections for employees, pursuant to section 6(c)(1) of the Occupational Safety and Health Act of 1970 (29 U.S.C. 655(c)(1)) and notwithstanding the provisions of law and the Executive Order listed in paragraph (7), not later than 7 days after the date of enactment of this Act, the Secretary of Labor shall, in consultation with the Director of the Centers for Disease Control and Prevention, the Director of the National Institute for Occupational Safety and Health, the Commissioner of the Food and Drug Administration, and the persons described in paragraph (2), promulgate an emergency temporary standard to protect from occupational exposure to SARS–CoV–2—

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(A) employees of health care sector employers;

(B) employees of employers in the paramedic and emergency medical services, including such services provided by firefighters and other emergency responders; and

(C) employees in other sectors and occupations whom the Centers for Disease Control and Prevention or the Occupational Safety and Health Administration identifies as having elevated risk.

(2) CONSULTATION.—In developing the standard under this subsection, the Secretary shall consult with professional associations and representatives of the employees in the occupations and sectors described in subparagraphs (A) through (C) of paragraph (1) and the employers of such employees.

(3) ENFORCEMENT DISCRETION.—If the Secretary of Labor determines it is not feasible for an employer to comply with a requirement of the standard promulgated under this subsection (such as a shortage of the necessary personal protective equipment), the Secretary may exercise discretion in the enforcement of such requirement if the employer demonstrates that the employer—

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(A) is exercising due diligence to come into compliance with such requirement; and

(B) is implementing alternative methods and measures to protect employees.

(4) EXTENSION OF STANDARD.—Notwithstanding paragraphs (2) and (3) of section 6(c) of the Occupational Safety and Health Act of 1970 (29 U.S.C. 655(c)), the emergency temporary standard promulgated under this subsection shall be in effect until the date on which the final standard promulgated under subsection (b) is in effect.

(5) STATE PLAN ADOPTION.—With respect to a State with a State plan that has been approved by the Secretary of Labor under section 18 of the Occupational Safety and Health Act of 1970 (29 U.S.C. 667), not later than 14 days after the date of enactment of this Act, such State shall promulgate an emergency temporary standard that is at least as effective in protecting from occupational exposure to SARS–CoV–2 the employees in the occupations and sectors described in subparagraphs (A) through (C) of paragraph (1) as the emergency temporary standard promulgated under this subsection.

(6) EMPLOYER DEFINED.—For purposes of the standard promulgated under this subsection, the

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term ''employer'' under section 3 of the Occupational Safety and Health Act of 1970 (29 U.S.C. 652) includes any State or political subdivision of a State, except for those already subject to the jurisdiction of a State plan approved under Section 18(b) of the Occupational Safety and Health Act of 1970.

(7) INAPPLICABLE PROVISIONS OF LAW AND EXECUTIVE ORDER.—The requirements of chapter 6 of title V, United States Code (commonly referred to as the ''Regulatory Flexibility Act''), subchapter I of chapter 35 of title 44, United States Code (commonly referred to as the ''Paperwork Reduction Act''), and Executive Order 12866 (58 Fed. Reg. 190; relating to regulatory planning and review), as amended, shall not apply to the standard promulgated under this subsection.

(b) PERMANENT STANDARD.—Not later than 24 months after the date of enactment of this Act, the Secretary of Labor shall promulgate a final standard—

(1) to protect employees from occupational exposure to infectious pathogens, including novel pathogens; and

(2) that shall be effective and enforceable in the same manner and to the same extent as a standard

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promulgated under section 6(b) of the Occupational Safety and Health Act of 1970 (29 U.S.C. 655(b)).

(c) REQUIREMENTS.—Each standard promulgated under this section shall—

(1) require the employers of the employees in the occupations and sectors described in subparagraphs (A) through (C) of subsection (a)(1) to develop and implement a comprehensive infectious disease exposure control plan;

(2) provide no less protection for novel pathogens than precautions mandated by standards adopted by a State plan that has been approved by the Secretary of Labor under section 18 of the Occupational Safety and Health Act of 1970 (296 U.S.C. 667); and

(3) incorporate, as appropriate—

(A) guidelines issued by the Centers for Disease Control and Prevention, and the National Institute for Occupational Safety and Health, which are designed to prevent the transmission of infectious agents in healthcare settings; and

(B) relevant scientific research on novel pathogens.

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SEC. 40003. SURVEILLANCE, TRACKING, AND INVESTIGATION OF WORK-RELATED CASES OF COVID–19 AMONG HEALTH CARE WORKERS.

The Director of the Centers for Disease Control and Prevention, in conjunction with the Director of the National Institute for Occupational Safety and Health, shall—

(1) collect and analyze case reports and other data on COVID–19, to identify and evaluate the extent, nature, and source of COVID–19 among employees in the occupations and sectors described in subparagraphs (A) through (C) of section 2(a)(1);

(2) investigate, as appropriate, individual cases of COVID–19 among such employees to evaluate the source of exposure and adequacy of infection and exposure control programs and measures;

(3) provide regular periodic reports on COVID–19 disease among such employees to the public; and

(4) based on such reports and investigations make recommendations on needed actions or guidance to protect such employees from COVID–19.

DIVISION E—COVID–19 WORKFORCE EMERGENCY RESPONSE ACT OF 2020

SEC. 50001. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the .

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SEC. 50002. DEFINITIONS.

In this Act:

(1) CORONAVIRUS.—The term ''coronavirus'' means coronavirus as defined in section 506 of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116–123).

(2) COVID–19 NATIONAL EMERGENCY.—The term ''COVID–19 national emergency'' means the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) on March 13, 2020, with respect to the coronavirus.

(3) SECRETARY.—The term ''Secretary'' means the Secretary of Labor.

(4) WIOA TERMS.—Except as otherwise provided, the terms in this Act have the meanings given the terms in section 3 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3102).

SEC. 50003. WORKFORCE RESPONSE ACTIVITIES.

(a) IN GENERAL.—The purpose of this section is to provide the increased flexibility needed for State and local areas to provide continuity of services during the COVID–19 national emergency.

(b) ADMINISTRATIVE COSTS.—Notwithstanding section 128(b)(4) of the Workforce Innovation and Oppor-

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tunity Act (29 U.S.C. 3163(b)(4)), of the funds allocated to a local area, including a single State local area, under subtitle B of title I of such Act (29 U.S.C. 3151 et seq.) that remain unobligated for program year 2019, an amount up to 20 percent may be used for the administrative costs of carrying out local workforce investment activities under chapter 2 or chapter 3 of subtitle B of title I of such Act (29 U.S.C. 3151 et seq.), as long as any amount used under this subsection that exceeds the amount authorized for administrative costs under section 128(b)(4)(A) of such Act (29 U.S.C. 3163(b)(4)) is used to respond to the COVID–19 national emergency.

(c) RAPID RESPONSE ACTIVITIES.—

(1) STATEWIDE RAPID RESPONSE.—Of the reserved by a Governor under section 128(a) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3163(a)) for statewide activities that remain unobligated for program year 2019, such funds may be used for the statewide rapid response activities described in section 134(a)(2)(A) of such Act (29 U.S.C. 3174(a)(2)(A)) for responding to the COVID–19 national emergency.

(2) LOCAL BOARDS.—Of the funds reserved by a Governor under section 133(a)(2) of such Act (29 U.S.C. 3173(a)(2)) that remain unobligated for pro-

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gram year 2019, such funds may be distributed by the Governor not later than 30 days after the date of enactment of this Act to local boards most impacted by the coronavirus, at the determination of the Governor, for rapid response activities related to responding to the COVID–19 national emergency.

SEC. 50004. NATIONAL DISLOCATED WORKER GRANTS.

(a) IN GENERAL.—The Secretary shall award grants under section 170 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3225) for the purposes—

(1) described subsections (b)(1) and (d) of such section 170 related to the COVID–19 national emergency; and

(2) of responding to subsequent emergency or disasters or mass layoffs as described in section 170(a)(1) of such Act.

(b) COVID–19 NATIONAL EMERGENCY RESPONSE.—

(1) IN GENERAL.—Of funds made available under this section, national dislocated worker grants may be awarded by the Secretary as described in section 170 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3225) to respond to the COVID–19 national emergency.

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(2) USES OF FUNDS.—Any grant awarded under this section shall used for activities directly supporting the response to the COVID–19 national emergency, and recovery efforts related to such emergency, which shall include the following:

(A) TRAINING AND TEMPORARY EMPLOYMENT.—Training and temporary employment to respond to the COVID–19 national emergency, such as positions or assignments—

(i) delivering medicine, food, or other supplies to older individuals, individuals with disabilities, and other individuals with respiratory conditions and other chronic medical disorders;

(ii) helping set up quarantine areas and providing assistance to quarantined individuals, including transportation;

(iii) organizing and coordinating recovery, quarantine, or other related activities;

(iv) cleaning public buildings, public transportation facilities or equipment, or sanitizing quarantine or treatment areas after their use, or other related cleanup or sanitizing activities; and

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(v) in the sector directly responding to the COVID–19 national emergency such as childcare, health care, public service, and transportation.

(B) LAYOFF RESPONSE.—Activities responding to layoffs of 50 or more individuals laid off by one employer, or areas where there are significant layoffs that significantly increase unemployment in a given community, such as in the hospitality, transportation, manufacturing, and retail industry sectors or occupations.

(c) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to State or local areas most impacted by the COVID–19 national emergency as determined by the Secretary.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry this section $500,000,000 to be expended through fiscal year 2022.

SEC. 50005. STATE DISLOCATED WORKER GRANTS RESPONDING TO THE COVID–19 EMERGENCY.

(a) DISTRIBUTION OF FUNDS.—

(1) STATES.—From the amounts appropriated under subsection (d), the Secretary shall make allotments to States in accordance with section 132(b)(2) of the Workforce Innovation and Opportunity Act.

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(2) LOCAL AREAS.—Not later than 30 days after a State receives an allotment under paragraph (1), the State shall allocate such funds to local areas in accordance with section 133(b)(2)(B) of the Workforce Innovation and Opportunity Act.

(b) REQUIRED USES.—Each State and local area shall use the funds received under this section to engage in the dislocated worker response activities described in section 133(b)(2)(B) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3173(b)(2)(B)) to support layoff aversion and provide necessary supports to unemployed individuals and to employers facing layoffs due to the impacts of the COVID–19 national emergency.

(c) COVID–19 DISLOCATED WORKER EMERGENCY RESPONSE.—The dislocated worker response activities shall include the following:

(1) RAPID RESPONSE ACTIVITIES.—The State, in coordination with impacted local areas, shall carry out rapid response activities as described in section 134(a)(2)(A) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174) to engage with employers and employees where layoffs have occurred or are occurring as a result of the COVID–19 national emergency, such as short-time compensation programs.

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(2) DISLOCATED WORKER ACTIVITIES.—Coordinating projects for individuals impacted by mass layoffs as a result of the COVID–19 national emergency, including activities targeted at immediate reemployment, career navigation services, supportive services, provision of information on in-demand and declining industries, access to digital literacy skills training, and other layoff support or further layoff aversion strategies through adult employment and training activities.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the activities described in this section $2,000,000,000 to be expended through the end of fiscal year 2022.

SEC. 50006. YOUTH WORKFORCE INVESTMENT ACTIVITIES RESPONDING TO THE COVID–19 NATIONAL EMERGENCY.

(a) DISTRIBUTION OF FUNDS.—

(1) STATES.—From the amounts appropriated under subsection (d), the Secretary shall make allotments to States in accordance with section 127(b) of the Workforce Innovation and Opportunity Act.

(2) LOCAL AREAS.—Not later than 30 days after a State receives an allotment under paragraph (1), the State shall allocate such funds to local areas

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in accordance with section 128 of the Workforce Innovation and Opportunity Act.

(b) USES OF FUNDS.—

(1) IN GENERAL.—In using the funds received under this section, each State and local area shall prioritize providing summer and year-round employment for youth, especially for youth age 21 and under, who may be disproportionately impacted by diminished labor market opportunities for summer jobs or year round employment due to the economic impacts of the COVID–19 national emergency.

(2) YOUTH WORKFORCE INVESTMENT ACTIVITIES.—

(A) SUMMER EMPLOYMENT OPPORTUNITIES FOR AT-RISK YOUTH.—Of the funds received under this section, not less than 50 percent of funds shall be used to support summer youth employment for in-school and out-of-school youth with a priority for out-of-school youth and youth with multiple barriers to employment, and shall include support for employer partnerships for youth employment and subsidized youth employment.

(B) OTHER ACTIVITIES.—Any amounts not used to carry out the activities described in sub-

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paragraph (A) shall be used by State and local boards for purposes of—

(i) supporting in-school and out-of-school youth attach or reattach to education and career pathways

(ii) education and training activities to support credential attainment;

(iii) subsidized employment;

(iv) work-readiness training and educational programs aligned to career pathways;

(v)(I) engage or establish industry or sector partnerships to determine job needs for youth employment; and

(II) conducting outreach to youth and employers;

(vi) coaching and mentoring services for participating youth, including career exploration, career counseling, career planning, and college planning services for participating youth;

(vii) coaching and mentoring services for employers on how to successfully employ each participating youth in meaningful work;

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(viii) providing supportive services to youth to enable participation in the program, including follow-up services for not less than 12 months after the completion of participation, as appropriate;

(ix) coordinating activities under this section with State and local education agencies around academic calendars in response to the COVID–19 national emergency; and

(x) the activities described in section 129(b) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3164).

(c) GENERAL PROVISIONS.—

(1) LOCAL PLAN.—Activities carried out under this section shall not conflict with the local plan submitted by the local board under section 108 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3123), as determined by the Governor.

(2) EMPLOYER SHARE OF WAGES.—Any funds dedicated to youth placement in summer or year-round employment under this section shall require not less than 25 percent of the wages of each eligible youth participating in the program to be paid by the employer, except this requirement may be waived for

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not more than 10 percent of eligible youth participating in the program that have a barrier to employment, which may waived for employers facing financial hardship due to the COVID–19 national emergency.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the activities described in this section $1,500,000,000 to be expended through the end of fiscal year 2022.

SEC. 50007. ADULT EMPLOYMENT AND TRAINING ACTIVITIES RESPONDING TO THE COVID–19 NATIONAL EMERGENCY.

(a) DISTRIBUTION OF FUNDS.—

(1) STATES.—From the amounts appropriated under subsection (d), the Secretary shall make allotments to States in accordance with section 132(b)(1) of the Workforce Innovation and Opportunity Act.

(2) LOCAL AREAS.—Not later than 30 days after a State receives an allotment under paragraph (1), the State shall allocate such funds to local areas in accordance with section 128 of the Workforce Innovation and Opportunity Act.

(b) USES OF FUNDS.—

(1) IN GENERAL.—Each State and local area shall use the funds received under this section to en-

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gage in adult employment and training activities as described in section 134 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174) to provide necessary supports to workers underemployed or most at-risk of unemployment, and coordinate with employers facing economic hardship or employment challenges due to the economic impacts of the COVID–19 national emergency.

(2) COVID–19 ADULT EMPLOYMENT AND TRAINING ACTIVITIES.—

(A) PRIORITY.—In using funds received under this section, a State and local area shall prioritize training and employment and layoff aversion strategies and services for workers and employers facing economic hardships due to the COVID–19 national emergency, including supportive services and career planning by carrying out the activities described in subparagraphs (B) and (C).

(B) SERVICES TO EMPLOYERS IMPACTED BY THE COVID–19 NATIONAL EMERGENCY.—The activities described in this subparagraph are activities supporting employee retention strategies for employers facing economic hardship as a result of the COVID–19 national

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emergency, such as on-the-job training, customized training, and incumbent worker training, with funds used to reimburse employers for 50 percent of wages while incumbent workers are in training, and Short-Time Compensation programs.

(C) UNDEREMPLOYMENT AND EMPLOYMENT SUPPORTS.—The activities described in this subparagraph are activities supporting strategies to provide support to workers facing underemployment, individuals seeking work, or who are adversely impacted by economic changes within their communities due to the COVID–19 national emergency, including—

(i) work-based learning opportunities including internships, paid work experience opportunities, transitional employment, or apprenticeships;

(ii) career navigation supports to enable workers to find new potential pathways to in-demand careers and the necessary training to support those career pathways;

(iii) provision of virtual services and employment and training activities during

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the period of the COVID–19 national emergency; and

(iv) other services and activities as described under section 134 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3174).

(c) LOCAL PLAN.—Activities carried out under this section shall not conflict with the local plan submitted by the local board under section 108 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3123), as determined by the Governor.

(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this section $1,000,000,000 to be expended through the end of fiscal year 2022.

SEC. 50008. EMPLOYMENT SERVICE COVID–19 NATIONAL EMERGENCY RESPONSE FUND.

(a) IN GENERAL.—From the funds appropriated under subsection (c), the Secretary make allotments to States in accordance with section 6 of the Wagner-Peyser Act (29 U.S.C. 49e)

(b) USES OF FUNDS.—Funds under this section will provide States additional supports for supporting employment service public employees in providing reemployment services for unemployed and underemployed workers em-

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ployers impacted by the COVID–19 national emergency, including those receiving unemployment insurance as a result of the emergency, providing for services such as reemployment services, job search assistance, job matching services based on experience of workers, and helping employers dealing with layoffs.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out the activities described in this section $50,000,000 to be expended through the end of fiscal year 2022 and distributed as described in.

SEC. 50009. GENERAL PROVISION.

(a) SUPPLEMENT AND NOT SUPPLANT.—Any funds made available for this Act shall supplement and not supplant other State or local public funds expended for employment and training programs or other activities funded under the Workforce Innovation and Opportunity Act (29 U.S.C. 3164).

(b) EVALUATIONS.—All activities carried out under this Act shall be subject to—

(1) performance accountability as described in section 116 of the Workforce Innovation and Opportunity Act (29 U.S.C. 3141); and

(2) rigorous evaluation of such program using research approaches appropriate to the level of de-

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velopment and maturity of the program, including random assignment or quasi-experimental impact evaluations, implementation evaluations, pre-experimental studies, and feasibility studies.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated such sums as necessary for Program Administration and Departmental Management of the Department of Labor to support the administration of the funds for this Act.

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DIVISION F—FAMILY SUPPORT PROVISIONS

SEC. 60001. CONTINUED SAFE OPERATION OF CHILD WELFARE PROGRAMS AND SUPPORT FOR OLDER FOSTER YOUTH.

(a) FUNDING INCREASES.—

(1) GENERAL PROGRAM.—The dollar amount specified in section 477(h)(1) of the Social Security Act for fiscal year 2020 is deemed to be $185,900,000.

(2) EDUCATION AND TRAINING VOUCHERS.—The dollar amount specified in section 477(h)(2) of such Act for fiscal year 2020 is deemed to be $78,000,000.

(b) PROGRAMMATIC FLEXIBILITY.—With respect to the period that begins on March 1, 2020, and ends with the close of calendar year 2020:

(1) ELIMINATION OF AGE LIMITATIONS ON ELIGIBILITY FOR ASSISTANCE.—Eligibility for services or assistance under a State program operated pursuant to section 477 of the Social Security Act shall be provided without regard to the age of the recipient.

(2) SUSPENSION OF WORK AND EDUCATION REQUIREMENTS UNDER THE EDUCATION AND TRAIN-

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ING VOUCHER PROGRAM.—Section 477(i)(3) of the Social Security Act shall be applied and administered without regard to any work or education requirement.

(3) AUTHORITY TO WAIVE LIMITATION ON PERCENTAGE OF FUNDS USED FOR HOUSING ASSISTANCE.—The Secretary of Health and Human Services (in this subsection referred to as the ''Secretary'') may apply and administer section 477 of the Social Security Act without regard to subsection (b)(3)(B) of such section.

(4) AUTHORITY TO WAIVE RULES CONFLICTING WITH NEEDED ASSISTANCE AND SERVICES.—The Secretary may waive any requirement imposed by or under part B or E of title IV of the Social Security Act (including any limitation on the ability of contractors pursuant to such part B or E to apply for no-cost contract extensions) that the Secretary deems to be in conflict with using funds made available pursuant to this section or other statutes for the provision of financial, education, work, housing, and other assistance and services needed in response to the public health emergency declared by the Secretary pursuant to section 319 of the Public Health Service Act on January 31, 2020, entitled ''Deter-

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mination that a Public Health Emergency Exists Nationwide as the Result of the 2019 Novel Coronavirus''.

(5) AUTHORITY OF STATES TO DETERMINE HOW DAILY ACTIVITIES MAY BE CONDUCTED REMOTELY.—The Secretary may allow a State to determine how daily activities under the State plan developed under part B of title IV of the Social Security Act and the State program funded under section 477 of such Act may be conducted through electronic means to comply with public health guidelines relating to social distancing, including conducting any required court proceedings pertaining to children in care. In making any such determination, the State shall work to ensure that the safety and health of each child in care remains paramount.

(6) COUNTING OF REMOTE CASEWORKER VISITS AS IN-PERSON VISITS.—In the case of a foster child who has attained 18 years of age and with respect to whom foster care maintenance payments are being made under a State plan approved under part E of title IV of the Social Security Act, caseworker contact with the child that includes visual and auditory contact and which is conducted solely by electronic means is deemed an in-person visit to the

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child by the caseworker for purposes of section 424(f)(1)(A) of such Act if the child is visited by the caseworker in person not less than once every 6 months while in such care.

(7) ELIMINATION OF EDUCATION AND EMPLOYMENT REQUIREMENTS FOR CERTAIN FOSTER YOUTH.—The Secretary may waive the applicability of subclauses (I) through (IV) of section 475(8)(B)(iv) of the Social Security Act.

(c) STATE DEFINED.—In subsection (a), the term ''State'' has the meaning given the term in section 1101(a) of the Social Security Act for purposes of title IV of the Social Security Act, and includes an Indian tribe, tribal organization, or tribal consortium with an application and plan approved under this section 477(j) of such Act for fiscal year 2020.

SEC. 60002. ALLOWING HOME VISITING PROGRAMS TO CONTINUE SERVING FAMILIES SAFELY.

(a) IN GENERAL.—For purposes of section 511 of the Social Security Act, during the period that begins on February 1, 2020, and ends with the close of calendar year 2020—

(1) a virtual home visit shall be considered a home visit;

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(2) funding for, and staffing levels of, a program conducted pursuant to such section shall not be reduced on account of reduced enrollment in the program; and

(3) funds provided for such a program may be used—

(A) to train home visitors in conducting a virtual home visit and in emergency preparedness and response planning for families served;

(B) for the acquisition by families enrolled in the program of such technological means as are needed to conduct and support a virtual home visit; and

(C) to provide emergency supplies (such as diapers, formula, non-perishable food, water, hand soap and hand sanitizer) to families served.

(b) VIRTUAL HOME VISIT DEFINED.—In subsection (a), the term ''virtual home visit'' means a visit that is conducted solely by electronic means.

(c) AUTHORITY TO DELAY DEADLINES.—

(1) IN GENERAL.—The Secretary of Health and Human Services may extend the deadline by which a requirement of section 511 of the Social Security

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Act must be met, by such period of time as the Secretary deems appropriate.

(2) GUIDANCE.—The Secretary shall provide to eligible entities funded under section 511 of the Social Security Act information on the parameters used in extending a deadline under paragraph (1) of this subsection.

SEC. 60003. EMERGENCY FLEXIBILITY FOR CHILD SUPPORT PROGRAMS.

(a) IN GENERAL.—With respect to the period that begins on March 1, 2020, and ends with the close of calendar year 2021:

(1) The Secretary of Health and Human Services (in this subsection referred to as the ''Secretary'') may increase any percentage in effect for purposes of section 455(a)(1) of the Social Security Act to not more than 100 percent.

(2) On application of an Indian tribe therefor, the Secretary may waive any matching funds requirement imposed on the tribe under section 455(f) of such Act.

(3) Paragraphs (2) and (8) of section 409(a) of such Act shall have no force or effect.

(4) The Secretary may exempt a State from any requirement of section 466 of such Act.

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(5) The Secretary may not impose a penalty or take any other adverse action against a State pursuant to section 452(g)(1) of such Act for failure to achieve a paternity establishment percentage of less than 90 percent.

(6) The Secretary may not find that the paternity establishment percentage for a State is not based on reliable data for purposes of section 452(g)(1) of such Act, and the Secretary may not determine that the data which a State submitted pursuant to section 452(a)(4)(C)(i) of such Act and which is used in determining a performance level is not complete or reliable for purposes of section 458(b)(5)(B) of such Act, on the basis of the failure of the State to submit OCSE Form 396 or 34 in a timely manner.

(7) The Secretary may not impose a penalty or take any other adverse action against a State for failure to comply with section 454A(g)(1)(A)(i) of such Act.

(8) The Secretary may not disapprove a State plan submitted pursuant to part D of title IV of such Act for failure of the plan to meet the requirement of section 454(1) of such Act, and may not impose a penalty or take any other adverse action

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against a State with such a plan that meets that requirement for failure to comply with that requirement.

(9) To the extent that a preceding provision of this section applies with respect to a provision of law applicable to a program operated by an Indian tribe or tribal organization (as defined in subsections (e) and (l) of section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)), that preceding provision shall apply with respect to the Indian tribe or tribal organization.

(b) STATE DEFINED.—In subsection (a), the term ''State'' has the meaning given the term in section 1101(a) of the Social Security Act for purposes of title IV of such Act.

SEC. 60004. EMERGENCY FLEXIBILITY FOR STATE TANF PROGRAMS.

(a) STATE PROGRAMS.—Sections 407 and 408(a)(7) of the Social Security Act shall have no force or effect during the applicable period, and paragraphs (3), (9), (14), and (15) of section 409(a) of such Act shall not apply with respect to conduct engaged in during the period.

(b) TRIBAL PROGRAMS.—The minimum work participation requirements and time limits established under sec-

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tion 412(c) of the Social Security Act shall have no force or effect during the applicable period, and the penalties established under such section shall not apply with respect to conduct engaged in during the period.

(c) PENALTY FOR NONCOMPLIANCE.—

(1) IN GENERAL.—If the Secretary of Health and Human Services finds that a State or an Indian tribe has imposed a work requirement as a condition of receiving assistance, or a time limit on the provision of assistance, under a program funded under part A of title IV of the Social Security Act or any program funded with qualified State expenditures (as defined in section 409(a)(7)(B)(i) of such Act) during the applicable period, or has imposed a penalty for failure to comply with a work requirement during the period, the Secretary shall reduce the grant payable to the State under section 403(a)(1) of such Act or the grant payable to the tribe under section 412(a)(1) of such Act, as the case may be, for fiscal year 2021 by an amount equal to 5 percent of the State or tribal family assistance grant, as the case may be.

(2) APPLICABILITY OF CERTAIN PROVISIONS.—For purposes of subsections (c) and (d) of section 409 of the Social Security Act, paragraph (1) of this

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subsection shall be considered to be included in section 409(a) of such Act.

(d) DEFINITIONS.—In this section:

(1) APPLICABLE PERIOD.—The term ''applicable period'' means the period that begins on March 1, 2020, and ends with the close of calendar year 2020.

(2) WORK REQUIREMENT.—The term ''work requirement'' means a requirement to engage in a work activity (as defined in section 407(d) of the Social Security Act).

(3) OTHER TERMS.—Each other term has the meaning given the term in section 419 of the Social Security Act.

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DIVISION G—HEALTH PROVISIONS

TITLE ____—CHILD CARE FOR ESSENTIAL WORKERS

SEC. 7___01. STATE FUNDING TO ENSURE THAT ESSENTIAL WORKERS CAN ACCESS CHILD CARE.

(a) INCREASE IN FUNDING.—

(1) IN GENERAL.—The amount specified in subsection (c) of section 2003 of the Social Security Act for purposes of subsections (a) and (b) of such section is deemed to be $2,550,000,000 for fiscal year 2020, of which $850,000,000 shall be obligated by States during calendar year 2020 in accordance with subsection (b) of this section.

(2) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $850,000,000 for fiscal year 2020 to carry out this section.

(b) RULES GOVERNING USE OF ADDITIONAL FUNDS.—

(1) IN GENERAL.—Funds are used in accordance with this subsection if—

(A) the funds are used for—

(i) child care services for a child of an essential worker; or

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(ii) daytime care services or other adult protective services for an individual who—

(I) is a dependent, or a member of the household of, an essential worker; and

(II) requires the services;

(B) the funds are provided to reimburse an essential worker for the cost of obtaining the services (including child care services obtained on or after the date the Secretary of Health and Human Services declared a public health emergency pursuant to section 319 of the Public Health Service Act on January 31, 2020, entitled ''Determination that a Public Health Emergency Exists Nationwide as the Result of the 2019 Novel Coronavirus''), to a provider of child care services, or to establish a temporary child care facility operated by a State or local government;

(C) eligibility for the funds or services, and the amount of funds or services provided, is not conditioned on a means test;

(D) the funds are used subject to the limitations in section 2005 of the Social Security

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Act, except that, for purposes of this subparagraph—

(i) paragraphs (3), (5), and (8) of section 2005(a) of such Act shall not apply; and

(ii)(I) the limitation in section 2005(a)(7) of such Act shall not apply with respect to any standard which the State involved determines would impede the ability of the State to provide emergency temporary care to a child, dependent, or household member referred to in subparagraph (A) of this paragraph; and

(II) if the State determines that such a standard would be so impeding, the State shall report the determination to the Secretary, separately from the annual report to the Secretary by the State;

(E) the funds are used to supplement, not supplant, State general revenue funds for child care assistance;

(F) the funds are not used for child care costs that are—

(i) covered by funds provided under the Child Care and Development Block

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Grant Act of 1990 or section 418 of the Social Security Act; or

(ii) reimbursable by the Federal Emergency Management Agency; and

(G) the funds are used in consultation with the lead agency for administration of the Child Care and Development Fund.

(2) ESSENTIAL WORKER DEFINED.—In paragraph (1), the term ''essential worker'' means—

(A) a health sector employee;

(B) an emergency response worker;

(C) a sanitation worker;

(D) a worker at a business which a State or local government official has determined must remain open to serve the public during the emergency referred to in paragraph (1)(B); and

(E) any other worker who cannot telework, and whom the State deems to be essential during the emergency referred to in paragraph (1)(B).

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DIVISION H—EMERGENCY CORONAVIRUS PANDEMIC UNEMPLOYMENT COMPENSATION ACT OF 2020

SEC. 80001. SHORT TITLE.

This division may be cited as the .

SEC. 80002. TABLE OF CONTENTS.

The table of contents for this division is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.

TITLE I—FEDERAL BENEFIT ENHANCEMENTS

Sec. 101. Emergency increase in unemployment compensation benefits.
Sec. 102. Temporary financing of short-time compensation payments in States with programs in law.
Sec. 103. Temporary financing of short-time compensation agreements.
Sec. 104. Emergency flexibility for short-time compensation.
Sec. 105. Grants for short-time compensation programs.
Sec. 106. Emergency extended benefit period for 2020.

TITLE II—EXPANDED ELIGIBILITY FOR UNEMPLOYMENT COMPENSATION

Sec. 201. Pandemic Self-Employment and Job Entrant Compensation.

TITLE III—RELIEF FOR GOVERNMENTAL AND NONPROFIT ENTITIES

Sec. 301. Emergency unemployment relief for governmental entities and nonprofit organizations.

TITLE IV—EMERGENCY ASSISTANCE FOR RAIL WORKERS

Sec. 401. Treatment of payments from the Railroad Unemployment Insurance Account.
Sec. 402. Waiver of the 7-day waiting period for benefits under the Railroad Unemployment Insurance Act.
Sec. 403. Enhanced benefits under the Railroad Unemployment Insurance Act.

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TITLE I—FEDERAL BENEFIT ENHANCEMENTS

SEC. 80101. EMERGENCY INCREASE IN UNEMPLOYMENT COMPENSATION BENEFITS.

(a) FEDERAL-STATE AGREEMENTS.—Any State which desires to do so may enter into and participate in an agreement under this section with the Secretary of Labor (hereinafter in this section referred to as the ''Secretary''). Any State which is a party to an agreement under this section may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—

(1) IN GENERAL.—Any agreement under this section shall provide the following:

(A) FEDERAL PANDEMIC UNEMPLOYMENT COMPENSATION.—The State agency of the State will make payments of regular compensation to individuals in amounts and to the extent that they would be determined if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise entitled under the State law to receive regular compensation, as if such State law had been modified in a manner such that the amount of regular compensation (in-

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cluding dependents' allowances) payable for any week shall be equal to—

(i) the amount determined under the State law (before the application of this paragraph), plus

(ii) an additional amount of $600 (in this section referred to as ''Federal Pandemic Unemployment Compensation'').

(B) FEDERAL PANDEMIC SHORT-TIME COMPENSATION.—In the case of a State that provides under the State law for the payment of short-time compensation under a short-time compensation program (as defined in section 3306(v) of the Internal Revenue Code of 1986), the State agency of the State will make payments of compensation (as defined in subsection (h) of such section) to employees participating in such program in amounts and to the extent that they would be determined under such program if the State law of the State were applied, with respect to any week for which the individual is (disregarding this section) otherwise eligible under the program under the State law to receive such compensation, as if such State law had been modified in a manner such that

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the amount of compensation payable for any week shall be equal to the amount determined under the State law (before the application of this paragraph) plus $300 (in this section referred to as ''Federal Pandemic Short-Time Compensation'').

(2) ALLOWABLE METHODS OF PAYMENT.—Any Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation provided for in accordance with paragraph (1) shall be payable either—

(A) as an amount which is paid at the same time and in the same manner as any compensation otherwise payable for the week involved; or

(B) at the option of the State, by payments which are made separately from, but on the same weekly basis as, any compensation otherwise payable.

(c) NONREDUCTION RULE.—An agreement under this section shall not apply (or shall cease to apply) with respect to a State upon a determination by the Secretary that the method governing the computation of regular compensation under the State law of that State has been modified in a manner such that the maximum benefit enti-

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tlement and the average weekly benefit amount of regular compensation (or short-time compensation in the case of a State described in subsection (b)(1)(B)) which will be payable during the period of the agreement (determined disregarding any Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation) will be less than the maximum benefit entitlement and the average weekly benefit amount of regular compensation (or short-time compensation) which would otherwise have been payable during such period under the State law, as in effect on January 1, 2020.

(d) PAYMENTS TO STATES.—

(1) IN GENERAL.—

(A) FULL REIMBURSEMENT.—There shall be paid to each State which has entered into an agreement under this section an amount equal to 100 percent of—

(i) the total amount of Federal Pandemic Unemployment Compensation paid to individuals by the State pursuant to such agreement;

(ii) the total amount of Federal Pandemic Short-Time Compensation paid to individuals by the State pursuant to such agreement; and

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(iii) any additional administrative expenses incurred by the State by reason of such agreement (as determined by the Secretary).

(B) TERMS OF PAYMENTS.—Sums payable to any State by reason of such State's having an agreement under this section shall be payable, either in advance or by way of reimbursement (as determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this section for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(2) CERTIFICATIONS.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section.

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(3) APPROPRIATION.—There are appropriated from the general fund of the Treasury, without fiscal year limitation, such sums as may be necessary for purposes of this subsection.

(e) APPLICABILITY.—

(1) IN GENERAL.—An agreement entered into under this section shall apply to weeks of unemployment—

(A) beginning on or after March 13, 2020; and

(B) ending on or before January 1, 2021.

(2) TRANSITION RULE FOR INDIVIDUALS REMAINING ENTITLED TO REGULAR COMPENSATION AS OF JUNE 30, 2021.—In the case of any individual who, as of the date specified in paragraph (1)(B), has not yet exhausted all rights to regular compensation under the State law of a State with respect to a benefit year that began before such date (or short-time compensation in the case of a State described in subsection (b)(1)(B)), Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation (as the case may be) shall continue to be payable to such individual for any week beginning on or after such date for which the individual is otherwise eligible for regular

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compensation (or short-time compensation) with respect to such benefit year.

(3) TERMINATION.—Notwithstanding any other provision of this subsection, no Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation shall be payable for any week beginning after June 30, 2021.

(f) FRAUD AND OVERPAYMENTS.—

(1) IN GENERAL.—If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation to which such individual was not entitled, such individual—

(A) shall be ineligible for further Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation; and

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(B) shall be subject to prosecution under section 1001 of title 18, United States Code.

(2) REPAYMENT.—In the case of individuals who have received amounts of Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation to which they were not entitled, the State shall require such individuals to repay the amounts of such Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(A) the payment of such Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation was without fault on the part of any such individual; and

(B) such repayment would be contrary to equity and good conscience.

(3) RECOVERY BY STATE AGENCY.—

(A) IN GENERAL.—The State agency may recover the amount to be repaid, or any part thereof, by deductions from any Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation payable to such individual or from any unemployment

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compensation payable to such individual under any State or Federal unemployment compensation law administered by the State agency or under any other State or Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation to which they were not entitled, in accordance with the same procedures as apply to the recovery of overpayments of regular unemployment benefits paid by the State.

(B) OPPORTUNITY FOR HEARING.—No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(4) REVIEW.—Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensa-

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tion law, and only in that manner and to that extent.

(g) APPLICATION TO OTHER UNEMPLOYMENT BENEFITS.—

(1) IN GENERAL.—Each agreement under this section shall include provisions to provide that the purposes of the preceding provisions of this section shall be applied with respect to unemployment benefits described in subsection (i)(3) to the same extent and in the same manner as if those benefits were regular compensation.

(2) ELIGIBILITY AND TERMINATION RULES.—Federal Pandemic Unemployment Compensation—

(A) shall not be payable, pursuant to this subsection, with respect to any unemployment benefits described in subsection (i)(3) for any week beginning on or after the date specified in subsection (e)(1)(B), except in the case of an individual who was eligible to receive Federal Pandemic Unemployment Compensation in connection with any regular compensation or any unemployment benefits described in subsection (i)(3) for any period of unemployment ending before such date; and

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(B) shall in no event be payable for any week beginning after the date specified in subsection (e)(3).

(h) TREATMENT OF FEDERAL PANDEMIC UNEMPLOYMENT COMPENSATION AND FEDERAL PANDEMIC SHORT-TIME COMPENSATION PAYMENTS.—

(1) PAYMENT TO BE DISREGARDED FOR PURPOSES OF ALL FEDERAL AND FEDERALLY ASSISTED PROGRAMS.—A Federal Pandemic Unemployment Compensation or Federal Pandemic Short-Time Compensation payment shall not be regarded as income and shall not be regarded as a resource for the month of receipt and the following 9 months, for purposes of determining the eligibility of the recipient (or the recipient's spouse or family) for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

(i) DEFINITIONS.—For purposes of this section—

(1) the terms ''compensation'', ''regular compensation'', ''benefit year'', ''State'', ''State agency'', ''State law'', and ''week'' have the respective meanings given such terms under section 205 of the Fed-

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eral-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note);

(2) the term ''maximum benefit entitlement'' means the amount of regular compensation payable to an individual with respect to the individual's benefit year; and

(3) any reference to unemployment benefits described in this paragraph shall be considered to refer to—

(A) extended compensation (as defined by section 205 of the Federal-State Extended Unemployment Compensation Act of 1970); and

(B) unemployment compensation (as defined by section 85(b) of the Internal Revenue Code of 1986) provided under any program administered by a State under an agreement with the Secretary.

SEC. 80102. TEMPORARY FINANCING OF SHORT-TIME COMPENSATION PAYMENTS IN STATES WITH PROGRAMS IN LAW.

(a) PAYMENTS TO STATES.—

(1) IN GENERAL.—Subject to paragraph (3), there shall be paid to a State an amount equal to 100 percent of the amount of short-time compensation paid under a short-time compensation program

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(as defined in section 3306(v) of the Internal Revenue Code of 1986) under the provisions of the State law.

(2) TERMS OF PAYMENTS.—Payments made to a State under paragraph (1) shall be payable by way of reimbursement in such amounts as the Secretary estimates the State will be entitled to receive under this section for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(3) LIMITATIONS ON PAYMENTS.—

(A) GENERAL PAYMENT LIMITATIONS.—No payments shall be made to a State under this section for short-time compensation paid to an individual by the State during a benefit year in excess of 26 times the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for a week of total unemployment.

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(B) EMPLOYER LIMITATIONS.—No payments shall be made to a State under this section for benefits paid to an individual by the State under a short-time compensation program if such individual is employed by the participating employer on a seasonal, temporary, or intermittent basis.

(b) APPLICABILITY.—Payments to a State under subsection (a) shall be available for weeks of unemployment—

(1) beginning on or after March 13, 2020; and

(2) ending on or before December 31, 2020.

(c) NEW PROGRAMS.—Subject to paragraphs (1)(B) and (2) of subsection (b), if at any point after the date of the enactment of this Act the State enacts a State law providing for the payment of short-time compensation under a short-time compensation program that meets the definition of such a program under section 3306(v) of the Internal Revenue Code of 1986, the State shall be eligible for payments under this section after the effective date of such enactment.

(d) FUNDING AND CERTIFICATIONS.—

(1) FUNDING.—There are appropriated, out of moneys in the Treasury not otherwise appropriated,

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such sums as may be necessary for purposes of carrying out this section.

(2) CERTIFICATIONS.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section.

(e) DEFINITIONS.—In this section:

(1) SECRETARY.—The term ''Secretary'' means the Secretary of Labor.

(2) STATE; STATE AGENCY; STATE LAW.—The terms ''State'', ''State agency'', and ''State law'' have the meanings given those terms in section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

(f) TECHNICAL CORRECTION TO DEFINITION.—Section 3306(v)(6) of the Internal Revenue Code of 1986 (26 U.S.C. 3306) is amended by striking ''Workforce Investment Act of 1998'' and inserting ''Workforce Innovation and Opportunity Act''.

SEC. 80103. TEMPORARY FINANCING OF SHORT-TIME COMPENSATION AGREEMENTS.

(a) FEDERAL-STATE AGREEMENTS.—

(1) IN GENERAL.—Any State which desires to do so may enter into, and participate in, an agreement under this section with the Secretary provided

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that such State's law does not provide for the payment of short-time compensation under a short-time compensation program (as defined in section 3306(v) of the Internal Revenue Code of 1986).

(2) ABILITY TO TERMINATE.—Any State which is a party to an agreement under this section may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF FEDERAL-STATE AGREEMENT.—

(1) IN GENERAL.—Any agreement under this section shall provide that the State agency of the State will make payments of short-time compensation under a plan approved by the State. Such plan shall provide that payments are made in accordance with the requirements under section 3306(v) of the Internal Revenue Code of 1986.

(2) LIMITATIONS ON PLANS.—

(A) GENERAL PAYMENT LIMITATIONS.—A short-time compensation plan approved by a State shall not permit the payment of short-time compensation to an individual by the State during a benefit year in excess of 26 times the amount of regular compensation (including dependents' allowances) under the State law pay-

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able to such individual for a week of total unemployment.

(B) EMPLOYER LIMITATIONS.—A short-time compensation plan approved by a State shall not provide payments to an individual if such individual is employed by the participating employer on a seasonal, temporary, or intermittent basis.

(3) EMPLOYER PAYMENT OF COSTS.—Any short-time compensation plan entered into by an employer must provide that the employer will pay the State an amount equal to one-half of the amount of short-time compensation paid under such plan. Such amount shall be deposited in the State's unemployment fund and shall not be used for purposes of calculating an employer's contribution rate under section 3303(a)(1) of the Internal Revenue Code of 1986.

(c) PAYMENTS TO STATES.—

(1) IN GENERAL.—There shall be paid to each State with an agreement under this section an amount equal to—

(A) one-half of the amount of short-time compensation paid to individuals by the State pursuant to such agreement; and

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(B) any additional administrative expenses incurred by the State by reason of such agreement (as determined by the Secretary).

(2) TERMS OF PAYMENTS.—Payments made to a State under paragraph (1) shall be payable by way of reimbursement in such amounts as the Secretary estimates the State will be entitled to receive under this section for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(3) FUNDING.—There are appropriated, out of moneys in the Treasury not otherwise appropriated, such sums as may be necessary for purposes of carrying out this section.

(4) CERTIFICATIONS.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section.

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(d) APPLICABILITY.—An agreement entered into under this section shall apply to weeks of unemployment—

(1) beginning on or after March 13, 2020; and

(2) ending on or before December 31, 2020.

(e) SPECIAL RULE.—If a State has entered into an agreement under this section and subsequently enacts a State law providing for the payment of short-time compensation under a short-time compensation program that meets the definition of such a program under section 3306(v) of the Internal Revenue Code of 1986, the State—

(1) shall not be eligible for payments under this section for weeks of unemployment beginning after the effective date of such State law; and

(2) subject to paragraphs (1)(B) and (2) of section 2(b), shall be eligible to receive payments under section 2 after the effective date of such State law.

(f) DEFINITIONS.—In this section:

(1) SECRETARY.—The term ''Secretary'' means the Secretary of Labor.

(2) STATE; STATE AGENCY; STATE LAW.—The terms ''State'', ''State agency'', and ''State law'' have the meanings given those terms in section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

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SEC. 80104. EMERGENCY FLEXIBILITY FOR SHORT-TIME COMPENSATION.

Notwithstanding any other law, if a State modifies its unemployment compensation law and policies with respect to availability for work and work search test requirements for short-time compensation on an emergency temporary basis as needed to respond to the spread of COVID–19, such modifications shall be disregarded for the purposes of applying section 303 of the Social Security Act and section 3306(v)(5) of the Internal Revenue Code of 1986 to such State law.

SEC. 80105. GRANTS FOR SHORT-TIME COMPENSATION PROGRAMS.

(a) GRANTS.—

(1) FOR IMPLEMENTATION OR IMPROVED ADMINISTRATION.—The Secretary shall award grants to States that enact short-time compensation programs (as defined in subsection (i)(2)) for the purpose of implementation or improved administration of such programs.

(2) FOR PROMOTION AND ENROLLMENT.—The Secretary shall award grants to States that are eligible and submit plans for a grant under paragraph (1) for such States to promote and enroll employers in short-time compensation programs (as so defined).

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(3) ELIGIBILITY.—

(A) IN GENERAL.—The Secretary shall determine eligibility criteria for the grants under paragraphs (1) and (2).

(B) CLARIFICATION.—A State administering a short-time compensation program that does not meet the definition of a short-time compensation program under section 3306(v) of the Internal Revenue Code of 1986, and a State with an agreement under section 3, shall not be eligible to receive a grant under this section until such time as the State law of the State provides for payments under a short-time compensation program that meets such definition and such law.

(b) AMOUNT OF GRANTS.—

(1) IN GENERAL.—The maximum amount available for making grants to a State under paragraphs (1) and (2) shall be equal to the amount obtained by multiplying $100,000,000 (less the amount used by the Secretary under subsection (e)) by the same ratio as would apply under subsection (a)(2)(B) of section 903 of the Social Security Act (42 U.S.C. 1103) for purposes of determining such State's share of any excess amount (as described in sub-

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section (a)(1) of such section) that would have been subject to transfer to State accounts, as of October 1, 2019, under the provisions of subsection (a) of such section.

(2) AMOUNT AVAILABLE FOR DIFFERENT GRANTS.—Of the maximum incentive payment determined under paragraph (1) with respect to a State—

(A) one-third shall be available for a grant under subsection (a)(1); and

(B) two-thirds shall be available for a grant under subsection (a)(2).

(c) GRANT APPLICATION AND DISBURSAL.—

(1) APPLICATION.—Any State seeking a grant under paragraph (1) or (2) of subsection (a) shall submit an application to the Secretary at such time, in such manner, and complete with such information as the Secretary may require. In no case may the Secretary award a grant under this section with respect to an application that is submitted after December 31, 2020.

(2) NOTICE.—The Secretary shall, within 30 days after receiving a complete application, notify the State agency of the State of the Secretary's findings with respect to the requirements for a grant

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under paragraph (1) or (2) (or both) of subsection (a).

(3) CERTIFICATION.—If the Secretary finds that the State law provisions meet the requirements for a grant under subsection (a), the Secretary shall thereupon make a certification to that effect to the Secretary of the Treasury, together with a certification as to the amount of the grant payment to be transferred to the State account in the Unemployment Trust Fund (as established in section 904(a) of the Social Security Act (42 U.S.C. 1104(a))) pursuant to that finding. The Secretary of the Treasury shall make the appropriate transfer to the State account within 7 days after receiving such certification.

(4) REQUIREMENT.—No certification of compliance with the requirements for a grant under paragraph (1) or (2) of subsection (a) may be made with respect to any State whose—

(A) State law is not otherwise eligible for certification under section 303 of the Social Security Act (42 U.S.C. 503) or approvable under section 3304 of the Internal Revenue Code of 1986; or

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(B) short-time compensation program is subject to discontinuation or is not scheduled to take effect within 12 months of the certification.

(d) USE OF FUNDS.—The amount of any grant awarded under this section shall be used for the implementation of short-time compensation programs and the overall administration of such programs and the promotion and enrollment efforts associated with such programs, such as through—

(1) the creation or support of rapid response teams to advise employers about alternatives to layoffs;

(2) the provision of education or assistance to employers to enable them to assess the feasibility of participating in short-time compensation programs; and

(3) the development or enhancement of systems to automate—

(A) the submission and approval of plans; and

(B) the filing and approval of new and ongoing short-time compensation claims.

(e) ADMINISTRATION.—The Secretary is authorized to use 0.25 percent of the funds available under subsection

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(g) to provide for outreach and to share best practices with respect to this section and short-time compensation programs.

(f) RECOUPMENT.—The Secretary shall establish a process under which the Secretary shall recoup the amount of any grant awarded under paragraph (1) or (2) of subsection (a) if the Secretary determines that, during the 5-year period beginning on the first date that any such grant is awarded to the State, the State—

(1) terminated the State's short-time compensation program; or

(2) failed to meet appropriate requirements with respect to such program (as established by the Secretary).

(g) FUNDING.—There are appropriated for fiscal year 2020, out of moneys in the Treasury not otherwise appropriated, to the Secretary, $100,000,000 to carry out this section, to remain available until December 31, 2020.

(h) REPORTING.—The Secretary may establish reporting requirements for States receiving a grant under this section in order to provide oversight of grant funds.

(i) DEFINITIONS.—In this section:

(1) SECRETARY.—The term ''Secretary'' means the Secretary of Labor.

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(2) SHORT-TIME COMPENSATION PROGRAM.—The term ''short-time compensation program'' has the meaning given such term in section 3306(v) of the Internal Revenue Code of 1986.

(3) STATE; STATE AGENCY; STATE LAW.—The terms ''State'', ''State agency'', and ''State law'' have the meanings given those terms in section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

SEC. 80106. EMERGENCY EXTENDED BENEFIT PERIOD FOR 2020.

(a) IN GENERAL.—For purposes of section 203 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note), and notwithstanding any other provision of such section, an emergency extended benefit period shall be deemed to occur with respect to each State as follows:

(1) in the case of a State with respect to which an extended benefit period is not in effect (without regard to this section) for the 1st week beginning after the date of enactment of this Act, an emergency extended benefit period is deemed to begin with such week with respect to such State; and

(2) in the case of a State with respect to which an extended benefit period is otherwise in effect

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(without regard to this section) for such week, an emergency extended benefit period is deemed to begin with the week following the last week of such extended benefit period.

(b) SPECIAL RULE WITH RESPECT TO CERTAIN STATES.—In the case of a State described in subsection (a)(1) with respect to which an extended benefit period would (but for this section) begin during an emergency extended benefit period, such extended benefit period shall begin with the week following the last week of such emergency extended benefit period.

(c) ADDITIONAL FUNDING FOR EXTENDED COMPENSATION ACCOUNTS.—In the case of a State described in (a)(2) or (b), section 202(b)(1) the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note) shall be applied for weeks during an emergency extended benefit period by substituting for each of ''50'', ''thirteen'', and ''thirty-nine'' such higher number as the State determines is necessary to account for such emergency extended benefit period.

(d) TREATMENT OF EMERGENCY EXTENDED BENEFIT PERIOD UNDER FSEUCA.—The provisions of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note) shall apply to a State with respect to which an emergency extended benefit period is

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in effect in the same manner as such provisions apply to a State with respect to which an extended benefit period is in effect.

TITLE II—EXPANDED ELIGIBILITY FOR UNEMPLOYMENT COMPENSATION

SEC. 80201. PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION.

(a) FEDERAL-STATE AGREEMENTS.—Any State which desires to do so may enter into and participate in an agreement under this section with the Secretary of Labor (hereinafter in this section referred to as the ''Secretary''). Any State which is a party to an agreement under this section may, upon providing 30 days' written notice to the Secretary, terminate such agreement.

(b) PROVISIONS OF AGREEMENT.—

(1) PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments on a weekly basis (in this section referred to as ''Pandemic Self-Employment and Job Entrant Compensation'') to unemployed individuals who—

(A) have no rights to regular compensation with respect to a week under the State law or

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any other State unemployment compensation law or to compensation under any other Federal law;

(B) are not receiving any State or private paid leave (as defined in subsection (g)) with respect to such week; and

(C) attest that—

(i) the individual is not able or available to work due to COVID–19 with respect to such week (as determined under paragraph (4)); and

(ii) but for COVID–19 (as determined under paragraph (4)), the individual would be able and available to work during such week.

(2) AMOUNT OF PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amount of Pandemic Self-Employment and Job Entrant Compensation payable to an individual for a week under an agreement under subsection (a) shall be $300.

(B) HIGHER PAYMENT FOR CERTAIN INDIVIDUALS.—Notwithstanding subparagraph (A),

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the amount of Pandemic Self-Employment and Job Entrant Compensation payable to an individual for a week under an agreement under subsection (a) shall be an amount equal to the sum of $600 plus ¼ of the average weekly benefit amount of regular compensation paid to eligible individuals in the State as of January 1, 2020, but only in the case of an individual who attests (and furnishes such supporting documentation as the State agency may request) that—

(i) the individual had net earnings from self-employment (as defined in section 1402(a) of the Internal Revenue Code of 1986) of not less than $2,500 during the 6-month period ending on the date of enactment of this Act; or

(ii) the individual had a contract or other offer of employment suspended or rescinded due to COVID–19.

(3) DURATION OF BENEFIT PAYMENTS.—An individual who becomes entitled to Pandemic Self-Employment and Job Entrant Compensation paid by a State under an agreement under subsection (a) shall receive such benefit for not more than 26 weeks.

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(4) NOT ABLE OR AVAILABLE TO WORK DUE TO COVID–19.—For purposes of this subsection, an individual shall be considered to be not able or available to work due to COVID–19 with respect to a week during any part of which the individual is not able or available to work because—

(A) the individual has a current diagnosis of COVID–19;

(B) the individual is under quarantine (including self-imposed quarantine), at the instruction of a health care provider, employer, or a local, State, or Federal official, in order to prevent the spread of COVID–19;

(C) the individual is unable to engage in self-employment (in the case of an individual described in paragraph (2)(B)(i)) or seek suitable employment because of closings or restrictions on movement related to COVID–19;

(D) the individual is engaged in caregiving (without compensation) for an individual who has a current diagnosis of COVID–19 or is under quarantine as described in subparagraph (B)); or

(E) the individual is engaged in caregiving (without compensation), because of the

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COVID–19-related closing of a school or other care facility or care program, for a child or other individual unable to provide self-care.

(5) COORDINATION WITH CERTAIN TAX CREDITS.—Notwithstanding paragraph (1), no individual may become entitled to Pandemic Self-Employment and Job Entrant Compensation under an agreement under subsection (a) unless the individual makes an irrevocable election (at such time and in such manner as the Secretary of the Treasury may provide) to have sections 7002 and 7004 of the Families First Coronavirus Response Act not apply with respect to such individual. An individual who makes such an election shall not be treated as an individual to whom a credit is allowable under such sections.

(c) PAYMENTS TO STATES.—

(1) IN GENERAL.—

(A) FULL REIMBURSEMENT.—There shall be paid to each State which has entered into an agreement under this section an amount equal to 100 percent of—

(i) the total amount of Pandemic Self-Employment and Job Entrant Compensation paid to individuals by the State pursuant to such agreement; and

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(ii) any additional administrative expenses incurred by the State by reason of such agreement (as determined by the Secretary).

(B) TERMS OF PAYMENTS.—Sums payable to any State by reason of such State's having an agreement under this section shall be payable, either in advance or by way of reimbursement (as determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this section for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that his estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or other method as may be agreed upon by the Secretary and the State agency of the State involved.

(2) FUNDING.—

(A) IN GENERAL.—Funds in the extended unemployment compensation account (as established by section 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of the Unemployment

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Trust Fund (as established by section 904(a) of such Act (42 U.S.C. 1104(a)) shall be used to make payments to States pursuant to paragraph (1).

(B) TRANSFER OF FUNDS.—Notwithstanding any other provision of law, the Secretary of the Treasury shall transfer from the general fund of the Treasury (from funds not otherwise appropriated) to the extended unemployment compensation account such sums as the Secretary of Labor estimates to be necessary to make payments described in subparagraph (A). There are appropriated from the general fund of the Treasury, without fiscal year limitation, the sums referred to in the preceding sentence and such sums shall not be required to be repaid.

(3) CERTIFICATIONS.—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this section.

(d) APPLICABILITY.—

(1) IN GENERAL.—An agreement entered into under this section shall apply with respect to weeks—

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(A) beginning on or after March 13, 2020; and

(B) ending on or before January 1, 2021.

(2) TRANSITION RULE FOR INDIVIDUALS REMAINING ENTITLED TO PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION AS OF JANUARY 1, 2021.—In the case of any individual who, as of the date specified in paragraph (1)(B), has not yet exhausted all rights to Pandemic Self-Employment and Job Entrant Compensation under the agreement under subsection (a), Pandemic Self-Employment and Job Entrant Compensation shall continue to be payable to such individual for any week beginning on or after such date for which the individual is otherwise eligible for such Pandemic Self-Employment and Job Entrant Compensation.

(3) TERMINATION.—Notwithstanding any other provision of this subsection, no Pandemic Self-Employment and Job Entrant Compensation shall be payable for any week beginning after June 30, 2021.

(e) FRAUD AND OVERPAYMENTS.—

(1) IN GENERAL.—If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to

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disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of Pandemic Self-Employment and Job Entrant Compensation to which such individual was not entitled, such individual—

(A) shall be ineligible for further Pandemic Self-Employment and Job Entrant Compensation in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation; and

(B) shall be subject to prosecution under section 1001 of title 18, United States Code.

(2) REPAYMENT.—In the case of individuals who have received amounts of Pandemic Self-Employment and Job Entrant Compensation to which they were not entitled, the State shall require such individuals to repay the amounts of such Pandemic Self-Employment and Job Entrant Compensation to the State agency, except that the State agency may waive such repayment if it determines that—

(A) the payment of such Pandemic Self-Employment and Job Entrant Compensation

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was without fault on the part of any such individual; and

(B) such repayment would be contrary to equity and good conscience.

(3) RECOVERY BY STATE AGENCY.—

(A) IN GENERAL.—The State agency may recover the amount to be repaid, or any part thereof, by deductions from any Pandemic Self-Employment and Job Entrant Compensation payable to such individual or from any unemployment compensation payable to such individual under any State or Federal unemployment compensation law administered by the State agency or under any other State or Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the Pandemic Self-Employment and Job Entrant Compensation to which they were not entitled, in accordance with the same procedures as apply to the recovery of overpayments of regular unemployment benefits paid by the State.

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(B) OPPORTUNITY FOR HEARING.—No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(4) REVIEW.—Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

(5) DEPOSIT IN STATE UNEMPLOYMENT FUND.—Any amount recovered by a State agency pursuant to this subsection shall be deposited in the account of such State in the Unemployment Trust Fund.

(f) TREATMENT OF PANDEMIC SELF-EMPLOYMENT AND JOB ENTRANT COMPENSATION PAYMENTS.—

(1) PAYMENT TO BE DISREGARDED FOR PURPOSES OF ALL FEDERAL AND FEDERALLY ASSISTED PROGRAMS.—A Pandemic Self-Employment and Job Entrant Compensation payment shall not be regarded as income and shall not be regarded as a resource for the month of receipt and the following 9

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months, for purposes of determining the eligibility of the recipient (or the recipient's spouse or family) for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

(2) PAYMENT NOT CONSIDERED INCOME FOR PURPOSES OF TAXATION.—A Pandemic Self-Employment and Job Entrant Compensation payment shall not be considered as gross income for purposes of the Internal Revenue Code of 1986.

(g) DEFINITIONS.—For purposes of this section—

(1) the terms ''compensation'' (except as such term is used in subsection (b)(4)), ''regular compensation'', ''State'', ''State agency'', and ''State law'' have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note); and

(2) the term ''State or private paid leave'' means a benefit which provides full or partial wage replacement to employees on the basis of specifically defined qualifying events described in section 102 of the Family and Medical Leave Act of 1993 or defined by a written employer policy or State law and

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which ends either when the qualifying event is no longer applicable or a set period of benefits is exhausted.

TITLE III—RELIEF FOR GOVERNMENTAL AND NONPROFIT ENTITIES

SEC. 80301. EMERGENCY UNEMPLOYMENT RELIEF FOR GOVERNMENTAL ENTITIES AND NONPROFIT ORGANIZATIONS.

(a) FLEXIBILITY IN PAYING REIMBURSEMENT.—The Secretary of Labor may issue clarifying guidance to allow States to interpret their State unemployment compensation laws in a manner that would provide maximum flexibility to reimbursing employers as it relates to timely payment and assessment of penalties and interest pursuant to such State laws.

(b) FEDERAL FUNDING.—Section 903 of the Social Security Act (42 U.S.C. 1103) is amended by adding at the end the following:

''Transfers for Federal Reimbursement of State Unemployment Funds

''(j)(1)(A) In addition to any other amounts, the Secretary of Labor shall provide for the transfer of funds during the applicable period to the accounts of the States in the Unemployment Trust Fund, by transfer from amounts

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reserved for that purpose in the Federal unemployment account, in accordance with the succeeding provisions of this subsection.

''(B) The amount of funds transferred to the account of a State under subparagraph (A) during the applicable period shall, as determined by the Secretary of Labor, be equal to one half of the amounts of compensation (as defined in section 3306(h) of the Internal Revenue Code of 1986) attributable under the State law to service to which section 3309(a)(1) of such Code applies that were paid by the State for weeks of unemployment beginning and ending during such period. Such transfers shall be made at such times as the Secretary of Labor considers appropriate.

''(C) Notwithstanding any other law, funds transferred to the account of a State under subparagraph (A) shall be used exclusively to reimburse governmental entities and other organizations described in section 3309(a)(2) of such Code for amounts paid (in lieu of contributions) into the State unemployment fund pursuant to such section.

''(D) For purposes of this paragraph, the term 'applicable period' means the period beginning on March 13, 2020, and ending on December 31, 2020.

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''(2)(A) Notwithstanding any other provision of law, the Secretary of the Treasury shall transfer from the general fund of the Treasury (from funds not otherwise appropriated) to the employment security administration account (as established by section 901 of the Social Security Act) such sums as the Secretary of Labor estimates to be necessary for purposes of making the transfers described in paragraph (1).

''(B) There are appropriated from the general fund of the Treasury, without fiscal year limitation, the sums referred to in subparagraph (A) and such sums shall not be required to be repaid.''.

(c) OPERATING INSTRUCTIONS OR OTHER GUIDANCE.—The Secretary of Labor may issue any operating instructions or other guidance necessary to carry out the amendments made by this section.

TITLE IV—EMERGENCY ASSISTANCE FOR RAIL WORKERS

SEC. 80401. WAIVER OF THE 7-DAY WAITING PERIOD FOR BENEFITS UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT.

(a) NO WAITING WEEK.—With respect to any registration period beginning after the date of enactment of this Act and ending on or before December 31, 2020, subparagraphs (A)(ii) and (B)(ii) of section 2(a)(1) of the

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Railroad Unemployment Insurance Act (45 U.S.C. 352(a)(1)) shall not apply.

(b) REGULATIONS.—The Railroad Retirement Board may prescribe any operating instructions or regulations necessary to carry out this section.

(c) DEFINITIONS.—For purposes of this section, ''registration period'' has the meaning given such term under section 1 of the Railroad Unemployment Insurance Act.

SEC. 80402. ENHANCED BENEFITS UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT.

Section 2(a) of the Railroad Unemployment Insurance Act (45 U.S.C. § 352(a)) is amended by adding at the end the following:

''(5)(A) Notwithstanding paragraph (3), subsection (c)(1)(B), and any other limitation on total benefits in this Act, for registration periods beginning on or after April 1, 2020, but on or before December 31, 2020, a recovery benefit in the amount of $1,200 shall be payable to a qualified employee with respect to any registration period in which the employee received unemployment benefits under paragraph (1)(A), and in any registration period in which the employee did not receive unemployment benefits due to the limitation in subsection (c)(1)(B) or due to reaching the maximum number of days of benefits in the

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benefit year beginning July 1, 2019, under subsection (c)(1)(A), and throughout any continuing period of unemployment beginning on or before December 31, 2020, except that no benefit under this section shall be payable after June 30, 2021. No recovery benefits shall be payable under this section upon the exhaustion of the funds appropriated under subparagraph (B) for payment of benefits under this subparagraph.

''(B) Out of any funds in the Treasury not otherwise appropriated, there are appropriated $950,000,000 to cover the cost of recovery benefits provided under subparagraph (A), to remain available until expended.''.

SEC. 80403. EXTENDED UNEMPLOYMENT BENEFITS UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT.

(a) EXTENSION.—Section 2(c)(2)(D)(iii) of the Railroad Unemployment Insurance Act (45 U.S.C. 352(c)(2)(D)(iii)) is amended—

(1) by striking ''July 1, 2008'' and inserting ''July 1, 2019'';

(2) by striking ''June 30, 2013'' and inserting ''June 30, 2020''; and

(3) by striking ''December 31, 2013'' and inserting ''December 31, 2020''.

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(b) CLARIFICATION ON AUTHORITY TO USE FUNDS.—Funds appropriated under either the first or second sentence of clause (iv) of section 2(c)(2)(D) of the Railroad Unemployment Insurance Act shall be available to cover the cost of additional extended unemployment benefits provided under such section 2(c)(2)(D) by reason of the amendments made by subsection (a) as well as to cover the cost of such benefits provided under such section 2(c)(2)(D) as in effect on the day before the date of enactment of this Act.

SEC. 80404. TREATMENT OF PAYMENTS FROM THE RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT.

(a) IN GENERAL.—Section 256(i)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 906(i)(1)) is amended—

(1) in subparagraph (B), by striking ''and'' at the end;

(2) in subparagraph (C), by inserting ''and'' at the end; and

(3) by inserting after subparagraph (C) the following new subparagraph:

''(D) any payment made from the Railroad Unemployment Insurance Account (established by section 10 of the Railroad Unemployment Insurance

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Act) for the purpose of carrying out the Railroad Unemployment Insurance Act, and funds appropriated or transferred to or otherwise deposited in such Account,''.

(b) EFFECTIVE DATE.—The treatment of payments made from the Railroad Unemployment Insurance Account pursuant to the amendment made by subsection (a) shall take effect 7 days after the date of enactment of this Act and shall apply only to obligations incurred on or after such effective date for such payments.

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DIVISION I—FINANCIAL SERVICES

SEC. 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the ''Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations Act''.

(b) TABLE OF CONTENTS.—The table of contents for this division is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. References to this division.
Sec. 3. Severability.

TITLE I—PROTECTING CONSUMERS, RENTERS, HOMEOWNERS AND PEOPLE EXPERIENCING HOMELESSNESS

Sec. 101. Direct stimulus payments for families.
Sec. 102. Suspension of requirements regarding tenant contribution toward rent.
Sec. 103. Temporary moratorium on eviction filings.
Sec. 104. Suspension of other consumer loan payments.
Sec. 105. Emergency rental assistance.
Sec. 106. Emergency homeless assistance.
Sec. 107. Participation of Indian Tribes and tribally designated housing entities in Continuum of Care Program.
Sec. 108. Housing Assistance Fund.
Sec. 109. Mortgage forbearance.
Sec. 110. Bankruptcy protections.
Sec. 111. Debt collection.
Sec. 112. Disaster Protection for Workers' Credit.
Sec. 113. Student loans.
Sec. 114. Waiver of in-person appraisal requirements.
Sec. 115. Supplemental funding for community development block grants.
Sec. 116. COVID–19 Emergency Housing Relief.
Sec. 117. Supplemental funding for service coordinators to assist elderly households.
Sec. 118. Fair housing.
Sec. 119. Continuation of FHA–FFB affordable rental housing financing partnership.
Sec. 120. HUD counseling program authorization.
Sec. 121. Defense Production Act of 1950.

TITLE II—ASSISTING SMALL BUSINESSES AND COMMUNITY FINANCIAL INSTITUTIONS

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Sec. 201. Small Business Credit Facility.
Sec. 202. Small Business Financial Assistance Program.
Sec. 203. Suspension of small business and non-profit loan payments.
Sec. 204. Reauthorization of the State Small Business Credit Initiative Act of 2010.
Sec. 205. Funding of the Initiative to Build Growth Equity Funds for Minority Businesses.
Sec. 206. Community Development Financial Institutions Fund supplemental appropriation authorization.
Sec. 207. Minority depository institution.
Sec. 208. Loans to MDIs and CDFIs.
Sec. 209. Insurance of transaction accounts.

TITLE III—SUPPORTING STATE, TERRITORY, AND LOCAL GOVERNMENTS

Sec. 301. Muni Facility.
Sec. 302. Temporary waiver and reprogramming authority.

TITLE IV—PROMOTING FINANCIAL STABILITY AND TRANSPARENT MARKETS

Sec. 401. Temporary halt to rulemakings unrelated to COVID–19.
Sec. 402. Temporary ban on stock buybacks.
Sec. 403. Disclosures related to supply chain disruption risk.
Sec. 404. Disclosures related to global pandemic risk.
Sec. 405. Oversight of Federal aid related to COVID–19.
Sec. 406. International financial institutions.
Sec. 407. Conditions on Federal aid to corporations.
Sec. 408. Authority for warrants and debt instruments.
Sec. 409. Authorization to participate in the New Arrangements to Borrow of the International Monetary Fund.
Sec. 410. Emergency relief through loans and loan guarantees.
Sec. 411. Limitation on certain employee compensation.
Sec. 412. International Finance Corporation.
Sec. 413. Oversight and Reports.
Sec. 414. Technical corrections.
Sec. 415. Definitions.
Sec. 416. Rule of construction.

TITLE V—INVESTING IN A SUSTAINABLE RECOVERY

Sec. 501. Housing is infrastructure.
Sec. 502. Improving Corporate Governance Through Diversity.
Sec. 503. Diverse Investment Advisers.
Sec. 504. Financial Literacy Education Commission Emergency Response.
Sec. 505. Interagency Pandemic Guidance for Consumers.
Sec. 506. SEC Pandemic Guidance for Investors.
Sec. 507. Updates of the Pandemic Influenza Plan and National Planning Frameworks.

SEC. 2. REFERENCES TO THIS DIVISION.

In this division, any reference to "this Act" shall be deemed a reference to this division.

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SEC. 3. SEVERABILITY.

If any provision of this Act or the application of such provision to any person or circumstance is held to be unconstitutional, the remainder of this Act, and the application of the provisions of this Act, to any person or circumstance shall not be affected thereby.

TITLE I—PROTECTING CONSUMERS, RENTERS, HOMEOWNERS AND PEOPLE EXPERIENCING HOMELESSNESS

[SEC. 101. DIRECT STIMULUS PAYMENTS FOR FAMILIES.

[(a) DEFINITIONS.—In this section:]

[(1) DIGITAL DOLLAR.—The term ''digital dollar'' shall mean—]

[(A) a balance expressed as a dollar value consisting of digital ledger entries that are recorded as liabilities in the accounts of any Federal reserve bank; or]

[(B) an electronic unit of value, redeemable by an eligible financial institution (as determined by the Board of Governors of the Federal Reserve System).]

[(2) DIGITAL DOLLAR WALLET.—The term ''digital dollar wallet'' shall mean a digital wallet or account, maintained by a Federal reserve bank on behalf of any person, that represents holdings in an

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electronic device or service that is used to store digital dollars that may be tied to a digital or physical identity.]

[(3) MEMBER BANK.—The term ''member bank'' means a member bank of the Board of Governors of the Federal Reserve System.]

[(4) PASS-THROUGH DIGITAL DOLLAR WALLET.—The term ''pass-through digital dollar wallet'' means a digital wallet or account, maintained by a member bank on behalf of a qualified individual, where such qualified individual is entitled to a pro rata share of a pooled reserve balance that the member bank maintains at any Federal reserve bank.]

[(5) QUALIFIED INDIVIDUAL DEFINED.—The term ''qualified individual'' means any individual other than any nonresident alien individual.]

[(b) EMERGENCY STIMULUS CHECK IMPLEMENTATION.—]

[(1) PAYMENTS.—The Secretary of the Treasury, acting through the Commissioner of the Internal Revenue Service, shall make monthly emergency payments to qualified individuals beginning on the first day of the first month beginning after the date of the enactment of this Act and ending on the later of—]

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[(A) the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act with respect to the COVID–19 pandemic; and]

[(B) the date on which—]

[(i) the national unemployment rate (as determined by the Bureau of Labor Statistics) is within 2 percentage points of the national unemployment rate on the date of enactment of this Act; and]

[(ii) the 3-month average of the national unemployment rate has declined for two consecutive months.]

[(2) AMOUNT OF PAYMENTS.—

[(A) IN GENERAL.—With respect to a qualified individual, the amount of each monthly payment under paragraph (1) shall be as follows:]

[(i) For a qualified individual age 18 or older, $2,000.]

[(ii) For a qualified individual under age 18, $1,000.]

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[(B) INCOME LIMITATION.—The amount of a payment under subparagraph (A) shall be reduced (but not below zero) by 5 percent of so much of the individual's adjusted gross income as exceeds $75,000. The Secretary of the Treasury shall adjust such amount as appropriate to account for individuals filing joint returns.]

[(3) METHOD OF DELIVERY.—

[(A) IN GENERAL.—The Secretary of the Treasury, acting through the Commissioner of the Internal Revenue Service, shall make the payments required under paragraph (1)—]

[(i) first, by direct deposit (including to a pass-through digital dollar wallet), if the Commissioner has sufficient information to make direct deposit payments to the applicable individual; and]

[(ii) otherwise, by check.]

[(B) OUTREACH.—The Secretary of the Treasury, acting through the Commissioner of the Internal Revenue Service, shall establish a system for a qualified individual to provide the Internal Revenue Service with the individual's

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direct deposit information and shall perform outreach to inform the public of such system.]

[(4) ACCESSING PAYMENTS.—If a payment is deposited (by any method) into an account of a qualified individual at an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act) or insured credit union (as defined in section 101 of the Federal Credit Union Act), such funds shall be available for withdrawal on the same day, to the fullest extent possible.]

[(5) FUNDING.—The Secretary of the Treasury shall, before each monthly payment required under subsection (a), notify the Board of Governors of the Federal Reserve System of the aggregate amount of such payment, and the Board of Governors shall issue notes in such amount and transfer such notes to the Secretary of the Treasury for use in making such payments.]

[(c) MANDATE FOR MEMBER BANKS TO MAINTAIN PASS-THROUGH DIGITAL DOLLAR WALLETS.—]

[(1) OBLIGATIONS OF MEMBER BANKS.—

[(A) IN GENERAL.—Member banks are hereby directed to establish and maintain pass-through digital dollar wallets for all persons eligible to receive payments from the United

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States pursuant to this Act who elect to deposit such payments into a pass-through digital dollar wallet.]

[(B) SEPARATE ENTITY.—

[(i) IN GENERAL.—Each member bank shall establish and maintain a separate legal entity for the exclusive purpose of holding all assets and maintaining all liabilities associated with pass-through digital dollar wallets.]

[(ii) ASSETS.—The assets of any entity described in this paragraph shall consist exclusively of a balance maintained in a master account at a Federal reserve bank, and the liabilities or obligations of the entity shall consist exclusively of an equal quantity of balances maintained by holders of pass-through digital dollar wallets.]

[(iii) SEPARATE ASSETS AND LIABILITIES.—The assets and liabilities of any legal entity described in this paragraph shall not be deemed assets or liabilities of the member bank or its affiliates for purposes of any capital or liquidity regulation

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promulgated by Federal or State banking authorities.]

[(C) APPLICATION.—Member banks with total consolidated assets in excess of $10,000,000,000 shall promptly offer individuals the ability to apply, through online or telephonic means, for a pass-through digital dollar wallets.]

[(2) TERMS.—Member banks shall ensure that a pass-through digital dollar wallet established under this section—]

[(A) may not be subject to any account fees, minimum balances, or maximum balances;]

[(B) shall pay interest at a rate not below the greater of—]

[(i) the rate of interest on required reserves; and]

[(ii) the rate of interest on excess reserves;]

[(C) shall provide functionality and service levels not less favorable than those that the member bank offers for its existing transaction accounts (including with respect to access to debit cards and automated teller machines, on-

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line account access, automatic bill-pay and mobile banking services, customer service, and such other services as the Board determines), except that pass-through digital dollar wallet shall not include overdraft coverage;]

[(D) shall be prominently branded in all account statements, marketing materials, and other communications of the member bank as a ''pass-through FedAccount'' maintained by the member bank on behalf of the Board of Governors of the Federal Reserve System;]

[(E) may not be closed or restricted by the member bank on the basis of profitability considerations; and]

[(F) shall provide holders with reasonable protection against losses caused by fraud or security breaches.]

[(3) REIMBURSEMENT FOR COSTS.—

[(A) IN GENERAL.—Each member bank with total consolidated assets not greater than $10,000,000,000 shall be reimbursed each calendar quarter by the relevant Federal reserve bank for actual and reasonable operational costs incurred by the member bank in offering pass-through digital dollar wallets.]

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[(B) RULEMAKING.—The Board of Governors of the Federal Reserve System shall issue rules to carry out subparagraph (A).]

[(4) AUTHORITY OF THE BOARD.—Member banks shall be subject to such rules as may be imposed by the Board of Governors of the Federal Reserve System in connection with maintaining pass-through digital dollar wallets.]

[(d) AUTHORITY FOR STATE NONMEMBER BANKS AND CREDIT UNIONS TO OFFER PASS-THROUGH DIGITAL DOLLAR WALLETS.—The Federal reserve banks shall permit State banks and credit unions that are not member banks to open master accounts for the exclusive purpose of offering pass-through digital dollar wallets in compliance with the requirements of subsection (c). Each State bank or credit union electing to offer pass-through digital wallets shall be entitled to cost reimbursement in accordance with subsection (c)(3).]

[(e) MANDATE FOR FEDERAL RESERVE BANKS TO MAINTAIN DIGITAL DOLLAR WALLETS.—]

[(1) AUTHORIZATION.—Subject to such restrictions, limitations, and regulations as may be imposed by the Board of Governors of the Federal Reserve System, each Federal reserve bank shall maintain digital dollar wallets.]

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[(2) MANDATE.—

[(A) IN GENERAL.—Not later than January 1, 2021, all Federal reserve banks shall make digital dollar wallets available to all citizens and legal permanent residents of the United States and business entities for which the principal place of business is located in the United States.]

[(B) EXCEPTION.—In geographic areas where physical access to a branch of a Federal reserve bank is limited, Federal reserve banks serving such areas shall partner with United States Postal Service branch offices to ensure access and availability to application and account services for digital dollar wallets.]

[(3) TERMS OF DIGITAL DOLLAR WALLETS.—Federal reserve banks shall ensure that digital dollar wallets established under this section—]

[(A) may not be subject to any account fees, minimum balances, or maximum balances;]

[(B) shall pay interest at a rate not below the greater of—]

[(i) the rate of interest on required reserves; and]

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[(ii) the rate of interest on excess reserves;]

[(C) shall provide access to debit cards, online account access, automatic bill-pay and mobile banking services, customer service, and such other services as the Board determines, except that digital dollar wallets shall not include overdraft coverage.]

[(D) shall provide, in conjunction with the United States Postal Service, access to automated teller machines to be maintained on behalf of the Board by the United States Postal Service at branch offices;]

[(E) shall be prominently branded in all account statements, marketing materials, and other communications of the Federal reserve bank as a ''FedAccount'' maintained by the member bank on behalf of the United States of America;]

[(F) may not be closed or restricted on the basis of profitability considerations; and]

[(G) shall provide holders with reasonable protection against losses caused by fraud or security breaches.]

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[(4) BANK SECRECY ACT.—In establishing and maintaining digital dollar wallets, each Federal reserve bank shall comply with section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b), section 123 of Public Law 91–508, subchapter II of chapter 53 of title 31, United States Code.]

[(5) PENALTIES.—The Board of Governors of the Federal Reserve System shall, by rule, establish penalties applicable to Federal reserve banks and employees of such banks for violations of privacy obligations relating to digital dollar wallets that are similar to the penalties imposed by the Commissioner of the Internal Revenue Service with respect to violations of privacy obligations relating to Federal tax returns.]

[(f) REGULATIONS.—The Board of Governors of the Federal Reserve System shall promulgate regulations to carry out this section.]

SEC. 102. SUSPENSION OF REQUIREMENTS REGARDING TENANT CONTRIBUTION TOWARD RENT.

(a) SUSPENSION.—Notwithstanding any other provision of law, the obligation of each tenant household of a dwelling unit in assisted housing to pay any contribution toward rent for occupancy in such dwelling unit shall be suspended with respect to such occupancy during the pe-

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riod beginning on the date of the enactment of this Act and ending 6 months after the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(b) FEDERAL REIMBURSEMENT PAYMENTS.—To the extent that amounts are made available pursuant to subsection (e) for reimbursements under this subsection, the Secretary of Housing and Urban Development or the Secretary of Agriculture, as appropriate, shall—

(1) provide owners of assisted housing and public housing agencies for any amounts in rent not received as a result of subsection (a), plus the amount of any increases in costs of administering and maintaining such housing to the extent only that such increases result from the public health emergency relating to Coronavirus Disease 2019 (COVID–19); and

(2) in the case of public housing agencies providing assistance under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)), reimburse such agencies in an amount sufficient to cover any increase in housing assistance payments

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resulting from the suspension of tenant rent payments pursuant to subsection (a), plus the amount of any increases in the cost of administering such assistance to the extent only that such increases result from the public health emergency relating to Coronavirus Disease 2019 (COVID–19).

(c) PROHIBITIONS.—

(1) ON FINES.—No tenant or tenant household may be charged a fine or fee for nonpayment of rent in accordance with subsection (a) and such nonpayment of rent shall not be grounds for any termination of tenancy or eviction.

(2) ON DEBT.—No tenant or tenant household may be treated as accruing any debt by reason of suspension of contribution of rent under subsection (a).

(3) ON REPAYMENT.—held liable for repayment of any amount of rent contribution suspended under subsection (a).

(4) ON CREDIT SCORES.—The nonpayment of rent by a tenant or tenant household shall not be reported to a consumer reporting agency nor shall such nonpayment adversely affect a tenant or member of a tenant household's credit score.

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(d) ASSISTED HOUSING.—For purposes of this section, the term ''assisted housing'' means housing or a dwelling unit assisted under—

(1) section 213, 220, 221(d)(3), 221(d)(4), 223(e), 231, or 236 of the National Housing Act (12 U.S.C. 1715l(d)(3), (d)(4), or 1715z–1);

(2) section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s);

(3) section 202 of the Housing Act of 1959 (12 U.S.C. 1701q);

(4) section 811 of the Cranston-Gonzales National Affordable Housing Act (42 U.S.C. 8013);

(5) title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12701 et seq.);

(6) subtitle D of title VIII of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12901 et seq.);

(7) title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.);

(8) section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f);

(9) the public housing program under title I of the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.); or

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(10) section 514, 515, 516, 521(a)(2), 538, or 542 of the Housing Act of 1949 (42 U.S.C. 1484, 1485, 1486, 1490a(a)(2), 1490p-2, 1490r).

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated such sums as may be necessary to make payments under subsection (b) to all owners of assisted housing and public housing agencies.

SEC. 103. TEMPORARY MORATORIUM ON EVICTION FILINGS.

(a) CONGRESSIONAL FINDINGS.—The Congress finds that—

(1) according to the 2018 American Community Survey, 36 percent of households in the United States—more than 43 million households—are renters;

(2) in 2019 alone, renters in the United States paid $512 billion in rent;

(3) according to the Joint Center for Housing Studies of Harvard University, 20.8 million renters in the United States spent more than 30 percent of their incomes on housing in 2018 and 10.9 million renters spent more than 50 percent of their incomes on housing in the same year;

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(4) Moody's Analytics estimates that 27 million jobs in the U.S. economy are at high risk because of COVID–19;

(5) the impacts of the spread of COVID–19, which is now considered a global pandemic, are expected to negatively impact the incomes of potentially millions of renter households, making it difficult for them to pay their rent on time; and

(6) evictions in the current environment would increase homelessness and housing instability which would be counterproductive towards the public health goals of keeping individuals in their homes to the greatest extent possible.

(b) MORATORIUM.—During the period beginning on the date of the enactment of this Act and ending on the date described in paragraph (1) of subsection (d), the lessor of a covered dwelling may not make, or cause to be made, any filing with the court of jurisdiction to initiate a legal action to recover possession of the covered dwelling from the tenant regardless of cause, except when a tenant perpetrates a serious criminal act that threatens the health, life, or safety of other tenants, owners, or staff of the property in which the covered dwelling is located.

(c) DEFINITIONS.—For purposes of this section, the following definitions shall apply:

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(1) COVERED DWELLING.—The term ''covered dwelling'' means a dwelling that is occupied by a tenant—

(A) pursuant to a residential lease; or

(B) without a lease or with a lease terminable at will under State law.

(2) DWELLING.—The term ''dwelling'' has the meaning given such term in section 802 of the Fair Housing Act (42 U.S.C. 3602) and includes houses and dwellings described in section 803(b) of such Act (42 U.S.C. 3603(b)).

(d) SUNSET.—

(1) SUNSET DATE.—The date described in this paragraph is the date of the expiration of the 6-month period that begins upon the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) NOTICE TO VACATE AFTER SUNSET DATE.—After the date described in paragraph (1), the lessor of a covered dwelling may not require the tenant to vacate the covered dwelling before the ex-

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piration of the 30-day period that begins upon the provision by the lessor to the tenant, after the date described in paragraph (1), of a notice to vacate the covered dwelling.

SEC. 104. SUSPENSION OF OTHER CONSUMER LOAN PAYMENTS.

(a) IN GENERAL.—During the COVID–19 emergency, a debt collector may not, with respect to a debt of a consumer (other than debt related to a federally related mortgage loan)—

(1) capitalize unpaid interest;

(2) apply a higher interest rate triggered by the nonpayment of a debt to the debt balance;

(3) charge a fee triggered by the nonpayment of a debt;

(4) sue or threaten to sue for nonpayment of a debt;

(5) continue litigation to collect a debt that was initiated before the date of enactment of this section;

(6) submit or cause to be submitted a confession of judgment to any court;

(7) enforce a security interest through repossession, limitation of use, or foreclosure;

(8) take or threaten to take any action to enforce collection, or any adverse action for non-

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payment of a debt, or for nonappearance at any hearing relating to a debt;

(9) commence or continue any action to cause or to seek to cause the collection of a debt, including pursuant to a court order issued before the end of the 120-day period following the end of the COVID–19 emergency, from wages, Federal benefits, or other amounts due to a consumer by way of garnishment, deduction, offset, or other seizure;

(10) cause or seek to cause the collection of a debt, including pursuant to a court order issued before the end of the 120-day period following the end of the COVID–19 emergency, by levying on funds from a bank account or seizing any other assets of a consumer;

(11) commence or continue an action to evict a consumer from real or personal property; or

(12) disconnect or terminate service from utility service, including electricity, natural gas, telecommunications or broadband, water, or sewer.

(b) RULE OF CONSTRUCTION.—Nothing in this section may be construed to prohibit a consumer from voluntarily paying, in whole or in part, a debt.

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(c) REPAYMENT PERIOD.—After the expiration of the COVID–19 emergency, with respect to a debt described under subsection (a), a debt collector—

(1) may not add to the debt balance any interest or fee prohibited by subsection (a);

(2) shall, for credit with a defined term or payment period, extend the time period to repay the debt balance by 1 payment period for each payment that a consumer missed during the COVID–19 emergency, with the payments due in the same amounts and at the same intervals as the pre-existing payment schedule;

(3) shall, for an open end credit plan (as defined under section 103 of the Truth in Lending Act) or other credit without a defined term, allow the consumer to repay the debt balance in a manner that does not exceed the amounts permitted by formulas under section 170(c) of the Truth in Lending Act and regulations promulgated thereunder;

(4) shall, when the consumer notifies the debt collector, offer reasonable and affordable repayment plans, loan modifications, refinancing, options with a reasonable time in which to repay the debt.

(d) COMMUNICATIONS IN CONNECTION WITH THE COLLECTION OF A DEBT.—

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(1) IN GENERAL.—During the COVID–19 emergency, without prior consent of a consumer given directly to a debt collector during the COVID–19 emergency, or the express permission of a court of competent jurisdiction, a debt collector may only communicate in writing in connection with the collection of any debt (other than debt related to a federally related mortgage loan).

(2) REQUIRED DISCLOSURES.—

(A) IN GENERAL.—All written communications described under paragraph (1) shall inform the consumer that the communication is for informational purposes and is not an attempt to collect a debt.

(B) REQUIREMENTS.—The disclosure required under subparagraph (A) shall be made—

(i) in type or lettering not smaller than 14–point bold type;

(ii) separate from any other disclosure;

(iii) in a manner designed to ensure that the recipient sees the disclosure clearly;

(iv) in English and Spanish and in any additional languages in which the debt

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collector communicates, including the language in which the loan was negotiated, to the extent known by the debt collector; and

(v) may be provided by first-class mail or electronically, if the borrower has otherwise consented to electronic communication with the debt collector and has not revoked such consent.

(C) ORAL NOTIFICATION.—Any oral notification shall be provided in the language the debt collector otherwise uses to communicate with the borrower.

(D) WRITTEN TRANSLATIONS.—In providing written notifications in languages other than English in this Section, a debt collector may rely on written translations developed by the Bureau of Consumer Financial Protection.

(e) VIOLATIONS.—

(1) IN GENERAL.—Any person who violates this section shall—

(A) except as provided under subparagraph (B), be subject to civil liability in accordance with section 813 of the Fair Debt Collection Practices Act, as if the person is a debt collector for purposes of that section; and

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(B) be liable to the consumer for an amount 10 times the amounts described in such section 813, for each violation.

(2) PREDISPUTE ARBITRATION AGREEMENTS.—Notwithstanding any other provision of law, no predispute arbitration agreement or predispute joint-action waiver shall be valid or enforceable with respect to a dispute brought under this section, including a dispute as to the applicability of this section, which shall be determined under Federal law.

(f) TOLLING.—Except as provided in subsection (g)(5), any applicable time limitations, including statutes of limitations, related to a debt under Federal or State law shall be tolled during the COVID–19 emergency.

(g) CLAIMS OF AFFECTED CREDITORS AND DEBT COLLECTORS.—

(1) VALUATION OF PROPERTY.—With respect to any action asserting a taking under the Fifth Amendment of the Constitution of the United States as a result of this section or seeking a declaratory judgment regarding the constitutionality of this section, the value of the property alleged to have been taken without just compensation shall be evaluated—

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(A) with consideration of the likelihood of full and timely payment of the obligation without the actions taken pursuant to this section; and

(B) without consideration of any assistance provided directly or indirectly to the consumer from other Federal, State, and local government programs instituted or legislation enacted in response to the COVID–19 emergency.

(2) SCOPE OF JUST COMPENSATION.—In an action described in paragraph (1), any assistance or benefit provided directly or indirectly to the person from other Federal, State, and local government programs instituted in or legislation enacted response to the COVID–19 emergency, shall be deemed to be compensation for the property taken, even if such assistance or benefit is not specifically provided as compensation for property taken by this section.

(3) APPEALS.—Any appeal from an action under this section shall be treated under section 158 of title 28, United States Code, as if it were an appeal in a case under title 11, United States Code.

(4) REPOSE.—Any action asserting a taking under the Fifth Amendment to the Constitution of

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the United States as a result of this section shall be brought within not later than 180 days after the end of the COVID–19 emergency.

(h) CREDIT FACILITY FOR OTHER PURPOSES.—

(1) ESTABLISHMENT.—The Board of Governors of the Federal Reserve System shall establish a facility that the Board of Governors shall use to make payments to covered financial institutions to compensate such institutions for documented financial losses caused by the suspension of payments required under this section .

(2) COVERED FINANCIAL INSTITUTION DEFINED.—In this subsection, the term ''covered financial institution'' means the holder of a loan described under this section.

(i) DEFINITIONS.—In this section:

(1) CONSUMER.—The term ''consumer'' means any individual obligated or allegedly obligated to pay any debt.

(2) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under

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the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(3) CREDITOR.—The term ''creditor'' means—

(A) any person who offers or extends credit creating a debt or to whom a debt is owed or other obligation for payment;

(B) any lessor of real or personal property; or

(C) any provider of utility services.

(4) DEBT.—The term ''debt''—

(A) means any obligation or alleged obligation that is or during the COVID emergency becomes past due—

(i) for which the original agreement, or if there is no agreement, the original obligation to pay was created before the COVID emergency, whether or not such obligation has been reduced to judgment; and

(ii) that arises out of a transaction with a consumer; and

(B) does not include a federally related mortgage loan.

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(5) DEBT COLLECTOR.—The term ''debt collector'' means a creditor, and any person or entity that engages in the collection of debt, including the Federal Government and a State government, irrespective of whether the debt is allegedly owed to or assigned to that person or to the entity.

(6) FEDERALLY RELATED MORTGAGE LOAN.—The term ''federally related mortgage loan'' has the meaning given that term under section 3 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2602).

SEC. 105. EMERGENCY RENTAL ASSISTANCE.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for grants under the Emergency Solutions Grants program under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371 et seq.) $100,000,000,000 for grants under such subtitle only for providing rental assistance in accordance with section 415(a)(4) of such Act (42 U.S.C. 11374(a)(4)) and this section to respond to needs arising from the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

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(b) INCOME TARGETING.—For purposes of assistance made available with amounts made available pursuant to subsection (a)—

(1) section 401(1)(A) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11360(1)(A)) shall be applied by substituting ''80 percent'' for ''30 percent''; and

(2) each grantee of such amounts shall use not less than 50 percent of the amounts received only for providing assistance for persons or families experiencing homelessness or at risk of homelessness, who have incomes not exceeding 50 percent of the median income for the relevant geographic area; except that the Secretary may waive the requirement under this paragraph if the grantee demonstrates to the satisfaction of the Secretary that the population in the geographic area served by the grantee having such incomes is sufficiently being served with respect to activities eligible for funding with such amounts.

(c) DEFINITION OF AT RISK OF HOMELESSNESS.—For purposes of assistance made available with amounts made available pursuant to subsection (a), section 401(1) of the McKinney-Vento Homeless Assistance Act shall be applied, during the period that begins on the date of the enactment of this Act and ends upon the expiration of the

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6-month period that begins upon the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic, as if subparagraph (C) were repealed.

(d) 3-YEAR AVAILABILITY.—Each grantee of amounts made available pursuant to subsection (a) shall expend—

(1) at least 60 percent of such grant amounts within 2 years of the date that such funds became available to the grantee for obligation; and

(2) 100 percent of such grant amounts within 3 years of such date.

The Secretary may recapture any amounts not expended in compliance with paragraph (1) of this subsection and reallocate such amounts to grantees in compliance with the formula referred to in subsection (h)(1)(A) of this section.

(e) RENT RESTRICTIONS.—Paragraph (1) of section 576.106(d) of the Secretary's regulations (24 C.F.R. 576.106(d)(1)) shall be applied, with respect to rental assistance made available with amounts made available pur-

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suant to subsection (a), by substituting ''120 percent of the Fair Market Rent'' for ''the Fair Market Rent''.

(f) SUBLEASES.—Notwithstanding the second sentence of subsection (g) of section 576.106 of the Secretary's regulations (24 C.F.R. 576.106(g)), a program participant may sublet, with rental assistance made available with amounts made available pursuant to subsection (a) of this section, a dwelling unit from a renter of the dwelling unit if there is a legally binding, written lease agreement for such sublease.

(g) HOUSING RELOCATION OR STABILIZATION ACTIVITIES.—A grantee of amounts made available pursuant to subsection (a) may expend up to 20 percent of its allocation for activities under section 415(a)(5) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a)(5)).

(h) ALLOCATION OF ASSISTANCE.—

(1) IN GENERAL.—In allocating amounts made available pursuant to subsection (a), the Secretary of Housing and Urban Development shall—

(A) not later than 30 days after the date of the enactment of this Act, allocate any such amounts that do not exceed $50,000,000,000 under the formula specified in subsections (a), (b), and (e) of section 414 of the McKinney-

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Vento Homeless Assistance Act (42 U.S.C. 11373) to, and notify, each State, metropolitan city, and urban county that is to receive a direct grant of such amounts; and

(B) not later than 120 days after the date of the enactment of this Act, allocate any remaining amounts to eligible grantees by a formula to be developed by the Secretary of Housing and Urban Development that takes into consideration the formula referred to in subparagraph (A) of this paragraph, and the need for emergency rental assistance under this section, including severe housing cost burden among extremely low- and very low-income renters and disruptions in housing and economic conditions, including unemployment.

(2) ALLOCATIONS TO STATES.—A State recipient of an allocation under this section may elect to directly administer up to 50 percent of its allocation to carry out activities eligible under this section.

(3) ELECTION NOT TO ADMINISTER.—If a grantee elects not to receive funds under this section, such funds shall be allocated to the State recipient in which the grantee is located.

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(i) INAPPLICABILITY OF MATCHING REQUIREMENT.—Subsection (a) of section 416 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11375(a)) shall not apply to any amounts made available pursuant to subsection (a) of this section.

(j) PROHIBITION ON PREREQUISITES.—None of the funds authorized under this section may be used to require people experiencing homelessness to receive treatment or perform any other prerequisite activities as a condition for receiving shelter, housing, or other services.

(k) PUBLIC HEARINGS.—

(1) INAPPLICABILITY OF IN-PERSON HEARING REQUIREMENTS.—A grantee may not be required to hold in-person public hearings in connection with its citizen participation plan, but shall provide citizens with notice and a reasonable opportunity to comment of not less than 15 days. Following the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic, and after the period de-

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scribed in paragraph (2), the Secretary shall direct grantees to resume pre-crisis public hearing requirements.

(2) VIRTUAL PUBLIC HEARINGS.—During the period that national or local health authorities recommend social distancing and limiting public gatherings for public health reasons, a grantee may fulfill applicable public hearing requirements for all grants from funds made available pursuant to this section by carrying out virtual public hearings. Any such virtual hearings shall provide reasonable notification and access for citizens in accordance with the grantee's certifications, timely responses from local officials to all citizen questions and issues, and public access to all questions and responses.

(l) ADMINISTRATION.—Of any amounts made available pursuant to subsection (a), not more than the lesser of 0.5 percent, or $15,000,000, may be used for staffing, training, technical assistance, technology, monitoring, research, and evaluation activities necessary to carry out the program carried out under this section, and such amounts shall remain available until September 30, 2024.

SEC. 106. EMERGENCY HOMELESS ASSISTANCE.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated under the Emergency Solu-

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tions Grants program under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371 et seq.) $15,500,000,000 for grants under such subtitle in accordance with this section to respond to needs arising from the public health emergency relating to Coronavirus Disease 2019 (COVID–19).

(b) FORMULA.—Notwithstanding sections 413 and 414 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11372, 11373), the Secretary of Housing and Urban Development (in this Act referred to as the ''Secretary'') shall allocate amounts made available pursuant to subsection (a) in accordance with a formula to be established by the Secretary that takes into consideration the following factors:

(1) Risk of transmission of coronavirus in a jurisdiction.

(2) Whether a jurisdiction has a high number or rate of sheltered and unsheltered homeless individuals and families.

(3) Economic and housing market conditions in a jurisdiction.

(c) ELIGIBLE ACTIVITIES.—In addition to eligible activities under section 415(a) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11374(a), amounts

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made available pursuant to subsection (a) may also be used for costs of the following activities:

(1) Providing training on infectious disease prevention and mitigation.

(2) Providing hazard pay, including for time worked before the effectiveness of this clause, for staff working directly to prevent and mitigate the spread of coronavirus or COVID–19 among people experiencing or at risk of homelessness.

(3) Reimbursement of costs for eligible activities (including activities described in this paragraph) relating to preventing, preparing for, or responding to the coronavirus or COVID–19 that were accrued before the date of the enactment of this Act.

Use of such amounts for activities described in this paragraph shall not be considered use for administrative purposes for purposes of section 418 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11377).

(d) INAPPLICABILITY OF PROCUREMENT STANDARDS.—To the extent amounts made available pursuant to subsection (a) are used to procure goods and services relating to activities to prevent, prepare for, or respond to the coronavirus or COVID–19, the standards and requirements regarding procurement that are otherwise applicable shall not apply.

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(e) INAPPLICABILITY OF HABITABILITY AND ENVIRONMENTAL REVIEW STANDARDS.—Any Federal standards and requirements regarding habitability and environmental review shall not apply with respect to any emergency shelter that is assisted with amounts made available pursuant to subsection (a) and has been determined by a State or local health official, in accordance with such requirements as the Secretary shall establish, to be necessary to prevent and mitigate the spread of coronavirus or COVID–19, such shelters.

(f) INAPPLICABILITY OF CAP ON EMERGENCY SHELTER ACTIVITIES.—Subsection (b) of section 415 of the McKinney-Vento Homeless Assistance Act shall not apply to any amounts made available pursuant to subsection (a)(1) of this section.

(g) INITIAL ALLOCATION OF ASSISTANCE.—Section 417(b) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11376(b)) shall be applied with respect to amounts made available pursuant to subsection (a) by substituting ''30-day'' for ''60-day''.

(h) WAIVERS AND ALTERNATIVE REQUIREMENTS.—

(1) AUTHORITY.—In administering amounts made available pursuant to subsection (a), the Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation

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(except for any requirements related to fair housing, nondiscrimination, labor standards, and the environment) that the Secretary administers in connection with the obligation or use by the recipient of such amounts, if the Secretary finds that good cause exists for the waiver or alternative requirement and such waiver or alternative requirement is consistent with the purposes described in this subsection.

(2) EFFECTIVENESS; APPLICABILITY.—Any such waivers shall be deemed to be effective as of the date a State or unit of local government began preparing for coronavirus and shall apply to the use of amounts made available pursuant to subsection (a) and amounts provided in prior appropriation Acts for fiscal year 2020 under the heading ''Department of Housing and Urban Development—Community Planning and Development—Community Development Fund'' and used by recipients for the purposes described in this subsection.

(3) NOTIFICATION.—The Secretary shall notify the public through the Federal Register or other appropriate means 5 days before the effective date of any such waiver or alternative requirement, and any such public notice may be provided on the Internet at the appropriate Government web site or through

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other electronic media, as determined by the Secretary.

(4) EXEMPTION.—The use of amounts made available pursuant to subsection (a) shall not be subject to the consultation, citizen participation, or match requirements that otherwise apply to the Emergency Solutions Grants program, except that a recipient shall publish how it has and will utilize its allocation at a minimum on the Internet at the appropriate Government web site or through other electronic media.

(i) INAPPLICABILITY OF MATCHING REQUIREMENT.—Subsection (a) of section 416 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11375(a)) shall not apply to any amounts made available pursuant to subsection (a) of this section.

(j) PROHIBITION ON PREREQUISITES.—None of the funds authorized under this section may be used to require people experiencing homelessness to receive treatment or perform any other prerequisite activities as a condition for receiving shelter, housing, or other services.

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SEC. 107. PARTICIPATION OF INDIAN TRIBES AND TRIBALLY DESIGNATED HOUSING ENTITIES IN CONTINUUM OF CARE PROGRAM.

(a) IN GENERAL.—Title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11360 et seq.) is amended—

(1) in section 401 (42 U.S.C. 11360)—

(A) by redesignating paragraphs (10) through (33) as paragraphs (12) through (35), respectively;

(B) by redesignating paragraphs (8) and (9) as paragraphs (9) and (10), respectively;

(C) by inserting after paragraph (7) the following:

''(8) FORMULA AREA.—The term 'formula area' has the meaning given the term in section 1000.302 of title 24, Code of Federal Regulations, or any successor regulation.'';

(D) in paragraph (9), as so redesignated, by inserting ''a formula area,'' after ''nonentitlement area,''; and

(E) by inserting after paragraph (10), as so redesignated, the following:

''(11) INDIAN TRIBE.—The term 'Indian Tribe' has the meaning given the term 'Indian tribe' in section 4 of the Native American Housing Assistance

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and Self-Determination Act of 1996 (25 U.S.C. 4103).''; and

(2) in subtitle C (42 U.S.C. 11381 et seq.), by adding at the end the following:

''SEC. 435. PARTICIPATION OF INDIAN TRIBES AND TRIBALLY DESIGNATED HOUSING ENTITIES.

''Notwithstanding any other provision of this title, for purposes of this subtitle, an Indian Tribe or tribally designated housing entity (as defined in section 4 of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103)) may—

''(1) be a collaborative applicant or eligible entity; or

''(2) receive grant amounts from another entity that receives a grant directly from the Secretary, and use the amounts in accordance with this subtitle.''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—The table of contents in section 101(b) of the McKinney-Vento Homeless Assistance Act (Public Law 100–77; 101 Stat. 482) is amended by inserting after the item relating to section 434 the following:

''Sec. 435. Participation of Indian Tribes and tribally designated housing entities.''.

SEC. 108. HOUSING ASSISTANCE FUND.

(a) DEFINITIONS.—In this section:

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(1) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(2) STATE.—The term ''State'' means any State of the United States, the District of Columbia, any territory of the United States, Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands.

(b) ESTABLISHMENT OF FUND.—There is established at the Department of the Treasury a Housing Assistance Fund to provide such funds as are allocated in subsection (f) to State housing finance agencies for the purpose of preventing homeowner mortgage defaults, foreclosures, and displacements of individuals and families experiencing financial hardship after January 21, 2020.

(c) ALLOCATION OF FUNDS.—

(1) IN GENERAL.—The Secretary of the Treasury shall establish such criteria as are necessary to allocate the funds available within the Housing Assistance Fund to each State. The Secretary shall allocate such funds among all States taking into consideration the number of unemployment claims within a State relative to the nation-wide number of unemployment claims.

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(2) SMALL STATE MINIMUM.—Each State shall receive no less than $125,000,000 for the purposes established in subsection (b).

(d) DISBURSEMENT OF FUNDS.—

(1) INITIAL DISBURSEMENT.—The Secretary shall disburse to the State housing finance agencies not less than ½ of the amount made available pursuant to this section, and in accordance with the allocations established under subsection (c), not later than 120 days after the date of enactment of this Act. The Secretary or designee shall enter into a contract with each State housing finance agency, which may be amended from time to time, establishing the terms of the use of such funds prior to the disbursement of such funds.

(2) SECOND DISBURSEMENT.—The Secretary shall disburse all funds made available pursuant to this section, and in accordance with the allocations established under subsection (c), not later than 180 days after the date of enactment of this Act.

(e) PERMISSIBLE USES OF FUND.—

(1) IN GENERAL.—Funds made available to State housing finance agencies pursuant to this section may be used for the purposes established under subsection (b), which may include—

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(A) mortgage payment assistance;

(B) financial assistance to allow a borrower to reinstate their mortgage following a period of forbearance;

(C) principal reduction;

(D) utility payment assistance, including electric, gas, and water payment assistance;

(E) any program established under the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets;

(F) reimbursement of funds expended by a State or local government during the period beginning on January 21, 2020, and ending on the date that the first funds are disbursed by the State under the Housing Assistance Fund, for the purpose of providing housing or utility assistance to individuals or otherwise providing funds to prevent foreclosure or eviction of a homeowner or prevent mortgage delinquency or loss of housing or critical utilities as a response to the coronavirus disease 2019 (COVID–19) pandemic; and

(G) any other assistance to prevent eviction, mortgage delinquency or default, foreclosure, or the loss of essential utility services.

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(2) ADMINISTRATIVE EXPENSES.—Not greater than 10 percent of the amount allocated to a State pursuant to subsection (c) may be used by a State housing financing agency for administrative expenses. Any amounts allocated to administrative expenses that are no longer necessary for administrative expenses may be used in accordance with paragraph (1).

(f) APPROPRIATION.—There is appropriated, out of amounts in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 2020, to remain available until expended or transferred or credited under subsection (h), $35,000,000,000 to the Housing Assistance Fund established under subsection (b).

(g) USE OF HOUSING FINANCE AGENCY INNOVATION FUND FOR THE HARDEST HIT HOUSING MARKETS FUNDS.—A State housing finance agency may reallocate any administrative or programmatic funds it has received as an allocation from the Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets created pursuant to section 101(a) of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5211(a)) that have not been otherwise allocated or disbursed as of the date of enactment of this Act to supplement any administrative or programmatic funds received from the Housing Assist-

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ance Fund. Such reallocated funds shall not be considered when allocating resources from the Housing Assistance Fund using the process established under subsection (c) and shall remain available for the uses permitted and under the terms and conditions established by the contract with Secretary created pursuant to subsection (d)(1) and the terms of subsection (h).

(h) RESCISSION OF FUNDS.—Any funds that have not been allocated by a State housing finance agency to provide assistance as described under subsection (e) by December 31, 2030, shall be reallocated by the Secretary in the following manner:

(1) 65 percent shall be transferred or credited to the Housing Trust Fund established under section 1338 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4568); and

(2) 35 percent shall be transferred or credited to the Capital Magnet Fund under section 1339 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4569).

(i) REPORTING REQUIREMENTS.—The Secretary shall provide public reports not less frequently than quarterly regarding the use of funds provided by the Housing Assistance Funds. Such reports shall include the following

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data by State and by program within each State, both for the past quarter and throughout the life of the program—

(1) the amount of funds allocated;

(2) the amount of funds disbursed;

(3) the number of households and individuals assisted;

(4) the acceptance rate of applicants;

(5) the average amount of assistance provided per household receiving assistance;

(6) the average length of assistance provided per household receiving assistance;

(7) the income ranges of households for each household receiving assistance; and

(8) the outcome 12 months after the household has received assistance.

SEC. 109. MORTGAGE FORBEARANCE.

(a) FINDINGS.—

(1) FINDINGS.—Congress finds that—

(A) the collection of debts involves the use of the mails and wires and other instrumentalities of interstate commerce;

(B) at times of major disaster or emergency, the income of consumers is often impaired and their necessary daily expenses often increase;

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(C) temporary forbearance benefits not only consumer and small business debtors, but also other creditors by avoiding downward collateral price spirals triggered by an increase in foreclosure activity;

(D) without forbearance, many consumers and small businesses are unlikely to be able to pay their obligations according to their original terms and are likely to default on obligations or file for bankruptcy, resulting in reduced recoveries for creditors, and in the case of bankruptcy, no recovery of unaccrued interest;

(E) with forbearance, creditors are likely to realize greater long-term value because consumers and small businesses will be more likely to be able to repay their obligations after the major disaster or emergency has subsided;

(F) the legislative and administrative response to major disasters and emergencies may consist of multiple components divided among different statutes and programs; and

(G) when evaluating whether property has been taken from a person without just compensation, a holistic evaluation of the burdens and benefits of all legislative and administrative

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responses, including indirect benefits from macroeconomic stabilization, is appropriate.

(2) FURTHER FINDINGS REGARDING MORTGAGE FORBEARANCE.—Congress further finds that—

(A) ensuring that consumers are able to remain in their residences reduces the disruptions and economic harm caused by such disasters and emergencies by ensuring that consumers are able to continue their existing employment, education, childcare, and healthcare arrangements, which are often geographically-based;

(B) temporary forbearance on residential mortgages is therefore critical to fostering economic recovery and stability in the wake of major disasters or emergencies;

(C) temporary mortgage forbearance during a declared disaster benefits not only mortgagors, but also mortgagees because mortgagors' ability to pay is likely to be restored after a disaster or emergency subsides, so forbearance may increase mortgagors' total recovery. Without forbearance, mortgagors are likely to default or file for bankruptcy, resulting in significant losses for mortgagees; and

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(D) temporary mortgage forbearance during a declared disaster also benefits the mortgagees of other properties because housing prices are geographically and serially correlated so an increase in foreclosures can drive down the value of collateral for all mortgage lenders, further destabilizing the economy.

(3) FURTHER FINDINGS REGARDING MORTGAGE SERVICERS.—Congress further finds that—

(A) mortgage servicers are often contractually obligated to advance scheduled mortgage payments to securitization investors, irrespective of whether the servicer collects the payment from the mortgagor;

(B) mortgage servicers are often thinly capitalized and with limited capacity for engaging in large scale advancing of payments to securitization investors;

(C) securitization investors have long been aware of servicers' thin capitalization;

(D) in the wake of the 2008 financial crisis, several servicers had difficulty obtaining sufficiently liquidity to make advances;

(E) mortgage servicing is a heavily regulated industry;

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(F) in response to the 2008 financial crisis, Congress created a safe harbor for mortgage servicers that undertook loan modifications;

(G) in response to the 2008 financial crisis, the Home Affordable Modification Program paid mortgage servicers to undertake loan modifications;

(H) as part of the 2012 joint State-Federal National Mortgage Settlement, mortgage servicers committed to undertaking loan modifications; and

(I) investors in mortgage securitizations are or should be aware of servicers' thin capitalization, liquidity constraints, the extent and history of servicing regulation and therefore do not have a reasonable expectation that the terms of servicing contracts will be enforceable at times of national financial crisis.

(4) DETERMINATION.—It is the sense of the Congress that, on the basis of the findings described under paragraphs (1), (2), and (3), the Congress determines that the provisions of this Act are necessary and proper for the purpose of carrying into execution the powers of the Congress to regulate

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commerce among the several States and to establish uniform bankruptcy laws.

(b) PROHIBITION ON FORECLOSURES AND REPOSSESSIONS DURING THE COVID–19 EMERGENCY.—

(1) PROHIBITION ON FORECLOSURES.—The Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2601 et seq.) is amended—

(A) in section 3 (12 U.S.C. 2602)—

(i) in paragraph (8), by striking ''and'' at the end;

(ii) in paragraph (9), by striking the period at the end and inserting ''; and''; and

(iii) by adding at the end the following:

''(10) the term 'COVID–19 emergency' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.''; and

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(B) in section 6(k)(1) (12 U.S.C. 2605(k)(1))—

(i) in subparagraph (D), by striking ''or'' at the end;

(ii) by redesignating subparagraph (E) as subparagraph (G); and

(iii) by inserting after subparagraph (D) the following:

''(E) commence or continue any judicial foreclosure action or non-judicial foreclosure process or any action to evict a consumer following a foreclosure during the COVID–19 emergency or the 180-day period following such emergency (except that such prohibition shall not apply to a mortgage secured by a dwelling that the servicer has determined after exercising reasonable diligence is vacant or abandoned);

''(F) fail to toll the time in a foreclosure process on a property during the COVID–19 emergency or the 180-day period following such emergency (except that such prohibition shall not apply to a mortgage secured by a dwelling that the servicer has determined after exer-

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cising reasonable diligence is vacant or abandoned); or''.

(2) REPOSSESSION PROHIBITION.—During the COVID–19 emergency and for the 180-day period following such emergency, a servicer of a consumer loan secured by a manufactured home or a motor vehicle may not repossess such home or vehicle.

(c) FORBEARANCE OF RESIDENTIAL MORTGAGE LOAN PAYMENTS FOR SINGLE FAMILY PROPERTIES (1–4 UNITS).—Section 6 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605) is amended by adding at the end the following:

''(n) FORBEARANCE DURING THE COVID–19 EMERGENCY.—

''(1) CONSUMER RIGHT TO REQUEST A FORBEARANCE.—

''(A) REQUEST FOR FORBEARANCE.—A borrower experiencing a financial hardship during the COVID–19 emergency may request forbearance from any mortgage obligation, regardless of delinquency status, by submitting a request to the borrower's servicer, either orally or in writing, affirming that the borrower is experiencing hardship during the COVID–19 emergency. A borrow shall not be required to provide

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any additional documentation to receive such forbearance.

"(B) LENGTH OF FORBEARANCE; EXTENSION.—A forbearance requested pursuant to subparagraph (A) shall be provided for a period of 180 days, and may be extended upon request of the borrower for an additional 180 days.

"(C) TREATMENT OF TENANTS.—A borrower receiving a forbearance under this subsection with respect to a mortgage secured by a dwelling that has tenants, whether or not the borrower also lives in the dwelling, shall provide the tenants with rent relief for a period not less than the period covered by the forbearance.

"(2) AUTOMATIC FORBEARANCE FOR DELINQUENT BORROWERS.—

"(A) IN GENERAL.—Notwithstanding any other law governing forbearance relief, during the COVID–19 emergency, any borrower who is or becomes 60 days or more delinquent on a mortgage obligation shall automatically be granted a 180-day forbearance, which may be extended upon request of the borrower for an additional 180 days. Such a borrower may elect to continue making regular payments by noti-

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fying the servicer of the mortgage obligation of such election.

"(B) NOTICE TO BORROWER.—The servicer of a mortgage obligation placed in forbearance pursuant to subparagraph (A) shall provide the borrower written notification of the forbearance and its duration as well as information about available loss mitigation options and the right to end the forbearance and resume making regular payments.

"(C) TREATMENT OF PAYMENTS DURING FORBEARANCE.—Any payments made by the borrower during the forbearance period shall be credited to the borrower's account in accordance with section 129F of the Truth in Lending Act (15 U.S.C. 1639f) or as the borrower may otherwise instruct that is consistent with the terms of the mortgage loan contract.

"(3) REQUIREMENTS FOR SERVICERS.—

"(A) NOTIFICATION.—

"(i) IN GENERAL.—Each servicer of a federally related mortgage loan shall notify the borrower of their right to request forbearance under paragraph (1)—

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"(I) not later than 14 days after the date of enactment of this subsection; and

"(II) until the end of COVID–19 emergency—

"(aa) on each periodic statement provided to the borrower; and

"(bb) in any oral or written communication by the servicer with or to the borrower.

"(ii) MANNER OF NOTIFICATION.—

"(I) WRITTEN NOTIFICATION.—Any written notification required under this section—

"(aa) shall be provided—

"(AA) in English and Spanish and in any additional languages in which the servicer communicates, including the language in which the loan was negotiated, to the extent known by the servicer; and

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"(BB) at least as clearly and conspicuously as the most clear and conspicuous disclosure on the document;

"(bb) shall include the notification of the availability of language assistance and housing counseling produced by the Federal Housing Finance Agency under subsection (o); and

"(cc) may be provided by first-class mail or electronically, if the borrower has otherwise consented to electronic communication with the servicer and has not revoked such consent.

"(II) ORAL NOTIFICATION.—Any oral notification required under clause (i) shall be provided in the language the servicer otherwise uses to communicate with the borrower.

"(III) WRITTEN TRANSLATIONS.—In providing written notifications in languages other than English under subclause (I), a

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servicer may rely on written translations developed by the Federal Housing Finance Agency or the Bureau.

"(B) OTHER REQUIREMENTS.—

"(i) FORBEARANCE REQUIRED.—Upon receiving a request for forbearance from a consumer under paragraph (1) or placing a borrower in automatic forbearance under paragraph (2), a servicer shall provide the forbearance for not less than 180 days, and an additional 180 days at the request of the borrower, provided that the borrower will have the option to discontinue the forbearance at any time.

"(ii) PROHIBITION ON FEES, PENALTIES, AND INTEREST.—During the period of a forbearance under this subsection, no fees, penalties or additional interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract in effect at the time the borrower enters into the forbearance shall accrue.

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"(iii) TREATMENT OF ESCROW PAYMENTS.—If a borrower in forbearance under this subsection is required to make payments to an escrow account, the servicer shall pay or advance the escrow disbursements in a timely manner (defined as on or before the deadline to avoid a penalty), regardless of the status of the borrower's payments. The servicer may collect any resulting escrow shortage or deficiency from the borrower after the forbearance period ends, in a lump sum payment, spread over 60 months, or capitalized into the loan, at the borrower's election.".

(d) NOTIFICATION OF LANGUAGE ASSISTANCE AND HOUSING COUNSELING.—Section 6 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605), as amended by subsection (c), is further amended by adding at the end the following:

"(o) NOTIFICATION OF LANGUAGE ASSISTANCE AND HOUSING COUNSELING.—

"(1) IN GENERAL.—The Federal Housing Finance Agency shall, within 30 days of the date of enactment of this Act, make available a document providing notice of the availability of language as-

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sistance and housing counseling in substantially the same form, and in at least the same languages, as the existing Language Translation Disclosure.

''(2) MINIMUM REQUIREMENT.—The document described under subsection (a) shall include the notice in at least all the languages for which Federal Housing Finance Agency currently has translations on its existing Language Translation Disclosure available.

''(3) PROVISION TO SERVICERS.—The Federal Housing Finance Agency shall make this document available to servicers to fulfill their requirements under subsection (n).''.

(e) UNITED STATES DEPARTMENT OF AGRICULTURE DIRECT LOAN PROGRAM.—Section 505 of the Housing Act of 1949 (42 U.S.C. 1475) is amended—

(1) by redesignating subsection (b) as subsection (c); and

(2) by inserting after subsection (a) the following:

''(b) LOAN MODIFICATION.—

''(1) IN GENERAL.—The Secretary shall implement a loan modification program to modify the terms of outstanding loans for borrowers who face financial hardship.

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''(2) AFFORDABLE PAYMENTS.—The Secretary's loan modification program under paragraph (1) shall be designed so as to provide affordable payments for borrowers. In defining 'affordable payments' the Secretary shall consult definitions of affordability promulgated by the Federal Housing Finance Authority, the Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection.

''(3) ADDITIONAL PROGRAM REQUIREMENTS.—The Secretary's loan modification program under paragraph (1) shall allow for measures including extension of the remaining loan term to up to 480 months and a reduction in interest rate to the market interest rate as defined by regulations of the Secretary. The modification program shall be available for borrowers in a moratorium and for borrowers not already in a moratorium who qualify under the terms established by the Secretary. The Secretary may also establish reasonable additional measures for providing affordable loan modifications to borrowers'';

(3) in subsection (c), as so redesignated, by adding at the end the following: ''Acceleration of the promissory note and initiation of foreclosure pro-

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ceedings shall not terminate a borrower's eligibility for a moratorium, loan reamortization, special servicing, or other foreclosure alternative.''; and

(4) by adding at the end the following:

''(d) REQUIREMENT.—The Secretary shall comply with subsection (k)(1), (n), and (o) of section 6 of the Real Estate Settlement Procedures Act of 1974 with respect to any single-family loans it holds or services.''.

(f) FORBEARANCE OF RESIDENTIAL MORTGAGE LOAN PAYMENTS FOR MULTIFAMILY PROPERTIES (5+ UNITS).—

(1) IN GENERAL.—During the COVID–19 emergency, a multifamily borrower experiencing a financial hardship due, directly or indirectly, to the COVID–19 emergency may request a forbearance under the terms set forth in this section.

(2) REQUEST FOR RELIEF.—A multifamily borrower may submit a request for forbearance under paragraph (1) to the borrower's servicer, either orally or in writing, affirming that the multifamily borrower is experiencing hardship during the COVID–19 emergency.

(3) FORBEARANCE PERIOD.—

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(A) IN GENERAL.—Upon receipt of an oral or written request for forbearance from a multifamily borrower, a servicer shall—

(i) document the financial hardship;

(ii) provide the forbearance for not less than 180 days; and

(iii) provide the forbearance for an additional 180 days upon the request of the borrower at least 30 days prior to the end of the forbearance period described under subparagraph (A).

(B) RIGHT TO DISCONTINUE.—A multifamily borrower shall have the option to discontinue the forbearance at any time.

(4) RENTER PROTECTIONS.—During the term of a forbearance under this section, a multifamily borrower may not—

(A) evict a tenant for nonpayment of rent; or

(B) apply or accrue any fees or other penalties on renters for nonpayment of rent.

(5) OBLIGATION TO BRING THE LOAN CURRENT.—A multifamily borrower shall bring a loan placed in forbearance under this section current within the earlier of—

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(A) 12 months after the conclusion of the forbearance period; or

(B) receipt of any business interruption insurance proceeds by the multifamily borrower.

(6) DEFINITION.—For the purposes of this subsection, the term ''multifamily borrower'' means a borrower of a residential mortgage loan that is secured by a lien against a property comprising five or more dwelling units.

(g) FEDERAL RESERVE CREDIT FACILITY FOR MORTGAGE SERVICERS.—

(1) IN GENERAL.—The Board of Governors of the Federal Reserve System and the Secretary of the Treasury, pursuant to the authority granted under section 13(3) of the Federal Reserve Act, directly (or indirectly through an intermediary, such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, an insured depository institution, non-depository lending institution, or a special purpose vehicle)—

(A) shall extend credit to mortgage servicers and other obligated advancing parties that in each case have liquidity needs due to the COVID–19 emergency or compliance with this

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Act with respect to mortgage loans (the ''affected mortgages''); and

(B) may extend further credit to mortgage servicers for other liquidity needs due to the actual or imminent delinquency or default on mortgage loans due to the COVID–19 emergency.

(2) NON-COMPLIANT SERVICERS.—A mortgage servicer shall not be eligible for assistance under paragraph (1) if the provider is in violation of any requirement under this Act, and fails to promptly cure any such violation upon notice or discovery thereof.

(3) PAYMENTS AND PURCHASES.—Credit extended under paragraph (1)(A) shall be in an amount sufficient to—

(A) cover—

(i) the pass-through payment of principal and interest to mortgage-backed securities holders;

(ii) the payment of taxes and insurance to third parties; and

(iii) the temporary reimbursement of modification costs and fees due to servicers that will be deferred until such time as a

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forbearance period terminates, due in each case on, or in respect of, such affected mortgage loans or related mortgage-backed securities;

(B) purchase affected mortgages from pools of securitized mortgages

(4) COLLATERAL.—The credit authorized by this section shall be secured by the pledgor's interest in accounts receivable, loans, or related interests resulting from the payment advances made on the affected mortgages by the mortgage servicers.

(5) CREDIT SUPPORT.—The Secretary of the Treasury shall provide credit support to the Board of Governors of the Federal Reserve System for the program required by this section.

(6) CONFLICT WITH OTHER LAWS.—Notwithstanding any Federal or State law to the contrary, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association may permit the pledge or grant of a security interest in the pledgor's interest in such accounts receivable or loans or related interests and honor or permit the enforcement of such pledge or grant in accordance with its terms.

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(7) DURATION.—The extension of credit by the Board of Governors of the Federal Reserve System and credit support from the Secretary of the Treasury under this section shall be available until the later of—

(A) 6 months after the end of the COVID–19 emergency; and

(B) the date on which on the Board of Governors of the Federal Reserve System and the Secretary of the Treasury determine such credit and credit support should no longer be available to address the liquidity concern addressed by this section.

(8) AMENDMENTS TO NATIONAL HOUSING ACT.—Section 306(g)(1) of the National Housing Act (12 U.S.C. 1721(g)(1)) is amended—

(A) by inserting the following new sentence after the fourth sentence in the paragraph: ''In any case in which (I) the President declares a major disaster or emergency for the nation or any area that in either case has been affected by damage or other adverse effects of sufficient severity and magnitude to warrant major disaster assistance under the Robert T. Stafford Disaster Relief and Emergency Assistance Act

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or other Federal law, (II) upon request of an Issuer of any security, the Association elects to extend to the Issuer one or more of the disaster assistance or emergency programs that the Association determines to be available to account for the Issuer's failure or anticipated failure to receive from the mortgagor the full amount of principal and interest due, then (III) the Association may elect not to declare the Issuer to be in default because of such request for such disaster or emergency assistance.'';

(B) by inserting after the word ''issued'' in the sixth sentence, as redesignated, the following: ''subject to any pledge or grant of security interest of the pledgor's interest in and to any such mortgage or mortgages or any interest therein and the proceeds thereon, which the Association may elect to approve;''; and

(C) by inserting after the word ''issued'' in the seventh sentence, as redesignated, the following: '', or (D) its approval and honoring of any pledge or grant of security interest of the pledgor's interest in and to any such mortgage or mortgages or any interest therein and proceeds thereon.''.

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(h) SAFE HARBOR.—

(1) IN GENERAL.—Notwithstanding any other provision of law, whenever a servicer of residential mortgages of residential mortgage-backed securities—

(A) grants a borrower relief under section 6(n) and 6(p) of the Real Estate Settlement Procedures Act of 1974 with respect to a residential mortgage originated before April 1, 2020, including a mortgage held in a securitization or other investment vehicle, and

(B) the servicer or trustee or issuer owes a duty to investors or other parties regarding the standard for servicing such mortgage,

the servicer shall be deemed to have satisfied the such a duty, and the servicer shall not be liable to any party who is owed such a duty and shall not be subject to any injunction, stay, or other equitable relief to such party, based upon its good faith compliance with the provisions of 6(n) and 6(p) of the Real Estate Settlement Procedures Act of 1974. Any person, including a trustee or issuer, who cooperates with a servicer when such cooperation is necessary for the servicer to implement the provisions of 6(n) and 6(p) of the Real Estate Settlement Procedures

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Act of 1974 shall be protected from liability in the same manner.

(2) STANDARD INDUSTRY PRACTICE.—Compliance with 6(n) and 6(p) of the Real Estate Settlement Procedures Act of 1974 during the COVID–19 emergency shall constitute standard industry practice for purposes of all Federal and State laws.

(3) DEFINITIONS.—As used in this subsection—

(A) the term ''servicer'' has the meaning given that term under section 6(i)(2) of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605(i)(2)); and

(B) the term ''securitization vehicle'' has the meaning given that term under section 129A(f)(3) of the Truth in Lending Act (15 U.S.C. 1639a(f)(3)).

(4) RULE OF CONSTRUCTION.—No provision of paragraph (1) or (2) shall be construed as affecting the liability of any servicer or person for actual fraud in servicing of a loan or for the violation of a State or Federal law.

(i) POST-PANDEMIC MORTGAGE REPAYMENT OPTIONS.—Section 6 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2605), as amended by sub-

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section (d), is further amended by adding at the end the following:

"(p) POST-PANDEMIC MORTGAGE REPAYMENT OPTIONS.—With respect to a federally related residential mortgage loan, before the end of any forbearance provided under subsection (n), servicers shall—

"(1) evaluate the borrower's ability to return to making regular mortgage payments;

"(2) if the borrower is able to return to making regular mortgage payments at the end of the forbearance period—

"(A) modify the borrower's loan to extend the term for the same period as the length of the forbearance, with all payments that were not made during the forbearance distributed at the same intervals as the borrower's existing payment schedule and evenly distributed across those intervals, with no penalties, late fees, additional interest accrued beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract in effect at the time the borrower entered into the forbearance, and with no modification fee charged to the borrower; or

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''(B) if the borrower elects to modify the loan to capitalize a resulting escrow shortage or deficiency, the servicer may modify the borrower's loan by re-amortizing the principal balance and extending the term of the loan sufficient to maintain the regular mortgage payments; and

''(C) notify the borrower in writing of the extension, including provision of a new payment schedule and date of maturity, and that the borrower shall have the election of prepaying the suspended payments at any time, in a lump sum or otherwise;

''(3) if the borrower is financially unable to return to making periodic mortgage payments as provided for in the mortgage contract at the end of the COVID–19 emergency—

''(A) evaluate the borrower for all loan modification options, without regard to whether the borrower has previously requested, been offered, or provided a loan modification or other loss mitigation option and without any requirement that the borrower come current before such evaluation or as a condition of eligibility for such modification, including—

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"(i) further extending the borrower's repayment period;

"(ii) reducing the principal balance of the loan; or

"(iii) other modification or loss mitigation options available to the servicer under the terms of any investor requirements and existing laws and policies; and

"(B) if the borrower qualifies for such a modification, the service shall offer a loan with such terms as to provide a loan with such terms as to provide an affordable payment, with no penalties, late fees, additional interest beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract in effect at the time the borrower entered into the forbearance, and with no modification fees charged to the borrower; and

"(4) if a borrower is granted a forbearance on payments that would be owed pursuant to a trial loan modification plan—

"(A) any forbearance of payments shall not be treated as missed or delinquent pay-

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ments or otherwise negatively affect the borrower's ability to complete their trial plan;

"(B) any past due amounts as of the end of the trial period, including unpaid interest, real estate taxes, insurance premiums, and assessments paid on the borrower's behalf, will be added to the mortgage loan balance, but only to the extent that such charges are not fees associated with the granting of the forbearance, such as late fees, modification fees, or unpaid interest from the period of the forbearance beyond the amounts scheduled or calculated as if the borrower made all contractual payments on time and in full under the terms of the mortgage contract in effect at the time the borrower entered into the forbearance; and

"(C) if the borrower is unable to resume payments on the trial modification at the end of the forbearance period, re-evaluate the borrower for all available loan modifications under paragraph 3, without any requirement that the borrower become current before such evaluation or as a condition of eligibility for such modification.".

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(j) CLAIMS OF AFFECTED INVESTORS AND OTHER PARTIES.—Any action asserting a taking under the Fifth Amendment to the Constitution of the United States as a result of this subsection shall be brought not later than 180 days after the end of the COVID–19 emergency.

(k) EXTENSION OF THE GSE PATCH.—The Director of the Bureau of Consumer Financial Protection shall revise section 1026.43(e)(4)(iii)(B) of title 12, Code of Federal Regulations, to extend the sunset of the special rule provided under such section 1026.43(e)(4) until January 1, 2022, or such later date as may be determined by the Bureau.

(l) DEFINITIONS.—In this section:

(1) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) MANUFACTURED HOME.—The term ''manufactured home''has the meaning given that term

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under section 603 of the National Manufactured Housing Construction and Safety Standards Act of 1974 (42 U.S.C. 5402).

(3) MOTOR VEHICLE.—The term ''motor vehicle'' has the meaning given that term under Section 1029(f) of the Consumer Financial Protection Act of 2010 (12 U.S.C. 5519(f)).

(4) RESIDENTIAL MORTGAGE LOAN.—The term ''residential mortgage loan'' means any consumer credit transaction that is secured by a mortgage, deed of trust, or other equivalent consensual security interest on residence consisting of a single dwelling unit that is occupied by the mortgagor.

SEC. 110. BANKRUPTCY PROTECTIONS.

(a) INCREASING THE HOMESTEAD EXEMPTION.—

(1) HOMESTEAD EXEMPTION.—Section 522 of title 11, United States Code, is amended—

(A) in subsection (d)(1), by striking ''$15,000'' and inserting ''$100,000''; and

(B) by adding at the end the following:

''(r) Notwithstanding any other provision of applicable nonbankruptcy law, a debtor in any State may exempt from property of the estate the property described in subsection (d)(1) not to exceed the value in subsection (d)(1)

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if the exemption for such property permitted by applicable nonbankruptcy law is lower than that amount.''.

(b) EFFECT OF MISSED MORTGAGE PAYMENTS ON DISCHARGE.—Section 1328 of title 11, United States Code, is amended by adding at the end the following:

''(i) A debtor shall not be denied a discharge under this section because, as of the date of discharge, the debtor did not make 6 or fewer payments directly to the holder of a debt secured by real property.

''(j) Notwithstanding subsections (a) and (b), upon the debtor's request, the court shall grant a discharge of all debts provided for in the plan that are dischargeable under subsection (a) if the debtor—

''(1) has made payments under a confirmed plan for at least 1 year; and

''(2) is experiencing a loss of income or increase in expenses due, directly or indirectly, to the coronavirus disease 2019 (COVID–19) pandemic.''.

(c) MODIFICATION OF CHAPTER 13 PLAN DUE TO HARDSHIP CAUSED BY COVID-19 PANDEMIC.—Section 1329 of title 11, United States Code, is amended by adding at end the following:

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"(d)(1) Subject to paragraph (3), for cases confirmed prior to the date of enactment of this subsection, the plan may be modified upon the request of the debtor if—

"(A) the debtor is experiencing or has experienced a material financial hardship due, directly or indirectly, to the coronavirus disease 2019 (COVID–19) pandemic; and

"(B) the modification is approved after notice and a hearing.

"(2) A modification under paragraph (1) may include extending the period of time for payments on claims not later than 7 years after the date on which the first payment under the original confirmed plan was due.

"(3) Sections 1322(a), 1322(b), 1323(c), and the requirements of section 1325(a) shall apply to any modification under paragraph (1).".

(d) APPLICABILITY.—

(1) The amendments made by subsections (a) and (b) shall apply to any case commenced before, on, or after the date of enactment of this Act.

(2) The amendment made by subsection (c) shall apply to any case for which a plan has been confirmed under section 1325 of title 11, United

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States Code, before the date of enactment of this Act.

SEC. 111. DEBT COLLECTION.

(a) TEMPORARY DEBT COLLECTION MORATORIUM DURING THE COVID–19 EMERGENCY PERIOD.—

(1) IN GENERAL.—The Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.) is amended by inserting after section 812 the following:

"§ 812A. Temporary debt collection moratorium during the COVID–19 emergency period

''(a) DEFINITIONS.—In this section:

''(1) CONSUMER.—The term 'consumer' means any natural person obligated or allegedly obligated to pay any debt.

''(2) COVID–19 EMERGENCY PERIOD.—The term 'COVID–19 emergency period' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

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''(3) CREDITOR.—The term 'creditor' means any person who offers or extends credit creating a debt or to whom a debt is owed or other obligation of payment.

''(4) DEBT.—The term 'debt'—

''(A) means any past due obligation or alleged obligation of a consumer, non-profit organization, or small business to pay money—

''(i) arising out of a transaction in which the money, property, insurance, or services which are the subject of the transaction are primarily for personal, family, business, non-profit, or household purposes, whether or not such obligation has been reduced to judgment;

''(ii) owed to a local, State, or Federal government;

''(B) does not include federally related mortgages (as defined under section 3 of the Real Estate Settlement Procedures Act of 1974) unless a deficiency judgment has been made with respect to such federally related mortgage.

''(5) DEBT COLLECTOR.—The term 'debt collector' includes a creditor and any person or entity

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that engages in the collection of debt (including the Federal Government or a State government) whether or not the debt is allegedly owed to or assigned to that person or entity.

''(6) DEPOSITORY INSTITUTION.—The term 'depository institution'—

''(A) has the meaning given that term under section 3 of the Federal Deposit Insurance Act; and

''(B) means a Federal or State credit union (as such terms are defined, respectively, under section 101 of the Federal Credit Union Act.)

''(7) NON-PROFIT ORGANIZATION.—The term 'non-profit organization' means an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under subsection (a) of such section.

''(8) SMALL BUSINESS.—The term 'small business' has the meaning given the term 'small business concern' under section 3 of the Small Business Act (15 U.S.C. 632).

''(b) PROHIBITIONS.—Notwithstanding any other provision of law, during COVID–19 emergency period and

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the 120-day period immediately following, a debt collector is prohibited from—

''(1) capitalizing or adding extra interest or fees triggered by the non-payment of an obligation by a consumer, small business, or non-profit organization to the balance of an account;

''(2) suing or threatening to sue a consumer, small business, or non-profit for a past-due debt;

''(3) continuing litigation initiated before the date of enactment of this section to collect a debt from a consumer, small business, or non-profit organization;

''(4) enforcing a security interest, including through repossession or foreclosure, against a consumer, small business, or non-profit organization;

''(5) reporting a past due debt of a consumer, small business, or non-profit organization to a consumer reporting agency;

''(6) taking or threatening to take any action to enforce collection, or any adverse action against a consumer, small business, or non-profit organization for non-payment or for non-appearance at any hearings related to a debt;

''(7) except with respect to enforcing an order for child support or spousal support, initiating or

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continuing any action to cause or to seek to cause the collection of a debt from wages, Federal benefits, or other amounts due to a consumer, small business, or non-profit organization, by way of garnishment, deduction, offset, or other seizure, or to cause or seek to cause the collection of a debt by seizing funds from a bank account or any other assets held by such consumer, small business, or non-profit organization;

''(8) in the case of action or collection described under paragraph (7) that was initiated prior to the beginning of the date of such disaster or emergency, failing to suspend the action or collection until 120 days after the end of the COVID–19 emergency period;

''(9) upon the termination of the incident period for such disaster or emergency, failing to extend the time period to pay an obligation by one payment period for each payment that a consumer, small business, or non-profit organization missed during the incident period, with the payments due in the same amounts and at the same intervals as the pre-existing payment schedule of the consumer, small business, or non-profit organization (as applicable) or, if the debt has no payment periods, allow the con-

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sumer, small business, or non-profit a reasonable time in which to repay the debt in affordable payments;

''(10) disconnecting a consumer, small business, or non-profit organization from a utility prepaid or post-paid electricity, natural gas, telecommunications, broadband, water, or sewer service; or

''(11) exercising a right to set off provision contained in any consumer, small business, or non-profit organization account agreement with a depository institution.

''(c) VIOLATION.—Any person who violates a provision of this section shall—

''(1) be treated as a debt collector for purposes of section 813; and

''(2) be liable to the consumer, small business, or non-profit organization an amount equal to 10 times the damages allowed under section 813 for each such violation.''.

(2) TABLE OF CONTENTS AMENDMENT.—The table of contents at the beginning of the Fair Debt Collection Practices Act (15 U.S.C. 1692 et seq.) is amended by inserting after the item relating to section 812 the following new item:

''812A. Temporary debt collection moratorium during the COVID–19 emergency period.''.

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(b) CONFESSIONS OF JUDGMENT PROHIBITION.—

(1) IN GENERAL.—Chapter 2 of the Truth in Lending Act (15 U.S.C. 1631 et seq.) is amended—

(A) by adding at the end the following:

"§ 140B. Confessions of judgment prohibition

''(a) IN GENERAL.—During a period described under section 812A(b) of the Fair Debt Collection Practices Act, no person may directly or indirectly take or receive from another person or seek to enforce an obligation that constitutes or contains a cognovit or confession of judgment (for purposes other than executory process in the State of Louisiana), warrant of attorney, or other waiver of the right to notice and the opportunity to be heard in the event of suit or process thereon.

''(b) EXEMPTION.—The exemption in section 104(1) shall not apply to this section.

''(c) DEBT DEFINED.—In this section, the term 'debt' means any obligation of a person to pay to another person money—

''(1) regardless of whether the obligation is absolute or contingent, if the understanding between the parties is that any part of the money shall be or may be returned;

''(2) that includes the right of the person providing the money to an equitable remedy for breach

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of performance if the breach gives rise to a right to payment; and

''(3) regardless of whether the obligation or right to an equitable remedy described in paragraph (2) has been reduced to judgment or is fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.''; and

(B) in the table of contents for such chapter, by adding at the end the following:

''140B. Confessions of judgment prohibition.''.

(2) CONFORMING AMENDMENT.—Section 130(a) of the Truth in Lending Act (15 U.S.C. 1640(a)) is amended by adding at the end the following: ''For purposes of this section, the term 'creditor' refers to any person charged with compliance.''.

SEC. 112. DISASTER PROTECTION FOR WORKERS' CREDIT.

(a) PURPOSE.—The purpose of this section, and the amendments made by this section, is to protect consumers' credit from negative impacts as a result of financial hardship due to the coronavirus disease (COVID–19) outbreak and future major disasters.

(b) REPORTING OF INFORMATION DURING MAJOR DISASTERS.—

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(1) IN GENERAL.—The Fair Credit Reporting Act is amended by inserting after section 605B the following:

"§ 605C. Reporting of information during major disasters

''(a) DEFINITIONS.—In this section:

''(1) COVID–19 EMERGENCY PERIOD.—The term 'COVID–19 emergency period' means the period beginning on the date of enactment of this section and ending on the later of—

''(A) 120 days after the date of enactment of this section; or

''(B) 120 days after the date of termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

''(2) COVERED MAJOR DISASTER PERIOD.—The term 'covered major disaster period' means—

''(A) the period beginning on the date on which a major disaster is declared by the President under section 401 of the Robert T. Staf-

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ford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174), and ending on the date that is 120 days after the end of the incident period designated in such declaration; or

"(B) the period ending 120 days after the date of termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

"(3) MAJOR DISASTER.—The term 'major disaster' means a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174)

"(b) MORATORIUM ON FURNISHING ADVERSE INFORMATION DURING COVID–19 EMERGENCY PERIOD.—No person may furnish any adverse item of information (except information related to a felony criminal conviction) relating to a consumer that was the result of any action

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or inaction that occurred during the COVID–19 emergency period.

''(c) MORATORIUM ON FURNISHING ADVERSE INFORMATION DURING COVERED MAJOR DISASTER PERIOD.—No person may furnish any adverse item of information (except information related to a felony criminal conviction) relating to a consumer that was the result of any action or inaction that occurred during a covered major disaster period if the consumer is a resident of the affected area covered by a declaration made by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174).

''(d) INFORMATION EXCLUDED FROM CONSUMER REPORTS.—In addition to the information described in section 605(a), no consumer reporting agency may make any consumer report containing an adverse item of information (except information related to a felony criminal conviction) reported relating to a consumer that was the result of any action or inaction that occurred during the COVID–19 emergency period or a covered major disaster period, and as applicable under subsection (f)(3), for 270 days after the expiration of the applicable period.

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''(e) SUMMARY OF RIGHTS.—Not later than 60 days after the date of enactment of this subsection, the Bureau shall update the model summary of rights under section 609(c)(1) to include a description of the right of a consumer to—

''(1) request the deletion of adverse items of information under subsection (f); and

''(2) request a consumer report or score, without charge to the consumer, under subsection (g).

''(f) DELETION OF ADVERSE ITEMS OF INFORMATION RESULTING FROM THE CORONAVIRUS DISEASE (COVID–19) OUTBREAK AND MAJOR DISASTERS.—

''(1) REPORTING.—

''(A) IN GENERAL.—Not later than 60 days after the date of enactment of this subsection, the Bureau shall create a website for consumers to report, under penalty of perjury, economic hardship as a result of the coronavirus disease (COVID–19) outbreak or a major disaster (if the consumer is a resident of the affected area covered by such major disaster) for the purpose of extending credit report protection for an additional 270 days after the end of the COVID–19 emergency period or covered major disaster period, as applicable.

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"(B) DOCUMENTATION.—The Bureau shall—

"(i) not require any documentation from a consumer to substantiate the economic hardship; and

"(ii) provide notice to the consumer that a report under subparagraph (A) is under penalty of perjury.

"(C) REPORTING PERIOD.—A consumer may report economic hardship under subparagraph (A) during the COVID–19 emergency period or a covered major disaster period, as applicable, and for 60 days thereafter.

"(2) DATABASE.—The Bureau shall establish and maintain a secure database that—

"(A) is accessible to each consumer reporting agency described in section 603(p) and nationwide specialty consumer reporting agency for purposes of fulfilling their duties under paragraph (3) to check and automatically delete any adverse item of information (except information related to a felony criminal conviction) reported that occurred during the COVID–19 emergency period or a covered major disaster period with respect to a consumer; and

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"(B) contains the information reported under paragraph (1).

"(3) DELETION OF ADVERSE ITEMS OF INFORMATION BY NATIONWIDE CONSUMER REPORTING AND NATIONWIDE SPECIALTY CONSUMER REPORTING AGENCIES.—

"(A) IN GENERAL.—Each consumer reporting agency described in section 603(p) and each nationwide specialty consumer reporting agency shall, using the information contained in the database established under paragraph (2), delete from the file of each consumer named in the database each adverse item of information (except information related to a felony criminal conviction) that was a result of an action or inaction that occurred during the COVID–19 emergency period or a covered major disaster period up to 270 days following the end of the such period.

"(B) TIMELINE.—Each consumer reporting agency described in section 603(p) and each nationwide specialty consumer reporting agency shall check the database at least weekly and delete adverse items of information as soon as practicable after information that is reported

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under paragraph (1) appears in the database established under paragraph (2).

"(4) REQUEST FOR DELETION OF ADVERSE ITEMS OF INFORMATION.—

"(A) IN GENERAL.—A consumer who has filed a report of economic hardship with the Bureau may submit a request, without charge to the consumer, to a consumer reporting agency to delete from the consumer's file an adverse item of information (except information related to a felony criminal conviction) that was a result of an action or inaction that occurred during the COVID–19 emergency period or a covered major disaster period up to 270 days following the end of the such period.

"(B) TIMING.—A consumer may submit a request under subparagraph (A), not later than 270-day period described in that subparagraph.

"(C) REMOVAL AND NOTIFICATION.—Upon receiving a request under this paragraph to delete an adverse item of information, a consumer reporting agency shall—

"(i) delete the adverse item of information (except information related to a fel-

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ony criminal conviction) from the consumer's file; and

"(ii) notify the consumer and the furnisher of the adverse item of information of the deletion.

"(g) FREE CREDIT REPORT AND SCORES.—

"(1) IN GENERAL.—During the COVID–19 emergency period or a covered major disaster period and ending 12 months after the expiration of the COVID–19 emergency period or covered major disaster period, as applicable, each consumer reporting agency as described under 603(p) and nationwide specialty consumer reporting agency shall make all disclosures described under section 609 upon request by a consumer, by mail or online, without charge to the consumer and without limitation as to the number of requests. A consumer reporting agency shall also supply a consumer, upon request and without charge, with a credit score that—

"(A) is derived from a credit scoring model that is widely distributed to users by the consumer reporting agency for the purpose of any extension of credit or other transaction designated by the consumer who is requesting the credit score; or

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"(B) is widely distributed to lenders of common consumer loan products and predicts the future credit behavior of the consumer.

"(2) TIMING.—A file disclosure or credit score under paragraph (1) shall be provided to the consumer not later than—

"(A) 7 days after the date on which the request is received if the request is made by mail; and

"(B) not later than 15 minutes if the request is made online.

"(3) ADDITIONAL REPORTS.—A file disclosure provided under paragraph (1) shall be in addition to any disclosure requested by the consumer under section 612(a).

"(4) PROHIBITION.—A consumer reporting agency that receives a request under paragraph (1) may not request or require any documentation from the consumer that demonstrates that the consumer was impacted by the coronavirus disease (COVID–19) outbreak or a major disaster (except to verify that the consumer resides in an area covered by the major disaster) as a condition of receiving the file disclosure or score.

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''(h) POSTING OF RIGHTS.—Not later than 30 days after the date of enactment of this section, each consumer reporting agency shall prominently post and maintain a direct link on the homepage of the public website of the consumer reporting agency information relating to the right of consumers to—

''(1) request the deletion of adverse items of information (except information related to a felony criminal conviction) under subsection (f); and

''(2) request consumer file disclosures and scores, without charge to the consumer, under subsection (g).

''(i) BAN ON REPORTING MEDICAL DEBT INFORMATION RELATED TO COVID–19 OR A MAJOR DISASTER.—

''(1) FURNISHING BAN.—No person shall furnish adverse information to a consumer reporting agency related to medical debt if such medical debt is with respect to medical expenses related to treatments arising from COVID–19 or a major disaster (whether or not the expenses were incurred during the COVID–19 emergency period or covered major disaster period).

''(2) CONSUMER REPORT BAN.—No consumer reporting agency may made a consumer report containing adverse information related to medical debt

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if such medical debt is with respect to medical expenses related to treatments arising from COVID–19 or a major disaster (whether or not the expenses were incurred during the COVID–19 emergency period or covered major disaster period).

''(j) CREDIT SCORING MODELS.—A person that creates and implements credit scoring models may not treat the absence, omission, or deletion of any information pursuant to this section as a negative factor or negative value in credit scoring models created or implemented by such person.''.

(2) TECHNICAL AND CONFORMING AMENDMENT.—The table of contents for the Fair Credit Reporting Act is amended by inserting after the item relating to section 605B the following:

''605C. Reporting of information during major disasters.''.

(c) LIMITATIONS ON NEW CREDIT SCORING MODELS DURING THE COVID–19 EMERGENCY AND MAJOR DISASTERS.—The Fair Credit Reporting Act (15 U.S.C. 1681 et seq.) is amended—

(1) by adding at the end the following:

''§ 630. Limitations on new credit scoring models during the COVID–19 emergency and major disasters

''With respect to a person that creates and implements credit scoring models, such person may not, during

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the COVID–19 emergency period or a covered major disaster period (as such terms are defined under section 605C), create or implement a new credit scoring model (including a revision to an existing scoring model) if the new credit scoring model would identify a significant percentage of consumers as being less creditworthy when compared to the previous credit scoring models created or implemented by such person.''; and

(2) in the table of contents for such Act, by adding at the end the following new item:

''630. Limitations on new credit scoring models during major disasters.''.

SEC. 113. STUDENT LOANS.

(a) PAYMENTS FOR FEDERAL STUDENT LOAN BORROWERS AS A RESULT OF A NATIONAL EMERGENCY.—

(1) IN GENERAL.—Part G of title IV of the Higher Education Act of 1965 (20 U.S.C. 1088 et seq.) is amended by inserting after section 493D the following:

''SEC. 493E. PAYMENTS FOR STUDENT LOAN BORROWERS DURING THE COVID–19 NATIONAL EMERGENCY.

''(a) DEFINITIONS.—In this section:

''(1) CORONAVIRUS.—The term 'coronavirus' has the meaning given the term in section 506 of the Coronavirus Preparedness and Response Supple-

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mental Appropriations Act, 2020 (Public Law 116–123).

''(2) INCOME-DRIVEN REPAYMENT.—The term 'income-driven repayment' means—

''(A) income-based repayment authorized under section 493C for loans made, insured, or guaranteed under part B or part D; or

''(B) income contingent repayment authorized under section 455(e) for loans made under part D.

''(3) INVOLUNTARY COLLECTION.—The term 'involuntary collection' means—

''(A) a wage garnishment authorized under section 488A of this Act or section 3720D of title 31, United States Code;

''(B) a reduction of tax refund by amount of debt authorized under section 3720A of title 31, United States Code;

''(C) a reduction of any other Federal benefit payment by administrative offset authorized under section 3716 of title 31, United States Code (including a benefit payment due to an individual under the Social Security Act or any other provision described in subsection (c)(3)(A)(i) of such section); and

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"(D) any other involuntary collection activity, including any collection activity through which a borrower is compelled to make payments on a private student loan.

"(4) COVID–19 EMERGENCY PERIOD.—For purposes of this Act, the term 'COVID–19 emergency period' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

"(b) COVID–19 NATIONAL EMERGENCY STUDENT LOAN REPAYMENT ASSISTANCE.—

"(1) AUTHORITY.—Effective on the date of the enactment of this section, during the COVID–19 emergency period and the 6-month period immediately following, the Secretary of Education shall for each borrower of a loan made, insured, or guaranteed under part B, D, or E, pay the total amount due for such month on the loan, based on the pay-

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ment plan selected by the borrower or the borrower's loan status.

"(2) NO CAPITALIZATION OF INTEREST.—With respect to any loan in repayment during the COVID–19 national emergency period and the 6-month period immediately following, interest due on loans made, insured, or guaranteed under part B, D, or E during such period shall not be capitalized at any time during the COVID–19 national emergency period and the 6-month period immediately following.

"(3) APPLICABILITY OF PAYMENTS.—Any payment made by the Secretary of Education under this section shall be considered by the Secretary of Education, or by a lender with respect to a loan made, insured, or guaranteed under part B—

"(A) as a qualifying payment under the public service loan forgiveness program under section 455(m), if the borrower would otherwise qualify under such section;

"(B) in the case of a borrower enrolled in an income-driven repayment plan, as a qualifying payment for the purpose of calculating eligibility for loan forgiveness for the borrower in

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accordance with section 493C(b)(7) or section 455(d)(1)(D), as the case may be; and

"(C) in the case of a borrower in default, as an on-time monthly payment for purposes of loan rehabilitation pursuant to section 428F(a).

"(4) REPORTING TO CONSUMER REPORTING AGENCIES.—During the period in which the Secretary of Education is making payments on a loan under paragraph (1), the Secretary shall ensure that, for the purpose of reporting information about the loan to a consumer reporting agency, any payment made by the Secretary is treated as if it were a regularly scheduled payment made by a borrower.

"(5) NOTICE OF PAYMENTS AND PROGRAM.—Not later than 15 days following the date of enactment of this section, and monthly thereafter during the COVID–19 national emergency period and the 6-month period immediately following, the Secretary of Education shall provide a notice to all borrowers of loans made, insured, or guaranteed under part B, D, or E—

"(A) informing borrowers of the actions taken under this section;

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"(B) providing borrowers with an easily accessible method to opt out of the benefits provided under this section; and

"(C) notifying the borrower that the program under this section is a temporary program and will end 6 months after the COVID–19 national emergency period ends.

"(6) SUSPENSION OF INVOLUNTARY COLLECTION.—During the COVID–19 national emergency period and the 6-month period immediately following, the Secretary of Education, or other holder of a loan made, insured, or guaranteed under part B, D, or E, shall immediately take action to halt all involuntary collection related to the loan.

"(7) MANDATORY FORBEARANCE.—During the period in which the Secretary of Education is making payments on a loan under paragraph (1), the Secretary, or a lender or guaranty agency for a loan made under part B, shall grant the borrower forbearance as follows:

"(A) A temporary cessation of all payments on the loan other than the payments of interest and principal on the loan that are made under paragraph (1).

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"(B) For borrowers who are delinquent but who are not yet in default before the date on which the Secretary begins making payments under paragraph (1), the retroactive application of forbearance to address any delinquency.".

(2) FFEL AMENDMENT.—Section 428(c)(8) of the Higher Education Act of 1965 (20 U.S.C. 1078(c)(8)) is amended by striking "and for which" and all that follows through "this subsection".

(b) PAYMENTS FOR PRIVATE EDUCATION LOAN BORROWERS AS A RESULT OF THE COVID–19 NATIONAL EMERGENCY.—Section 140 of the Truth in Lending Act (15 U.S.C. 1650) is amended by adding at the end the following new subsection:

"(h) COVID–19 NATIONAL EMERGENCY PRIVATE EDUCATION LOAN REPAYMENT ASSISTANCE.—

"(1) AUTHORITY.—Effective on the date of the enactment of this section, for the duration of the COVID–19 emergency period and the 6-month period immediately following, the Secretary of the Treasury shall, for each borrower of a private education loan, pay the total amount due for such month on the loan, based on the payment plan selected by the borrower or the borrower's loan status.

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"(2) NO CAPITALIZATION OF INTEREST.—With respect to any loan in repayment during the COVID–19 national emergency period and the 6-month period immediately following, interest due on a private education loan during such period shall not be capitalized at any time during the COVID–19 national emergency period and the 6-month period immediately following.

"(3) REPORTING TO CONSUMER REPORTING AGENCIES.—During the period in which the Secretary of the Treasury is making payments on a loan under paragraph (1), the Secretary shall ensure that, for the purpose of reporting information about the loan to a consumer reporting agency, any payment made by the Secretary is treated as if it were a regularly scheduled payment made by a borrower.

"(4) NOTICE OF PAYMENTS AND PROGRAM.—Not later than 15 days following the date of enactment of this subsection, and monthly thereafter during the COVID–19 national emergency period and the 6-month period immediately following, the Secretary of the Treasury shall provide a notice to all borrowers of private education loans—

"(A) informing borrowers of the actions taken under this subsection;

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"(B) providing borrowers with an easily accessible method to opt out of the benefits provided under this subsection; and

"(C) notifying the borrower that the program under this subsection is a temporary program and will end 6 months after the COVID–19 national emergency period ends.

"(5) SUSPENSION OF INVOLUNTARY COLLECTION.—During the COVID–19 national emergency period and the 6-month period immediately following, the holder of a private education loan shall immediately take action to halt all involuntary collection related to the loan.

"(6) MANDATORY FORBEARANCE.—During the period in which the Secretary of the Treasury is making payments on a loan under paragraph (1), the servicer of such loan shall grant the borrower forbearance as follows:

"(A) A temporary cessation of all payments on the loan other than the payments of interest and principal on the loan that are made under paragraph (1).

"(B) For borrowers who are delinquent but who are not yet in default before the date on which the Secretary begins making payments

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under paragraph (1), the retroactive application of forbearance to address any delinquency.

''(7) DATA TO IMPLEMENT.—Holders and servicers of private education loans shall report, to the satisfaction of the Secretary of the Treasury, the information necessary to calculate the amount to be paid under this section.

''(8) COVID–19 EMERGENCY PERIOD DEFINED.—In this subsection, the term 'COVID–19 emergency period' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.''.

(c) MINIMUM RELIEF FOR FEDERAL AND PRIVATE STUDENT LOAN BORROWERS AS A RESULT OF THE COVID–19 NATIONAL EMERGENCY.—

(1) MINIMUM STUDENT LOAN RELIEF AS A RESULT OF THE COVID–19 NATIONAL EMERGENCY.—Not later than 270 days after the last day of the COVID–19 emergency period, the Secretaries con-

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cerned shall jointly carry out a program under which a qualified borrower, with respect to the covered loans and private education of loans of such qualified borrower, shall receive in accordance with paragraph (3) an amount equal to the lesser of the following:

(A) The total amount of each covered loan and each private education loan of the borrower; or

(B) $10,000.

(2) NOTIFICATION OF BORROWERS.—Not later than 270 days after the last day of the COVID–19 emergency period, the Secretaries concerned shall notify each qualified borrower of—

(A) the requirements to provide loan relief to such borrower under this section; and

(B) the opportunity for such borrower to make an election under paragraph (3)(A) with respect to the application of such loan relief to the covered loans and private education loans of such borrower.

(3) DISTRIBUTION OF FUNDING.—

(A) ELECTION BY BORROWER.—Not later than 45 days after a notice is sent under paragraph (2), a qualified borrower may elect to

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apply the amount determined with respect to such borrower under paragraph (1) to—

(i) any covered loan of the borrower;

(ii) any private education loan of the borrower; and

(iii) any combination of the loans described in clauses (i) and (ii).

(B) AUTOMATIC PAYMENT.—

(i) IN GENERAL.—In the case of a qualified borrower who does not make an election under subparagraph (A) before the date described in such paragraph, the Secretaries concerned shall apply the amount determined with respect to such borrower under paragraph (1) in order of the covered loan or private education loan of the qualified borrower with the highest interest rate.

(ii) EQUAL INTEREST RATES.—In case of two or more covered loans or private education loans described in clause (i) with equal interest rates, the Secretaries concerned shall apply the amount determined with respect to such borrower under

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paragraph (1) first to the loan with the highest principal.

(4) DATA TO IMPLEMENT.—

(A) SECRETARY OF EDUCATION.—Contractors of the Secretary of Education and lenders and guaranty agencies holding loans made, insured, or guaranteed under part B shall report, to the satisfaction of the Secretary of Education, the information necessary to calculate the amount to be applied under paragraph (1).

(B) SECRETARY OF TREASURY.—Holders and servicers of private education loans shall report, to the satisfaction of the Secretary of the Treasury, the information necessary to calculate the amount to be applied under paragraph (1).

(5) MEMORANDUM OF UNDERSTANDING.—The Secretaries concerned shall enter into a memorandum of understanding to carry out this subsection.

(6) DEFINITIONS.—In this subsection:

(A) COVERED LOAN.—The term ''covered loan'' means—

(i) a loan made, insured, or guaranteed under part B of title IV of the Higher

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Education Act of 1965 (20 U.S.C. 1071 et seq.);

(ii) a loan made under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.); and

(iii) a Federal Perkins Loan made pursuant to part E of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087aa et seq.).

(B) COVID–19 EMERGENCY PERIOD.—The term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(C) PRIVATE EDUCATION LOAN.—The term ''private education loan'' has the meaning given the term in section 140 of the Truth in Lending Act (15 U.S.C. 1650).

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(D) QUALIFIED BORROWER.—The term ''qualified borrower'' means a borrower of a covered loan or a private education loan.

(E) SECRETARIES CONCERNED.—The term ''Secretaries concerned'' means—

(i) the Secretary of Education, with respect to covered loans and borrowers of such covered loans; and

(ii) the Secretary of the Treasury, with respect to private education loans and borrowers of such private education loans.

(d) INCOME SHARE AGREEMENTS.—

(1) IN GENERAL.—An individual who entered into an income share agreement to pay for education expenses of the individual shall not be required to make payments under such income share agreement for the duration of the COVID–19 emergency period and the 6-month period immediately following.

(2) COVID–19 EMERGENCY PERIOD.—In this subsection, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T.

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Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(e) EXCLUSION FROM GROSS INCOME.—

(1) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139H the following new section:

"SEC. 139I. STUDENT LOAN PAYMENTS RESULTING FROM THE COVID–19 NATIONAL EMERGENCY.

"Gross income shall not include any payment made on behalf of the taxpayer under section 493E(b)(1) of the Higher Education Act of 1965, section 140(h) of the Truth in Lending Act, or section 114(c) of the Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations.".

(2) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 139H the following new item:

"Sec. 139I. Student loan payments resulting from the COVID–19 national emergency.".

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2019.

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SEC. 114. WAIVER OF IN-PERSON APPRAISAL REQUIREMENTS.

(a) FINDING.—The Congress finds that as the country continues to grapple with the impact of the spread of COVID–19, several adjustments are needed to ensure that mortgage processing can continue to function without significant delays ,despite requirements that would otherwise require in-person interactions.

(b) WAIVER.—

(1) IN GENERAL.—Until the end of the COVID–19 emergency, any appraisal that is conducted for a loan with respect to which applicable law would otherwise require the performance of an interior inspection may be performed without an interior inspection, if—

(A) an exterior inspection is performed in conjunction with other methods to maximize credibility, including verifiable contemporaneous video or photographic documentation by the borrower and borrower observations; and

(B) the applicable lender, guarantor, regulating agency, or insurer may order additional services to include an interior inspection at a later date.

(2) STIPULATION.— An appraiser conducting an appraisal without an interior inspection pursuant

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to this section shall stipulate an extraordinary assumption that the property's interior quality, condition, and physical characteristics are as described and consistent with the exterior view, and shall employ all available methods to maximize accuracy while maintaining safety.

(c) RULEMAKING.—Not later than the end of the 1-week period beginning on the date of enactment of this Act, the Federal Housing Commissioner of the Federal Housing Agency and the Director of the Federal Housing Finance Agency shall issue such rules or guidance as may be necessary to ensure that such agencies, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal home loan banks make any adjustments to mortgage processing requirements that may be necessary to provide flexibility to avoid in-person interactions while preserving the goals of the programs and consumer protection.

(d) COVID–19 EMERGENCY DEFINED.—In this section, the term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assist-

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ance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

SEC. 115. SUPPLEMENTAL FUNDING FOR COMMUNITY DEVELOPMENT BLOCK GRANTS.

(a) FUNDING AND ALLOCATIONS.—

(1) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $12,000,000,000 for assistance in accordance with this section under the community development block grant program under title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.).

(2) INITIAL ALLOCATION.—$6,000,000,000 of the amount made available pursuant to paragraph (1) shall be distributed pursuant to section 106 of such Act (42 U.S.C. 5306) to grantees and such allocations shall be made within 30 days after the date of the enactment of this Act.

(3) SUBSEQUENT ALLOCATION.—

(A) IN GENERAL.—The $6,000,000,000 made available pursuant to paragraph (1) that remains after allocation pursuant to paragraph (2) shall be allocated, not later than 45 days after the date of the enactment of this Act, directly to States to prevent, prepare for, and re-

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spond to coronavirus within the State, including activities within entitlement and nonentitlement communities, based on public health needs, risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and economic and housing market disruptions, and other factors, as determined by the Secretary, using best available data.

(B) TECHNICAL ASSISTANCE.—Of the amount referred to in subparagraph (A), $10,000,000 shall be made available for capacity building and technical assistance to support the use of such amounts to expedite or facilitate infectious disease response.

(4) DIRECT DISTRIBUTION.—Of the amount made available pursuant to paragraph (1), $3,000,000,000 shall be distributed directly to States and units of general local government, at the discretion of the Secretary of Housing and Urban Development (in this section referred to as the ''Secretary''), according to a formula based on factors to be determined by the Secretary, prioritizing risk of transmission of coronavirus, number of coronavirus cases compared to the national average, and eco-

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nomic and housing market disruptions resulting from coronavirus.

(5) ROLLING ALLOCATIONS.—Allocations under this subsection may be made on a rolling basis as additional needs develop and data becomes available.

(6) BEST AVAILABLE DATA.—The Secretary shall make all allocations under this subsection based on the best available data at the time of allocation.

(b) ELIGIBLE ACTIVITIES.—Amounts made available pursuant to subsection (a) may be used only for—

(1) eligible activities described in 105(a) of the Housing and Community Development Act of 1974 (42 U.S.C. 5305(a)) relating to preventing, preparing for, or responding to the public health emergency relating to Coronavirus Disease 2019 (COVID–19); and

(2) reimbursement of costs for such eligible activities relating to preventing, preparing for, or responding to Coronavirus Disease 2019 (COVID–19) that were accrued before the date of the enactment of this Act.

(c) INAPPLICABILITY OF PUBLIC SERVICES CAP.—The limitation under paragraph (8) of section 105(a) of the Housing and Community Development Act of 1974

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(42 U.S.C. 5305(a)(8)) on the amount that may be used for activities under such paragraph shall not apply with respect to—

(1) amounts made available pursuant to subsection (a); and

(2) amounts made available in preceding appropriation Acts for fiscal years 2019 and 2020 for carrying out title I of the Housing and Community Development Act of 1974, to the extent such amounts are used for activities described in subsection (b) of this section.

(d) WAIVERS.—

(1) IN GENERAL.—The Secretary may waive, or specify alternative requirements for, any provision of any statute or regulation that the Secretary administers in connection with the use of amounts made available pursuant to subsection (a)(1) and for fiscal years 2019 and 2020 (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), if the Secretary finds that good cause exists for the waiver or alternative requirement and such waiver or alternative requirement would not be inconsistent with the overall purpose of title I of the Housing and Community Devel-

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opment Act of 1974, including for the purposes of addressing the impact of coronavirus.

(2) NOTICE.—The Secretary shall notify the public through the Federal Register or other appropriate means 5 days before the effective date of any such waiver or alternative requirement in order for such waiver or alternative requirement to take effect. Such public notice may be provided on the Internet at the appropriate Government web site or through other electronic media, as determined by the Secretary.

(e) STATEMENTS OF ACTIVITIES; COMPREHENSIVE HOUSING AFFORDABILITY STRATEGIES.—

(1) INAPPLICABILITY OF REQUIREMENTS.—Section 116(b) of such Act (42 U.S.C. 5316(b); relating to submission of final statements of activities not later than August 16 of a given fiscal year) and any implementing regulations shall not apply to final statements submitted in accordance with paragraphs (2) and (3) of section 104 of such Act (42 U.S.C. 5304(a)) and comprehensive housing affordability strategies submitted in accordance with section 105 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12705) for fiscal years 2019 and 2020.

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(2) NEW REQUIREMENTS.—Final statements and comprehensive housing affordability strategies shall instead be submitted not later than August 16, 2021.

(3) AMENDMENTS.—Notwithstanding subsections (a)(2), (a)(3), and (c) of section 104 of the Housing and Community Development Act of 1974 (42 U.S.C. 5304) and section 105 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12705), a grantee may not be required to amend its statement of activities in order to engage in activities to prevent, prepare, and respond to coronavirus or the economic and housing disruption caused by it, but shall make public a report within 180 days of the end of the crisis which fully accounts for such activities.

(f) PUBLIC HEARINGS.—

(1) INAPPLICABILITY OF IN-PERSON HEARING REQUIREMENTS.—A grantee may not be required to hold in-person public hearings in connection with its citizen participation plan, but shall provide citizens with notice and a reasonable opportunity to comment of not less than 15 days.

(2) VIRTUAL PUBLIC HEARINGS.—During the period that national or local health authorities rec-

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ommend social distancing and limiting public gatherings for public health reasons, a grantee may fulfill applicable public hearing requirements for all grants from funds made available pursuant to subsection (a)(1) and under the heading ''Department of Housing and Urban Development—Community Planning and Development—Community Development Fund'' in appropriation Acts for fiscal years 2019 and 2020 by carrying out virtual public hearings. Any such virtual hearings shall provide reasonable notification and access for citizens in accordance with the grantee's certifications, timely responses from local officials to all citizen questions and issues, and public access to all questions and responses.

(g) DUPLICATION OF BENEFITS.—The Secretary shall ensure there are adequate procedures in place to prevent any duplication of benefits as defined by section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5155) and act in accordance with section 1210 of the Disaster Recovery Reform Act of 2018 (division D of Public Law 115–254; 132 Stat. 3442) and section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5155).

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SEC. 116. COVID–19 EMERGENCY HOUSING RELIEF.

(a) DEFINITION OF COVID–19 EMERGENCY PERIOD.—For purposes of this section, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(b) SUSPENSION OF COMMUNITY SERVICE, WORK, PRESENCE IN UNIT, AND MINIMUM RENT REQUIREMENTS AND TIME LIMITS ON ASSISTANCE.—

(1) SUSPENSION.—Notwithstanding any other provision of law, during the COVID–19 emergency period, the following provisions of law and requirements shall not apply:

(A) Section 12(c) of the United States Housing Act of 1937 (42 U.S.C. 1437j(c); relating to community service).

(B) Any work requirement or time limitation on assistance established by a public housing agency participating in the Moving to Work demonstration program authorized under section 204 of the Departments of Veterans Af-

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fairs and Housing and Urban Development and Independent Agencies Appropriations Act, 1996 (Public Law 104–134; 110 Stat. 1321).

(C) Paragraph (3) of section 3(a) of the United States Housing Act of 1937 (42 U.S.C. 1437a(a)(3); relating to minimum rental amount).

(D) Section 982.312 of the regulations of the Secretary of Housing and Urban Development (24 C.F.R. 982.312); relating to absence from unit).

(2) PROHIBITION.—No penalty may be imposed nor any adverse action taken for failure on the part of any tenant of public housing or a dwelling unit assisted under section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) to comply with the laws and requirements specified in paragraph (1) during the period specified in paragraph (1).

(c) HOUSING CHOICE VOUCHERS.—

(1) SECTION 8 VOUCHERS.—Notwithstanding any other provision of law, the Secretary of Housing and Urban Development shall provide that—

(A) during the COVID–19 emergency period, a public housing agency may not terminate the availability to an eligible household of

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a housing choice voucher under section 8(o) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)) for failure to enter into a lease for an assisted dwelling unit;

(B) in the case of any eligible household on whose behalf such a housing choice voucher has been made available, if as of the termination of the COVID–19 emergency period such availability has not terminated (including by reason of subparagraph (A)) and such voucher has not been used to enter into a lease for an assisted dwelling unit, the public housing agency making such voucher available may not terminate such availability until the expiration of the 60-day period beginning upon the termination of the COVID–19 emergency period; and

(C) during the COVID–19 emergency period, clause (i) of section 8(o)(8)(A) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(8)A)(i); relating to initial inspection of dwelling units) shall not apply, except that in any case in which an inspection of a dwelling unit for which a housing assistance payment is established is not conducted before an assistance payment is made for such dwelling unit—

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(i) such clause shall be applied by substituting ''the expiration of the 90-day period beginning on the termination of the COVID–19 emergency period (as such term is defined in section 117(a) of the Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations Act)'' for ''any assistance payment is made''; and

(ii) the public housing agency shall inform the tenant household and the owner of such dwelling unit of the inspection requirement applicable to such dwelling unit pursuant to clause (i).

(2) RURAL HOUSING VOUCHERS.—Notwithstanding any other provision of law, the Secretary of Agriculture shall provide that the same restrictions and requirements applicable under paragraph (1) to voucher assistance under section 8(o) of the United States Housing Act of 1937 shall apply with respect to voucher assistance under section 542 of the Housing Act of 1949 (42 U.S.C. 1490r). In applying such restrictions and requirements, the Secretary may take into consideration and provide for any differences between such programs while ensuring that

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the program under such section 542 is carried out in accordance with the purposes of such restrictions and requirements.

(d) SUSPENSION OF INCOME REVIEWS.—During the COVID–19 emergency period, the Secretary of Housing and Urban Development and the Secretary of Agriculture shall waive any requirements under law or regulation requiring review of the income of an individual or household for purposes of assistance under a housing assistance program administered by such Secretary, except—

(1) in the case of review of income upon the initial provision of housing assistance; or

(2) if such review is requested by an individual or household due to a loss of income.

(e) AUTHORITY TO SUSPEND OR DELAY DEADLINES.—During the COVID–19 emergency period, the Secretary of Housing and Urban Development and the Secretary of Agriculture may suspend or delay any deadline relating to public housing agencies or owners of housing assisted under a program administered by such Secretary, except any deadline relating to responding to exigent conditions related to health and safety or emergency physical conditions.

(f) SUSPENSION OF ASSISTED HOUSING SCORING ACTIVITIES.—The Secretary of Housing and Urban De-

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velopment shall suspend scoring under the Section 8 Management Assessment Program and the Public Housing Assessment System during the period beginning upon the date of the enactment of this Act and ending upon expiration of the 90-day period that begins upon the termination of the COVID–19 emergency period.

(g) REQUIREMENTS REGARDING RESIDUAL RECEIPTS AND RESERVE FUNDS.—

(1) SUSPENSION OF REQUIREMENT TO SUBMIT RESIDUAL RECEIPTS TO HUD.—During the COVID–19 emergency period, any requirements for owners of federally assisted multifamily housing to remit residual receipts to the Secretary of Housing and Urban Development shall not apply.

(2) ELIGIBLE USES OF RESERVE FUNDS.—During the COVID–19 emergency period, any costs of an owner of federally assisted multifamily housing for items, activities, and services related to responding to coronavirus or COVID–19 shall be considered eligible uses for the reserve fund for replacements for such housing.

SEC. 117. SUPPLEMENTAL FUNDING FOR SERVICE COORDINATORS TO ASSIST ELDERLY HOUSEHOLDS.

(a) IN GENERAL.—There is authorized to be appropriated $300,000,000 for grants under section 676 of the

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Housing and Community Development Act of 1992 (42 U.S.C. 13632) for costs of providing service coordinators for purposes of coordinating services to prevent, prepare for, or respond to the public health emergency relating to Coronavirus Disease 2019 (COVID–19).

(b) HIRING.—In the hiring of staff using amounts made available pursuant to this section, grantees shall consider and hire, at all levels of employment and to the greatest extent possible, a diverse staff, including by race, ethnicity, gender, and disability status. Each grantee shall submit a report to the Secretary of Housing and Urban Development describing compliance with the preceding sentence not later than the expiration of the 120-day period that begins upon the termination of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(c) ONE-TIME GRANTS.—Grants made using amounts made available pursuant to subsection (a) shall not be renewable.

(d) ONE-YEAR AVAILABILITY.—Any amounts made available pursuant to this section that are allocated for a grantee and remaining unexpended upon the expiration

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of the 12-month period beginning upon such allocation shall be recaptured by the Secretary.

SEC. 118. FAIR HOUSING.

(a) DEFINITION OF COVID–19 EMERGENCY PERIOD.— For purposes of this section, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(b) FAIR HOUSING ACTIVITIES.—

(1) FHIP; FHAP.—

(A) AUTHORIZATION OF APPROPRIATIONS.—To ensure that fair housing organizations and State and local civil rights agencies have sufficient resources to deal with expected increases in fair housing complaints, to investigate housing discrimination, including financial scams that target protected classes associated with or resulting from the COVID–19 pandemic, and during such pandemic, there is au-

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thorized to be appropriated for contracts, grants, and other assistance—

(i) $55,000,000 for the Fair Housing Initiatives Program under section 561 of the Housing and Community Development Act of 1987 (42 U.S.C. 3616a); and

(ii) $35,000,000 for the Fair Housing Assistance Program under the Fair Housing Act (42 U.S.C. 3601 et seq.).

Amounts made available pursuant to this subparagraph may be used by such organizations and agencies to establish the capacity to and to carry out activities and services by telephone and online means, including for individuals with limited English proficiency and individuals with a disability in accordance with requirements under the Americans With Disabilities Act of 1990.

(B) PRIVATE ENFORCEMENT INITIATIVE.—In entering into contracts for private enforcement initiatives under 561(b) of the Housing and Community Development Act of 1987 (42 U.S.C. 3616a(b)) using amounts made available pursuant to subparagraph (A)(i) of this subsection, the Secretary of Housing

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and Urban Development shall give priority to applications from qualified fair housing enforcement organizations that have at least 2 years of fair housing testing experience.

(C) 3-YEAR AVAILABILITY.—Any amounts made available pursuant subparagraph (A) that are allocated for a grantee and remain unexpended upon the expiration of the 3-year period beginning upon such allocation shall be recaptured by the Secretary.

(2) OFFICE OF FAIR HOUSING AND EQUAL OPPORTUNITY.—There is authorized to be appropriated $200,000,000 for the Office of Fair Housing and Equal Opportunity of the Department of Housing and Urban Development for costs of fully staffing such Office to ensure robust enforcement of the Fair Housing Act during the COVID–19 pandemic, including ensuring that—

(A) assistance provided under this Act is provided and administered in a manner that affirmatively furthers fair housing in accordance with the Fair Housing Act;

(B) such Office has sufficient capacity for intake of housing discrimination complaints by telephone and online mechanisms, including for

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individuals with limited English proficiency and individuals with a disability in accordance with requirements under the Americans With Disabilities Act of 1990 and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794); and

(C) such Office has the capacity to respond to all housing discrimination complaints made during the COVID–19 pandemic within time limitations required under law.

In the hiring of staff using amounts made available pursuant to this subsection, the Secretary of Housing and Urban Development shall consider and hire, at all levels of employment and to the greatest extent possible, a diverse staff, including by race, ethnicity, gender, and disability status. The Secretary shall submit a report to the Congress describing compliance with the preceding sentence on a quarterly basis, for each of the first 4 calendar quarters ending after the date of the enactment of this Act.

(c) FAIR HOUSING GUIDANCE AND EDUCATION.—

(1) PROHIBITION OF SHOWINGS.—Not later than the expiration of the 30-day period beginning on the date of the enactment of this Act, the Secretary of Housing and Urban Development shall issue guidance for owners of dwelling units assisted

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under housing assistance programs of the Department prohibiting, during the COVID–19 emergency period, of any showings of occupied assisted dwelling units to prospective tenants.

(2) EDUCATION.—There is authorized to be appropriated $10,000,000 for the Office of Fair Housing and Equal Opportunity of the Department of Housing and Urban Development to carry out a national media campaign to educate the public of increased housing rights during COVID–19 emergency period, that provides that information and materials used in such campaign are available—

(A) in the languages used by communities with limited English proficiency

(B) to persons with disabilities.

SEC. 119. HUD COUNSELING PROGRAM AUTHORIZATION.

(a) FINDINGS.—The Congress finds the following:

(1) The spread of COVID–19, which is now considered a global pandemic, is expected to negatively impact the incomes of potentially millions of homeowners, making it difficult for them to pay their mortgages on time.

(2) Housing counseling is critical to ensuring that homeowners have the resources they need to

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navigate the loss mitigation options available to them while they are experiencing financial hardship.

(b) AUTHORIZATION.—There is authorized to be appropriated the Secretary of Housing and Urban Development $700,000,000 to carry out counseling services described under section 106 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x).

SEC. 120. DEFENSE PRODUCTION ACT OF 1950.

(a) INCREASE IN AUTHORIZATIONS.—

(1) AUTHORIZATIONS.—In addition to amounts otherwise authorized to be appropriated, there is authorized to be appropriated in the aggregate $3,000,000,000 for fiscal year 2020 and 2021 to carry out titles I and III of the Defense Production Act of 1950 to produce medical ventilators, personal protection equipment, and other critically needed medical supplies and to carry out any other actions necessary to respond to the COVID–19 emergency.

(2) CARRYOVER FUNDS.—Section 304(e) of the Defense Production Act of 1950 shall not apply at the close of fiscal year 2020.

(3) COVID–19 EMERGENCY.—In this section, the term ''COVID–19 emergency'' means the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and

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Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(b) STRENGTHENING CONGRESSIONAL OVERSIGHT; PUBLIC PORTAL.—

(1) IN GENERAL.—Not later than three months after the date of enactment of this Act, and every three months thereafter, the Secretary of Commerce, in coordination with the Secretary of Health and Human Services, the Secretary of Defense, and any other Federal department or agency that has utilized authority under title I or title III of the Defense Production Act of 1950 to respond to the COVID–19 emergency, shall submit a report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate—

(A) on the use of such authority and the expenditure of any funds in connection with such authority;

(B) that includes details of each purchase order made using such authorities, including the product and amount of product ordered and the entity that fulfilled the contract.

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(2) PUBLIC AVAILABILITY.—The Secretary of Commerce shall place all reports submitted under paragraph (1) on an appropriate website available to the public, in an easily searchable format.

(3) SUNSET.—The requirements under this section shall terminate after the expenditure of all funds appropriated pursuant to the authorizations under subsection (a).

TITLE II—ASSISTING SMALL BUSINESSES AND COMMUNITY FINANCIAL INSTITUTIONS

SEC. 201. SMALL BUSINESS CREDIT FACILITY.

(a) ESTABLISHMENT.—The Board of Governors of the Federal Reserve System shall establish a credit facility to provide loans to small businesses during the COVID–19 emergency.

(b) DEFINITIONS.—In this section:

(1) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emer-

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gency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) SMALL BUSINESS.—The term ''small business'' means—

(A) a small business concern (as defined under section 3 of the Small Business Act (15 U.S.C. 632);

(B) a family farm;

(C) an independent contractor; and

(D) any other class of businesses to which the Board of Governors determines loans would promote full employment and price stability.

SEC. 202. SMALL BUSINESS FINANCIAL ASSISTANCE PROGRAM.

(a) IN GENERAL.—The Secretary of the Treasury shall establish a Small Business Financial Assistance Program under which the Secretary shall provide loans and loan guarantees to small businesses.

(b) APPLICATION.—In making loans and loan guarantees under this section, the Secretary shall—

(1) provide a simple application process for borrowers; and

(2) establish clear and easy to understand underwriting standards for such loans.

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(c) ZERO-INTEREST LOANS.—Loans made by or guaranteed by the Secretary under this section shall be zero-interest loans, if the small business receiving such loan does not involuntarily terminate any employee of the small business during the COVID–19 emergency.

(d) ADVANCE.—

(1) IN GENERAL.—Upon request from an applicant for a loan under this section, the Secretary may provide to such applicant an advance, in cash, to such applicant.

(2) AMOUNT.—An advance provided under paragraph (1) shall be in an amount equal to the revenue of the applicant for the period beginning January 1, 2020 and ending January 31, 2020.

(3) PROCEDURES.—

(A) REVIEW.—The Secretary shall have 1 week from the receipt of a request for an advance under paragraph (1) to conduct a risk assessment of the applicant to determine whether to approve or deny such request.

(B) APPROVAL.—If the Secretary does not deny a request under subparagraph (A), the advance shall be directly deposited into the account identified by the applicant.

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(C) REMAINING FUNDS.—Not later than 4 weeks after approving a request of an applicant under subparagraph (A), the Secretary shall disburse the remaining funds to such applicant.

(e) FORGIVENESS.—If small business that receives a loan or loan guarantee under this section demonstrates to the Secretary that the number of full-time employees of such small business on the date such small business submitted an application under this section is greater than or equal to the number of full-time employees of such small business on the date that is 1 year after the date of such submission, the Secretary shall forgive the remaining outstanding principal and interest on such loan or loan guarantee.

(f) FUNDING.—The Secretary shall use $50,000,000,000 from the Exchange Stabilization Fund, without further appropriation, to carry out this section.

(g) DEFINITIONS.—In this section:

(1) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that—

(A) begins on the declaration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the

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Coronavirus Disease 2019 (COVID–19) pandemic; and

(B) ends on the termination by the Federal Emergency Management Agency of such emergency.

(2) SMALL BUSINESS.—The term ''small business'' means—

(A) a small business concern (as defined under section 3 of the Small Business Act (15 U.S.C. 632);

(B) a family farm; and

(C) an independent contractor.

SEC. 203. SUSPENSION OF SMALL BUSINESS AND NON-PROFIT LOAN PAYMENTS.

(a) IN GENERAL.—

(1) IN GENERAL.—During the COVID–19 emergency, a debt collector may not, with respect to a debt of a small business or non-profit (other than debt related to a federally related mortgage loan)—

(A) capitalize unpaid interest;

(B) apply a higher interest rate triggered by the nonpayment of a debt to the debt balance;

(C) charge a fee triggered by the nonpayment of a debt;

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(D) sue or threaten to sue for nonpayment of a debt;

(E) continue litigation to collect a debt that was initiated before the date of enactment of this section;

(F) submit or cause to be submitted a confession of judgment to any court;

(G) enforce a security interest through repossession, limitation of use, or foreclosure;

(H) take or threaten to take any action to enforce collection, or any adverse action for nonpayment of a debt, or for nonappearance at any hearing relating to a debt;

(I) commence or continue any action to cause or to seek to cause the collection of a debt, including pursuant to a court order issued before the end of the 120-day period following the end of the COVID–19 emergency, from wages, Federal benefits, or other amounts due to a small business or non-profit by way of garnishment, deduction, offset, or other seizure;

(J) cause or seek to cause the collection of a debt, including pursuant to a court order issued before the end of the 120-day period following the end of the COVID–19 emergency, by

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levying on funds from a bank account or seizing any other assets of a small business or non-profit;

(K) commence or continue an action to evict a small business or non-profit from real or personal property; or

(L) disconnect or terminate service from utility service, including electricity, natural gas, telecommunications or broadband, water, or sewer.

(2) RULE OF CONSTRUCTION.—Nothing in this subsection may be construed to prohibit a small business or non-profit from voluntarily paying, in whole or in part, a debt.

(3) REPAYMENT PERIOD.—After the expiration of the COVID–19 emergency, with respect to a debt described under paragraph (1), a debt collector—

(A) may not add to the debt balance any interest or fee prohibited by paragraph (1);

(B) shall, for credit with a defined term or payment period, extend the time period to repay the debt balance by 1 payment period for each payment that a small business or non-profit missed during the COVID–19 emergency, with the payments due in the same amounts and at

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the same intervals as the pre-existing payment schedule;

(C) shall, for an open end credit plan (as defined under section 103 of the Truth in Lending Act) or other credit without a defined term, allow the small business or non-profit to repay the debt balance in a manner that does not exceed the amounts permitted by formulas under section 170(c) of the Truth in Lending Act and regulations promulgated thereunder; and

(D) shall, when the small business or non-profit notifies the debt collector, offer reasonable and affordable repayment plans, loan modifications, refinancing, options with a reasonable time in which to repay the debt.

(4) COMMUNICATIONS IN CONNECTION WITH THE COLLECTION OF A DEBT.—

(A) IN GENERAL.—During the COVID–19 emergency, without prior consent of a small business or non-profit given directly to a debt collector during the COVID–19 emergency, or the express permission of a court of competent jurisdiction, a debt collector may only communicate in writing in connection with the collec-

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tion of any debt (other than debt related to a federally related mortgage loan).

(B) REQUIRED DISCLOSURES.—

(i) IN GENERAL.—All written communications described under subparagraph (A) shall inform the small business or nonprofit that the communication is for informational purposes and is not an attempt to collect a debt.

(ii) REQUIREMENTS.—The disclosure required under clause (i) shall be made—

(I) in type or lettering not smaller than 14–point bold type;

(II) separate from any other disclosure;

(III) in a manner designed to ensure that the recipient sees the disclosure clearly;

(IV) in English and Spanish and in any additional languages in which the debt collector communicates, including the language in which the loan was negotiated, to the extent known by the debt collector; and

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(V) may be provided by first-class mail or electronically, if the borrower has otherwise consented to electronic communication with the debt collector and has not revoked such consent.

(iii) ORAL NOTIFICATION.—Any oral notification shall be provided in the language the debt collector otherwise uses to communicate with the borrower.

(iv) WRITTEN TRANSLATIONS.—In providing written notifications in languages other than English in this Section, a debt collector may rely on written translations developed by the Bureau of Consumer Financial Protection.

(5) VIOLATIONS.—

(A) IN GENERAL.—Any person who violates this section shall—

(i) except as provided under clause (ii), be subject to civil liability in accordance with section 813 of the Fair Debt Collection Practices Act, as if the person is a debt collector for purposes of that section; and

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(ii) be liable to the small business or non-profit for an amount 10 times the amounts described in such section 813, for each violation.

(B) PREDISPUTE ARBITRATION AGREEMENTS.—Notwithstanding any other provision of law, no predispute arbitration agreement or predispute joint-action waiver shall be valid or enforceable with respect to a dispute brought under this section, including a dispute as to the applicability of this section, which shall be determined under Federal law.

(6) TOLLING.—Except as provided in paragraph (7)(D), any applicable time limitations, including statutes of limitations, related to a debt under Federal or State law shall be tolled during the COVID–19 emergency.

(7) CLAIMS OF AFFECTED CREDITORS AND DEBT COLLECTORS.—

(A) VALUATION OF PROPERTY.—With respect to any action asserting a taking under the Fifth Amendment of the Constitution of the United States as a result of this section or seeking a declaratory judgment regarding the constitutionality of this section, the value of the

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property alleged to have been taken without just compensation shall be evaluated—

(i) with consideration of the likelihood of full and timely payment of the obligation without the actions taken pursuant to this section; and

(ii) without consideration of any assistance provided directly or indirectly to the small business or non-profit from other Federal, State, and local government programs instituted or legislation enacted in response to the COVID–19 emergency.

(B) SCOPE OF JUST COMPENSATION.—In an action described in subparagraph (A), any assistance or benefit provided directly or indirectly to the person from other Federal, State, and local government programs instituted in or legislation enacted response to the COVID–19 emergency, shall be deemed to be compensation for the property taken, even if such assistance or benefit is not specifically provided as compensation for property taken by this section.

(C) APPEALS.—Any appeal from an action under this section shall be treated under section 158 of title 28, United States Code, as if it

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were an appeal in a case under title 11, United States Code.

(D) REPOSE.—Any action asserting a taking under the Fifth Amendment to the Constitution of the United States as a result of this section shall be brought within not later than 180 days after the end of the COVID–19 emergency.

(8) DEFINITIONS.—In this section:

(A) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends on the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(B) CREDITOR.—The term ''creditor'' means—

(i) any person who offers or extends credit creating a debt or to whom a debt is owed or other obligation for payment;

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(ii) any lessor of real or personal property; or

(iii) any provider of utility services.

(C) DEBT.—The term ''debt''—

(i) means any obligation or alleged obligation—

(I) for which the original agreement, or if there is no agreement, the original obligation to pay was created before the COVID–19 emergency, whether or not such obligation has been reduced to judgment; and

(II) that arises out of a transaction with a small business or nonprofit; and

(ii) does not include a federally related mortgage loan.

(D) DEBT COLLECTOR.—The term ''debt collector'' means a creditor, and any person or entity that engages in the collection of debt, including the Federal Government and a State government, irrespective of whether the debt is allegedly owed to or assigned to that person or to the entity.

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(E) FEDERALLY RELATED MORTGAGE LOAN.—The term ''federally related mortgage loan'' has the meaning given that term under section 3 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2602).

(F) NON-PROFIT.—The term ''non-profit'' means an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code.

(G) SMALL BUSINESS.—The term ''small business'' has the meaning given the term ''small business concern'' under section 3 of the Small Business Act.

(b) CREDIT FACILITY FOR OTHER PURPOSES.—The Board of Governors of the Federal Reserve System shall establish a facility that the Board of Governors shall use to make payments to holders of loans to compensate such holders for documented financial losses—

(1) with respect to a loan made to an individual, small business, or non-profit; and

(2) where such losses were caused by a suspension of payments required under Federal law in connection with the COVID–19 emergency.

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SEC. 204. REAUTHORIZATION OF THE STATE SMALL BUSINESS CREDIT INITIATIVE ACT OF 2010.

The State Small Business Credit Initiative Act of 2010 (15 U.S.C. 5701 et seq.) is amended—

(1) by striking ''2009 allocation'' each place such term appears and inserting ''2019 allocation'';

(2) by striking ''2010 allocation'' each place such term appears and inserting ''2020 allocation'';

(3) by striking ''date of enactment of this Act'' each place it appears and inserting ''date of the enactment of the Small Business Support and Access to Capital Act of 2020'';

(4) by striking ''date of the enactment of this Act'' each place it appears and inserting ''date of the enactment of the Small Business Support and Access to Capital Act of 2020'';

(5) in section 3003(b)(2)—

(A) in the section heading, by striking ''**2009 ALLOCATION FORMULA**'' and inserting striking ''**2019 ALLOCATION FORMULA**'';

(B) by striking ''2008 State employment decline'' each place such term appears and inserting ''2018 State employment decline'';

(C) in subparagraph (A), by striking ''2009 allocation'' and inserting ''2019 allocation''; and

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(D) in subparagraph (C)—

(i) in the subparagraph heading, by striking ''2008 STATE EMPLOYMENT DECLINE DEFINED'' and inserting ''2018 STATE EMPLOYMENT DECLINE DEFINED'';

(ii) in clause (i), by striking ''December 2007'' and inserting ''December 2017''; and

(iii) in clause (ii), by striking ''December 2008'' and inserting ''December 2018'';

(6) in section 3003(b)(3)—

(A) in the section heading, by striking ''**2010 ALLOCATION FORMULA**'' and inserting striking ''**2020 ALLOCATION FORMULA**'';

(B) by striking ''2009 unemployment number'' each place such term appears and inserting ''2019 unemployment number''; and

(C) in subparagraph (C)—

(i) in the subparagraph heading, by striking ''2009 UNEMPLOYMENT NUMBER DEFINED'' and inserting ''2019 UNEMPLOYMENT NUMBER DEFINED''; and

(ii) by striking ''December 2009'' and inserting ''December 2019'';

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(7) in section 3005(e), by striking ''to the Secretary a report'' and inserting ''to the Secretary and Congress a report'';

(8) in section 3007—

(A) in subsection (a)(1), by striking '' to the Secretary a report'' and inserting ''to the Secretary and Congress a report''; and

(B) in subsection (b)—

(i) by striking ''March 31, 2011'' and inserting ''March 31, 2021''; and

(ii) by striking ''to the Secretary'' and inserting ''to the Secretary and Congress''; and

(9) in section 3009—

(A) in subsection (b), by striking ''$1,500,000,000'' and inserting ''$10,000,000,000'';

(B) in subsection (c), by adding at the end the following new sentence: ''At the end of such period, any amounts that remain unexpended or unobligated shall be transferred to the Community Development Financial Institutions Fund established under section 104(a) of the Riegle Community Development and Regulatory Improvement Act of 1994.''.

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SEC. 205. FUNDING OF THE INITIATIVE TO BUILD GROWTH EQUITY FUNDS FOR MINORITY BUSINESSES.

(a) GRANT.—The Minority Business Development Agency shall provide a grant of $3,000,0000,000 to fully implement the Initiative to Build Growth Equity Funds for Minority Businesses (the ''Initiative''; award number MB19OBD8020113), including to use such amounts as capital for the Equity Funds.

(b) ADMINISTRATIVE EXPENSES.—Of the amounts provided under subsection (a), the grant recipient may use not more than 2.25 percent of such amount for administrative expenses, of which—

(1) not more than 1.5 percent per annum may be used for fees to be paid to investment managers for fund investment activities, including deal sourcing, due diligence, investment monitoring, and investment reporting; and

(2) not more than 0.75 percent per annum may be used for fund administration activities by the grant recipient, including fund manager evaluation, selection, monitoring, and overall fund program management.

(c) TREATMENT OF INTEREST.—Notwithstanding any other provision of law, with the approval of the Minority Business Development Agency, grant funds made available under subsection (a) may be deposited in inter-

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est-bearing accounts pending disbursement, and any interest which accrues may be retained without returning such interest to the Treasury of the United States and interest earned may be obligated and expended for the purposes for which the grant was made available without further appropriation.

(d) REPORTING AND AUDIT REQUIREMENTS.—

(1) REPORTING BY RECIPIENT.—The grant recipient under this section shall issue a report to the Minority Business Development Agency every 6 months detailing the use of grant funds received under this section and any other information that the Minority Business Development Agency may require.

(2) ANNUAL REPORT TO CONGRESS.—The Minority Business Development Agency shall issue an annual report to the Congress containing the information received under paragraph (1) and an analysis of the implementation of the Initiative.

(3) GAO AUDIT.—The Comptroller General of the United States shall, every 2 years, carry out an audit of the Initiative and issue a report to the Congress and the Minority Business Development Agency containing the results of such audit.

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(4) FUND MANAGERS.—Fund managers shall annually report on their fund management activities, including—

(A) fund performance;

(B) impacts of capital investments by industry and geography;

(C) racial, ethnic, and gender demographics of minority businesses receiving capital from the Initiative; and

(D) any other ancillary and economic benefits of capital investments from the Initiative.

(e) FUNDING.—There is authorized to be appropriated to the Minority Business Development Agency $3,000,000,000 to make the grant described under subsection (a).

SEC. 206. COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND SUPPLEMENTAL APPROPRIATION AUTHORIZATION.

There is authorized to be appropriated $1,000,000,000 for fiscal year 2020, for providing financial assistance and technical assistance under subparagraphs (A) and (B) of section 108(a)(1) of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4707(a)(1)), except that subsections (d)

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and (e) of such section 108 shall not apply to the provision of such assistance.

SEC. 207. MINORITY DEPOSITORY INSTITUTION.

(a) SENSE OF CONGRESS ON FUNDING THE LOAN-LOSS RESERVE FUND FOR SMALL DOLLAR LOANS.—The sense of Congress is the following:

(1) The Community Development Financial Institutions Fund (the ''CDFI Fund'') is an agency of the Department of the Treasury, and was established by the Riegle Community Development and Regulatory Improvement Act of 1994. The mission of the CDFI Fund is ''to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers''. A community development financial institution (a ''CDFI'') is a specialized financial institution serving low-income communities and a Community Development Entity (a ''CDE'') is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities. The CDFI Fund certifies CDFIs and CDEs. Becoming a certified CDFI or CDE al-

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lows organizations to participate in various CDFI Fund programs as follows:

(A) The Bank Enterprise Award Program, which provides FDIC-insured depository institutions awards for a demonstrated increase in lending and investments in distressed communities and CDFIs.

(B) The CDFI Program, which provides Financial and Technical Assistance awards to CDFIs to reinvest in the CDFI, and to build the capacity of the CDFI, including financing product development and loan loss reserves.

(C) The Native American CDFI Assistance Program, which provides CDFIs and sponsoring entities Financial and Technical Assistance awards to increase lending and grow the number of CDFIs owned by Native Americans to help build capacity of such CDFIs.

(D) The New Market Tax Credit Program, which provides tax credits for making equity investments in CDEs that stimulate capital investments in low-income communities.

(E) The Capital Magnet Fund, which provides awards to CDFIs and nonprofit affordable housing organizations to finance affordable

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housing solutions and related economic development activities.

(F) The Bond Guarantee Program, a source of long-term, patient capital for CDFIs to expand lending and investment capacity for community and economic development purposes.

(2) The Department of the Treasury is authorized to create multi-year grant programs designed to encourage low-to-moderate income individuals to establish accounts at federally insured banks, and to improve low-to-moderate income individuals' access to such accounts on reasonable terms.

(3) Under this authority, grants to participants in CDFI Fund programs may be used for loan-loss reserves and to establish small-dollar loan programs by subsidizing related losses. These grants also allow for the providing recipients with the financial counseling and education necessary to conduct transactions and manage their accounts. These loans provide low-cost alternatives to payday loans and other nontraditional forms of financing that often impose excessive interest rates and fees on borrowers, and lead millions of Americans to fall into debt traps. Small-dollar loans can only be made pursuant to

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terms, conditions, and practices that are reasonable for the individual consumer obtaining the loan.

(4) Program participation is restricted to eligible institutions, which are limited to organizations listed in section 501(c)(3) of the Internal Revenue Code and exempt from tax under 501(a) of such Code, federally insured depository institutions, community development financial institutions and State, local, or Tribal government entities.

(5) Since its founding, the CDFI Fund has awarded over $3,300,000,000 to CDFIs and CDEs, allocated $54,000,000,000 in tax credits, and $1,510,000,000 in bond guarantees. According to the CDFI Fund, some programs attract as much as $10 in private capital for every $1 invested by the CDFI Fund. The Administration and the Congress should prioritize appropriation of funds for the loan loss reserve fund and technical assistance programs administered by the Community Development Financial Institution Fund, as included in the version of the ''Financial Services and General Government Appropriations Act, 2020'' (H.R. 3351) that passed the House of Representatives on June, 26, 2019.

(b) DEFINITIONS.—In this section:

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(1) COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION.—The term ''community development financial institution'' has the meaning given under section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994 (12 U.S.C. 4702).

(2) MINORITY DEPOSITORY INSTITUTION.—The term ''minority depository institution'' has the meaning given under section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note), as amended by this Act.

(c) INCLUSION OF WOMEN'S BANKS IN THE DEFINITION OF MINORITY DEPOSITORY INSTITUTION.—Section 308(b)(1) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) is amended—

(1) by redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iii), respectively;

(2) by striking ''means any'' and inserting the following: ''means—

''(A) any''; and

(3) in clause (iii) (as so redesignated), by striking the period at the end and inserting ''; or''; and

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(4) by inserting at the end the following new subparagraph:

"(B) any bank described in clause (i), (ii), or (iii) of section 19(b)(1)(A) of the Federal Reserve Act—

"(i) more than 50 percent of the outstanding shares of which are held by 1 or more women; and

"(ii) the majority of the directors on the board of directors of which are women.".

(d) ESTABLISHMENT OF IMPACT BANK DESIGNATION.—

(1) IN GENERAL.—Each appropriate Federal banking agency shall establish a program under which a depository institution with total consolidated assets of less than $10,000,000,000 may elect to be designated as an impact bank if 50 percent or more of the loans extended by such covered bank are extended to low-income borrowers.

(2) DESIGNATION.—Based on data obtained through examinations, an appropriate Federal banking agency shall submit a notification to a depository institution stating that the depository institution qualifies for designation as an impact bank.

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(3) APPLICATION.—A depository institution that does not receive a notification described in paragraph (2) may submit an application to the appropriate Federal banking agency demonstrating that the depository institution qualifies for designation as an impact bank.

(4) ADDITIONAL DATA OR OVERSIGHT.—A depository institution is not required to submit additional data to an appropriate Federal banking agency or be subject to additional oversight from such an agency if such data or oversight is related specifically and solely for consideration for a designation as an impact bank.

(5) REMOVAL OF DESIGNATION.—If an appropriate Federal banking agency determines that a depository institution designated as an impact bank no longer meets the criteria for such designation, the appropriate Federal banking agency shall rescind the designation and notify the depository institution of such rescission.

(6) RECONSIDERATION OF DESIGNATION; APPEALS.—A depository institution may—

(A) submit to the appropriate Federal banking agency a request to reconsider a deter-

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mination that such depository institution no longer meets the criteria for the designation; or

(B) file an appeal in accordance with procedures established by the appropriate Federal banking agency.

(7) RULEMAKING.—Not later than 1 year after the date of the enactment of this Act, the appropriate Federal banking agencies shall jointly issue rules to carry out the requirements of this subsection, including by providing a definition of a low-income borrower.

(8) FEDERAL DEPOSIT INSURANCE ACT DEFINITIONS.—In this subsection, the terms ''depository institution'' and ''appropriate Federal banking agency'' have the meanings given such terms, respectively, in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(e) MINORITY DEPOSITORY INSTITUTIONS ADVISORY COMMITTEES.—

(1) ESTABLISHMENT.—Each covered regulator shall establish an advisory committee to be called the ''Minority Depository Institutions Advisory Committee''.

(2) DUTIES.—Each Minority Depository Institutions Advisory Committee shall provide advice to

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the respective covered regulator on meeting the goals established by section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) to preserve the present number of covered minority institutions, preserve the minority character of minority-owned institutions in cases involving mergers or acquisitions, provide technical assistance, and encourage the creation of new covered minority institutions. The scope of the work of each such Minority Depository Institutions Advisory Committee shall include an assessment of the current condition of covered minority institutions, what regulatory changes or other steps the respective agencies may be able to take to fulfill the requirements of such section 308, and other issues of concern to minority depository institutions.

(3) MEMBERSHIP.—

(A) IN GENERAL.—Each Minority Depository Institutions Advisory Committee shall consist of no more than 10 members, who—

(i) shall serve for one two-year term;

(ii) shall serve as a representative of a depository institution or an insured credit union with respect to which the respective covered regulator is the covered regu-

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lator of such depository institution or insured credit union; and

(iii) shall not receive pay by reason of their service on the advisory committee, but may receive travel or transportation expenses in accordance with section 5703 of title 5, United States Code.

(B) DIVERSITY.—To the extent practicable, each covered regulator shall ensure that the members of Minority Depository Institutions Advisory Committee of such agency reflect the diversity of depository institutions.

(4) MEETINGS.—

(A) IN GENERAL.—Each Minority Depository Institutions Advisory Committee shall meet not less frequently than twice each year.

(B) INVITATIONS.—Each Minority Depository Institutions Advisory Committee shall invite the attendance at each meeting of the Minority Depository Institutions Advisory Committee of—

(i) one member of the majority party and one member of the minority party of the Committee on Financial Services of the House of Representatives and the Com-

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mittee on Banking, Housing, and Urban Affairs of the Senate; and

(ii) one member of the majority party and one member of the minority party of any relevant subcommittees of such committees.

(5) NO TERMINATION OF ADVISORY COMMITTEES.—The termination requirements under section 14 of the Federal Advisory Committee Act (5 U.S.C. app.) shall not apply to a Minority Depository Institutions Advisory Committee established pursuant to this subsection.

(6) DEFINITIONS.—In this subsection:

(A) COVERED REGULATOR.—The term ''covered regulator'' means the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration.

(B) COVERED MINORITY INSTITUTION.—The term ''covered minority institution'' means a minority depository institution (as defined in section 308(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note)) or a minority credit

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union (as defined in section 1204(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended by this Act).

(C) DEPOSITORY INSTITUTION.—The term ''depository institution'' has the meaning given under section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(D) INSURED CREDIT UNION.—The term ''insured credit union'' has the meaning given in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

(7) TECHNICAL AMENDMENT.—Section 308(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) is amended by adding at the end the following new paragraph:

''(3) DEPOSITORY INSTITUTION.—The term 'depository institution' means an 'insured depository institution' (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) and an insured credit union (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)).''.

(f) FEDERAL DEPOSITS IN MINORITY DEPOSITORY INSTITUTIONS.—

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(1) IN GENERAL.—Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) is amended—

(A) by adding at the end the following new subsection:

''(d) FEDERAL DEPOSITS.—The Secretary of the Treasury shall ensure that deposits made by Federal agencies in minority depository institutions and impact banks are fully collateralized or fully insured, as determined by the Secretary. Such deposits shall include reciprocal deposits as defined in section 337.6(e)(2)(v) of title 12, Code of Federal Regulations (as in effect on March 6, 2019).''; and

(B) in subsection (b), as amended by section 6(g), by adding at the end the following new paragraph:

''(4) IMPACT BANK.—The term 'impact bank' means a depository institution designated by an appropriate Federal banking agency pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020.''.

(2) TECHNICAL AMENDMENTS.—Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1463 note) is amended—

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(A) in the matter preceding paragraph (1), by striking ''section—'' and inserting ''section:''; and

(B) in the paragraph heading for paragraph (1), by striking ''FINANCIAL'' and inserting ''DEPOSITORY''.

(g) MINORITY BANK DEPOSIT PROGRAM.—

(1) IN GENERAL.—Section 1204 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note) is amended to read as follows:

''SEC. 1204. EXPANSION OF USE OF MINORITY BANKS AND MINORITY CREDIT UNIONS.

''(a) MINORITY BANK DEPOSIT PROGRAM.—

''(1) ESTABLISHMENT.—There is established a program to be known as the 'Minority Bank Deposit Program' to expand the use of minority banks and minority credit unions.

''(2) ADMINISTRATION.—The Secretary of the Treasury, acting through the Fiscal Service, shall—

''(A) on application by a depository institution or credit union, certify whether such depository institution or credit union is a minority bank or minority credit union;

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"(B) maintain and publish a list of all depository institutions and credit unions that have been certified pursuant to subparagraph (A); and

"(C) periodically distribute the list described in subparagraph (B) to—

"(i) all Federal departments and agencies;

"(ii) interested State and local governments; and

"(iii) interested private sector companies.

"(3) INCLUSION OF CERTAIN ENTITIES ON LIST.—A depository institution or credit union that, on the date of the enactment of this section, has a current certification from the Secretary of the Treasury stating that such depository institution or credit union is a minority bank or minority credit union shall be included on the list described under paragraph (2)(B).

"(b) EXPANDED USE AMONG FEDERAL DEPARTMENTS AND AGENCIES.—

"(1) IN GENERAL.—Not later than 1 year after the establishment of the program described in subsection (a), the head of each Federal department or

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agency shall develop and implement standards and procedures to ensure, to the maximum extent possible as permitted by law, the use of minority banks and minority credit unions to serve the financial needs of each such department or agency.

''(2) REPORT TO CONGRESS.—Not later than 2 years after the establishment of the program described in subsection (a), and annually thereafter, the head of each Federal department or agency shall submit to Congress a report on the actions taken to increase the use of minority banks and minority credit unions to serve the financial needs of each such department or agency.

''(c) DEFINITIONS.—For purposes of this section:

''(1) CREDIT UNION.—The term 'credit union' has the meaning given the term 'insured credit union' in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

''(2) DEPOSITORY INSTITUTION.—The term 'depository institution' has the meaning given the term 'insured depository institution' in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

''(3) MINORITY.—The term 'minority' means any Black American, Native American, Hispanic American, or Asian American.

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''(4) MINORITY BANK.—The term 'minority bank' means a minority depository institution as defined in section 308 of this Act.

''(5) MINORITY CREDIT UNION.—The term 'minority credit union' means any credit union for which more than 50 percent of the membership (including board members) of such credit union are minority individuals, as determined by the National Credit Union Administration pursuant to section 308 of this Act.''.

(2) CONFORMING AMENDMENTS.—The following provisions are amended by striking ''1204(c)(3)'' and inserting ''1204(c)'':

(A) Section 808(b)(3) of the Community Reinvestment Act of 1977 (12 U.S.C. 2907(b)(3)).

(B) Section 40(g)(1)(B) of the Federal Deposit Insurance Act (12 U.S.C. 1831q(g)(1)(B)).

(C) Section 704B(h)(4) of the Equal Credit Opportunity Act (15 U.S.C. 1691c–2(h)(4)).

(h) DIVERSITY REPORT AND BEST PRACTICES.—

(1) ANNUAL REPORT.—Each covered regulator shall submit to Congress an annual report on diversity including the following:

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(A) Data, based on voluntary self-identification, on the racial, ethnic, and gender composition of the examiners of each covered regulator, disaggregated by length of time served as an examiner.

(B) The status of any examiners of covered regulators, based on voluntary self-identification, as a veteran.

(C) Whether any covered regulator, as of the date on which the report required under this subsection is submitted, has adopted a policy, plan, or strategy to promote racial, ethnic, and gender diversity among examiners of the covered regulator.

(D) Whether any special training is developed and provided for examiners related specifically to working with banks that serve communities that are predominantly minorities, low income, or rural, and the key focus of such training.

(2) BEST PRACTICES.—Each Office of Minority and Women Inclusion of a covered regulator shall develop, provide to the head of the covered regulator, and make publicly available best practices—

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(A) for increasing the diversity of candidates applying for examiner positions, including through outreach efforts to recruit diverse candidate to apply for entry-level examiner positions; and

(B) for retaining and providing fair consideration for promotions within the examiner staff for purposes of achieving diversity among examiners.

(3) COVERED REGULATOR DEFINED.—In this subsection, the term ''covered regulator'' means the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration.

(i) INVESTMENTS IN MINORITY DEPOSITORY INSTITUTIONS AND IMPACT BANKS.—

(1) CONTROL FOR CERTAIN INSTITUTIONS.—Section 7(j)(8)(B) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(8)(B)) is amended to read as follows:

''(B) 'control' means the power, directly or indirectly—

''(i) to direct the management or policies of an insured depository institution; or

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"(ii)(I) with respect to an insured depository institution, of a person to vote 25 per centum or more of any class of voting securities of such institution; or

"(II) with respect to an insured depository institution that is an impact bank (as designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020) or a minority depository institution (as defined in section 308(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989), of an individual to vote 30 percent of more of any class of voting securities of such an impact bank or a minority depository institution.".

(2) RULEMAKING.—The appropriate Federal banking agency (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)) shall jointly issue rules for de novo minority depository institutions and de novo impact banks (as designated pursuant to section 5) to allow 3 years to meet the capital requirements otherwise applicable to minority depository institutions and impact banks.

(3) REPORT.—Not later than 1 year after the date of the enactment of this Act, the appropriate

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Federal banking agencies shall jointly submit to Congress a report on—

(A) the principal causes for the low number of de novo minority depository institutions during the 10-year period preceding the date of the report;

(B) the main challenges to the creation of de novo minority depository institutions and de novo impact banks; and

(C) regulatory and legislative considerations to promote the establishment of de novo minority depository institutions and de novo impact banks.

(j) REQUIREMENT TO MENTOR MINORITY DEPOSITORY INSTITUTIONS OR COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS TO SERVE AS A DEPOSITARY OR FINANCIAL AGENT.—

(1) IN GENERAL.—Before a large financial institution may be employed as a financial agent of the Department of the Treasury or perform any reasonable duties as depositary of public moneys of the Department of the Treasury, the large financial institution shall demonstrate participation as a mentor in a covered mentor-protege program to a protege

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firm that is a minority depository institution or a community development financial institution.

(2) REPORT.—Not later than 6 months after the date of the enactment of this Act and annually thereafter, the Secretary of the Treasury shall submit to Congress a report on participants in a covered mentor-protege program, including an analysis of outcomes of such program.

(3) PROCEDURES.—The Secretary of the Treasury shall publish procedures for compliance with the requirements of this subsection for large financial institutions.

(4) DEFINITIONS.—In this subsection:

(A) COVERED MENTOR-PROTEGE PROGRAM.—The term ''covered mentor-protege program'' means a mentor-protege program established by the Secretary of the Treasury pursuant to section 45 of the Small Business Act (15 U.S.C. 657r).

(B) LARGE FINANCIAL INSTITUTION.—The term ''large financial institution'' means any entity—

(i) regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal De-

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posit Insurance Corporation, or the National Credit Union Administration; and

(ii) that has total consolidated assets greater than or equal to $50,000,000,000.

(k) CUSTODIAL DEPOSIT PROGRAM FOR COVERED MINORITY DEPOSITORY INSTITUTIONS AND IMPACT BANKS.—

(1) ESTABLISHMENT.—The Secretary of the Treasury shall establish a custodial deposit program (in this subsection referred to as the ''Program'') under which a covered bank shall receive monthly deposits from a qualifying account.

(2) APPLICATION.—A covered bank shall submit to the Secretary an application to participate in the Program at such time, in such manner, and containing such information as the Secretary may determine.

(3) PROGRAM OPERATIONS.—

(A) DESIGNATION OF CUSTODIAL ENTITIES.—The Secretary shall designate eligible custodial entities to make monthly deposits with covered banks selected for participation in the Program on behalf of a qualifying account.

(B) CUSTODIAL ACCOUNTS.—

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(i) IN GENERAL.—The Secretary shall establish a custodial deposit account for each qualifying account with the eligible custodial entity designated to make deposits with covered banks for each such qualifying account.

(ii) AMOUNT.—The Secretary shall deposit a total amount not greater than 5 percent of a qualifying account into any custodial deposit accounts established under subparagraph (A).

(iii) DEPOSITS WITH PROGRAM PARTICIPANTS.—

(I) MONTHLY DEPOSITS.—Each month, each eligible custodial entity designated by the Secretary shall deposit an amount not greater than the insured amount, in the aggregate, from each custodial deposit account, in a single covered bank.

(II) LIMITATION.—With respect to the funds of an individual qualifying account, the eligible custodial entity may not deposit an amount

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greater than the insured amount in a single covered bank.

(III) INSURED AMOUNT DEFINED.—In this clause, the term ''insured amount'' means the amount that is the greater of—

(aa) the standard maximum deposit insurance amount (as defined in section 11(a)(1)(E) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)(E))); or

(bb) such higher amount negotiated between the Secretary and the Corporation under which the Corporation will insure all deposits of such higher amount.

(iv) LIMITATIONS.—The total amount of funds deposited under the Program in a covered bank may not exceed the lesser of—

(I) 10 percent of the average amount of deposits held by such covered bank in the previous quarter; or

(II) $100,000,000.

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(C) INTEREST.—

(i) IN GENERAL.—Each eligible custodial entity designated by the Secretary shall—

(I) collect interest from each covered bank in which such custodial entity deposits funds pursuant to subparagraph (B); and

(II) disburse such interest to the Secretary each month.

(ii) INTEREST RATE.—The rate of any interest collected under this subparagraph may not exceed 50 percent of the discount window primary credit interest rate most recently published on the Federal Reserve Statistical Release on selected interest rates (daily or weekly), commonly referred to as the H.15 release (commonly known as the ''Federal funds rate'').

(D) STATEMENTS.—Each eligible custodial entity designated by the Secretary shall submit to the Secretary monthly statements that include the total amount of funds deposited with, and interest rate received from, each covered

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bank by the eligible custodial entity on behalf of qualifying entities.

(E) RECORDS.—The Secretary shall issue a quarterly report to Congress and make publicly available a record identifying all covered banks participating in the Program and amounts deposited under the Program in covered banks.

(4) REQUIREMENTS RELATING TO DEPOSITS.—Deposits made with covered banks under this subsection may not—

(A) be considered by the Corporation to be funds obtained, directly or indirectly, by or through any deposit broker for deposit into 1 or more deposit accounts (as described under section 29 of the Federal Deposit Insurance Act (12 U.S.C. 1831f)); or

(B) be subject to insurance fees from the Corporation that are greater than insurance fees for typical demand deposits not obtained, directly or indirectly, by or through any deposit broker (commonly known as ''core deposits'').

(5) MODIFICATIONS.—

(A) IN GENERAL.—The Secretary shall provide a 3-month period for public notice and

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comment before making any material change to the operation of the Program.

(B) EXCEPTION.—The requirements of subparagraph (A) shall not apply if the Secretary makes a material change to the Program to comply with safety and soundness standards or other law.

(6) TERMINATION.—

(A) BY COVERED BANK.—A covered bank selected for participation in the Program pursuant to paragraph (3) may terminate participation in the Program by providing the Secretary a notification 60 days prior to termination.

(B) BY SECRETARY.—The Secretary may terminate the participation of a covered bank in the Program if the Secretary determines the covered bank—

(i) violated any terms of participation in the Program;

(ii) failed to comply with Federal bank secrecy laws, as documented in writing by the primary regulator of the covered bank;

(iii) failed to remain well capitalized; or

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(iv) failed comply with safety and soundness standards, as documented in writing by the primary regulator of the covered bank.

(7) DEFINITIONS.—In this subsection:

(A) CORPORATION.—The term ''Corporation'' means the Federal Deposit Insurance Corporation.

(B) COVERED BANK.—The term ''covered bank'' means—

(i) a minority depository institution that is regulated by the Corporation or the National Credit Union Administration that is well capitalized (as defined in section 38(b) of the Federal Deposit Insurance Act (12 U.S.C. 1831o(b))); or

(ii) a depository institution designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020 that is well capitalized (as defined in section 38(b) of the Federal Deposit Insurance Act (12 U.S.C. 1831o(b))).

(C) ELIGIBLE CUSTODIAL ENTITY.—The term ''eligible custodial entity'' means—

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(i) an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813)),

(ii) an insured credit union (as defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752)), or

(iii) or a well capitalized State-chartered trust company,

designated by the Secretary under subsection (k)(3)(A).

(D) FEDERAL BANK SECRECY LAWS.—The term ''Federal bank secrecy laws'' means—

(i) section 21 of the Federal Deposit Insurance Act (12 U.S.C. 1829b);

(ii) section 123 of Public Law 91–508; and

(iii) subchapter II of chapter 53 of title 31, United States Code.

(E) QUALIFYING ACCOUNT.—The term ''qualifying account'' means any account established in the Department of the Treasury that—

(i) is controlled by the Secretary; and

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(ii) is expected to maintain a balance greater than $200,000,000 for the following calendar month.

(F) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(G) WELL CAPITALIZED.—The term ''well capitalized'' has the meaning given in section 38 of the Federal Deposit Insurance Act (12 U.S.C. 1831o).

(l) STREAMLINED COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION APPLICATIONS AND REPORTING.—

(1) APPLICATION PROCESSES.—Not later than 12 months after the date of the enactment of this Act and with respect to any person having assets under $3,000,000,000 that submits an application for deposit insurance with the Federal Deposit Insurance Corporation that could also become a community development financial institution, the Federal Deposit Insurance Corporation, in consultation with the Administrator of the Community Development Financial Institutions Fund, shall—

(A) develop systems and procedures to record necessary information to allow the Administrator to conduct preliminary analysis for

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such person to also become a community development financial institution; and

(B) develop procedures to streamline the application and annual certification processes and to reduce costs for such person to become, and maintain certification as, a community development financial institution that serves low- and moderate-income neighborhoods (as defined under the Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.)).

(2) REPORT ON IMPLEMENTATION.—Not later than 18 months after the date of the enactment of this Act, the Federal Deposit Insurance Corporation shall submit to Congress a report describing the systems and procedures required under paragraph (1).

(3) ANNUAL REPORT.—

(A) IN GENERAL.—Section 17(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1827(a)(1)) is amended—

(i) in subparagraph (E), by striking ''and'' at the end;

(ii) by redesignating subparagraph (F) as subparagraph (G);

(iii) by inserting after subparagraph (E) the following new subparagraph:

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''(F) applicants for deposit insurance that could also become a community development financial institution (as defined in section 103 of the Riegle Community Development and Regulatory Improvement Act of 1994), a minority depository institution (as defined in section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989), or an impact bank (as designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020); and''.

(B) APPLICATION.—The amendment made by this paragraph shall apply with respect to the first report to be submitted after the date that is 2 years after the date of the enactment of this Act.

(m) TASK FORCE ON LENDING TO SMALL BUSINESS CONCERNS.—

(1) IN GENERAL.—Not later than 6 months after the date of the enactment of this Act, the Administrator of the Small Business Administration shall establish a task force to examine methods for improving relationships between the Small Business Administration and community development financial institutions, minority depository institutions,

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and impact bank (as designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020) to increase the volume of loans provided by such institutions to small business concerns (as defined under section 3 of the Small Business Act (15 U.S.C. 632)).

(2) REPORT TO CONGRESS.—Not later than 18 months after the establishment of the task force described in paragraph (1), the Administrator of the Small Business Administration shall submit to Congress a report on the findings of such task force.

(n) ASSISTANCE TO MINORITY DEPOSITORY INSTITUTIONS AND IMPACT BANKS.—The Secretary of the Treasury shall establish a program to provide assistance to a minority depository institution or an impact bank (as designated pursuant to section 5 of the Ensuring Diversity in Community Banking Act of 2020) to support growth and development of such minority depository institutions and impact banks, including by providing assistance with obtaining or converting a charter, bylaw amendments, field-of-membership expansion requests, and online training and resources.

SEC. 208. LOANS TO MDIS AND CDFIS.

(a) IN GENERAL.—During the COVID–19 emergency period, the Board of Governors of the Federal Reserve

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System shall provide zero-interest loans to minority depository institutions and community development financial institutions to help mitigate the economic impact of COVID–19 in low-income, underserved communities.

(b) ASSET LIMITATION.—Subsection (a) shall only apply to minority depository institutions and community development financial institutions with less than $1,000,000,000 in assets.

(c) INTEREST TO RESUME 18 MONTHS AFTER PANDEMIC.—Notwithstanding subsection (a), the Board of Governors shall charge interest on loans made pursuant to subsection (a) after the end of the 18-month period beginning at the end of the COVID–19 emergency period, at a rate to be determined by the Board of Governors based on the interest amount charged under the discount window lending programs.

(d) COVID–19 PANDEMIC DEFINED.—In this section, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

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SEC. 209. INSURANCE OF TRANSACTION ACCOUNTS.

(a) BANKS AND SAVINGS ASSOCIATIONS.—

(1) AMENDMENTS.—Section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)) is amended—

(A) in subparagraph (B)—

(i) by striking ''The net amount'' and inserting the following:

''(i) IN GENERAL.—Subject to clause (ii), the net amount''; and

(ii) by adding at the end the following new clauses:

''(ii) AUTHORIZATION FOR INSURANCE FOR TRANSACTION ACCOUNTS.—Notwithstanding clause (i), the Corporation may fully insure the net amount that any depositor at an insured depository institution maintains in a transaction account. Such amount shall not be taken into account when computing the net amount due to such depositor under clause (i).

''(iii) TRANSACTION ACCOUNT DEFINED.—For purposes of this subparagraph, the term 'transaction account' has the meaning given that term under section

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19 of the Federal Reserve Act (12 U.S.C. 461).''; and

(B) in subparagraph (C), by striking ''subparagraph (B)'' and inserting ''subparagraph (B)(i)''.

(2) PROSPECTIVE REPEAL.—Effective January 1, 2022, section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)), as amended by paragraph (1), is amended—

(A) in subparagraph (B)—

(i) by striking ''DEPOSIT.—'' and all that follows through ''clause (ii), the net amount'' and insert ''DEPOSIT.—The net amount''; and

(ii) by striking clauses (ii) and (iii); and

(B) in subparagraph (C), by striking ''subparagraph (B)(i)'' and inserting ''subparagraph (B)''.

(b) CREDIT UNIONS.—

(1) AMENDMENTS.—Section 207(k)(1) of the Federal Credit Union Act (12 U.S.C. 1787(k)(1)) is amended—

(A) in subparagraph (A)—

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(i) by striking ''Subject to the provisions of paragraph (2), the net amount'' and inserting the following:

''(i) NET AMOUNT OF INSURANCE PAYABLE.—Subject to clause (ii) and the provisions of paragraph (2), the net amount''; and

(ii) by adding at the end the following new clauses:

''(ii) AUTHORIZATION FOR INSURANCE FOR TRANSACTION ACCOUNTS.—Notwithstanding clause (i), the Board may fully insure the net amount that any member or depositor at an insured credit union maintains in a transaction account. Such amount shall not be taken into account when computing the net amount due to such member or depositor under clause (i).

''(iii) TRANSACTION ACCOUNT DEFINED.—For purposes of this subparagraph, the term 'transaction account' has the meaning given that term under section 19 of the Federal Reserve Act (12 U.S.C. 461).''; and

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(B) in subparagraph (B), by striking ''subparagraph (A)'' and inserting ''subparagraph (A)(i)''.

(2) PROSPECTIVE REPEAL.—Effective January 1, 2022, section 207(k)(1) of the Federal Credit Union Act (12 U.S.C. 1787(k)(1)), as amended by paragraph (1), is amended—

(A) in subparagraph (A)—

(i) by striking ''(i) NET AMOUNT OF INSURANCE PAYABLE.—'' and all that follows through ''paragraph (2), the net amount'' and inserting ''Subject to the provisions of paragraph (2), the net amount''; and

(ii) by striking clauses (ii) and (iii); and

(B) in subparagraph (B), by striking ''subparagraph (A)(i)'' and inserting ''subparagraph (A)''.

(c) COVID–19 EMERGENCY DEFINED.—In this section, the term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the

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Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

TITLE III—SUPPORTING STATE, TERRITORY, AND LOCAL GOVERNMENTS

SEC. 301. MUNI FACILITY.

(a) AMENDMENT TO AUTHORITY TO BUY AND SELL BONDS AND NOTES.—Section 14(b) of the Federal Reserve Act (12 U.S.C. 355) is amended—

(1) in paragraph (1)—

(A) by inserting ''and during unusual and exigent circumstances,'' before ''bonds issued''; and

(B) by striking ''of 1933'' and all that follows through ''assured revenues''; and

(2) by adding at the end the following:

''(3) STATE DEFINED.—In this section, the term 'State' means each of the several States, the District of Columbia, each territory and possession of the?United States, and each federally recognized Indian Tribe.''.

(b) FEDERAL RESERVE AUTHORIZATION TO PURCHASE COVID–19 RELATED MUNICIPAL ISSUANCES.—

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(1) AUTHORITY.—Within seven days after the date of enactment of this subsection, the Federal Reserve Board of Governors shall establish a facility to buy and sell, at home or abroad, bills, notes, bonds, and warrants with a maturity from date of purchase of not exceeding 10 years that are issued by any State or political subdivision thereof between March 1, 2020, and July 1, 2021, in order to fund a public health or public service response to the COVID–19 pandemic. The Board of Governors of the Federal Reserve System may extend the authority under this subsection if the Board determines necessary.

(2) REQUIRED PURCHASES.—The Board of Governors of the Federal Reserve System shall establish policies and procedures to require the direct placement of bills, notes, bonds, and warrants described in paragraph (1) with the Board at an interest cost that does not exceed the Federal funds rate target for short-term interbank lending, within seven days after the date of enactment of this section.

(3) REVIEW OF SPENDING.—During the 3-year period beginning on the date on which all purchases under this section are completed, relevant Federal authorities shall review such purchases to determine

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if funds were diverted from legitimate public health or public services responses to the COVID–19 pandemic to make such purchase. The relevant Federal authorities shall take appropriate action based on findings of such review.

(4) DEFINITIONS.—In this subsection:

(A) PUBLIC HEALTH OR PUBLIC SERVICE RESPONSE TO THE COVID–19 PANDEMIC.—The term ''public health or public service response to the COVID–19 pandemic'' means—

(i) the purchase, manufacture, or delivery of medical equipment, facilities, or services—

(I) to treat or quarantine COVID–19 patients;

(II) to protect first responders interacting with such patients; or

(III) to test for COVID–19 infections and track social contacts of patients who have tested positive for the virus;

(ii) the purchase, manufacture, or delivery of basic living supports for individuals who are not COVID–19 patients during periods of voluntary or mandatory so-

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cial distancing or quarantine designed to prevent the spread of COVID–19; or

(iii) the maintenance and delivery of basic public services to communities responding to the public health or economic effects of the COVID–19 pandemic.

(B) STATE.—The term ''State'' means each of the several States, the District of Columbia, each territory and possession of the United States, and each federally recognized Indian Tribe.

SEC. 302. TEMPORARY WAIVER AND REPROGRAMMING AUTHORITY.

(a) WAIVER AUTHORITY.—

(1) IN GENERAL.—With respect to a covered grant awarded to a State, territory, or local government by a Federal financial regulator, the Federal financial regulator may, upon request, waive any matching or cost-sharing requirements with respect to such grant until January 1, 2023.

(2) REQUIREMENTS FOR WAIVER RECIPIENTS.—A State, territory, or local government granted a waiver with respect to a grant under subsection (a) shall waive any matching or cost-sharing

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requirements that such government imposes on sub-grantees on such grant until January 1, 2023.

(b) REPROGRAMMING AUTHORITY.—

(1) IN GENERAL.—With respect to a covered grant awarded to a State, territory, or local government by a Federal financial regulator, the Federal financial regulator may, upon request, permit the State, territory, or local government to reprogram awarded grant funds for purposes related to unemployment, childcare, and healthcare, if the majority of normally funded activities under such grant are not in areas related to unemployment, childcare, and healthcare.

(2) CONSIDERATION FOR FUTURE GRANTS.—Any grantee (or sub-grantee) with respect to which a Federal financial regulator allows to reprogram funds under paragraph (1) shall be given priority by such Federal financial regulator for future awards of the type reprogrammed.

(c) DEFINITIONS.—In this section:

(1) COVERED GRANTS.—The term ''covered award'' means a grant—

(A) that was awarded to a State, territory, or local government before the date of enactment of this Act and under which the State,

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territory, or local government may still receive additional grant amounts; or

(B) with respect to which the period of performance does not expire before January 1, 2023.

(2) FEDERAL FINANCIAL REGULATOR.—The term ''Federal financial regulator'' means the Board of Governors of the Federal Reserve System, the Bureau of Consumer Financial Protection, the Department of Housing and Urban Development, the Department of the Treasury (other than the Internal Revenue Service), the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Securities and Exchange Commission.

TITLE IV—PROMOTING FINANCIAL STABILITY AND TRANSPARENT MARKETS

SEC. 401. TEMPORARY HALT TO RULEMAKINGS UNRELATED TO COVID–19.

(a) IN GENERAL.—Until the end of the 30-day period following the end of the COVID–19 emergency period, the Federal financial regulators—

(1) may not adopt or amend any rule, regulation, guidance, or order unless such rule, regulation,

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guidance, or order is directly related to responding to the COVID–19 emergency; and

(2) shall keep open and extend any ongoing public comment period related to a proposed or final rule, unless such rule is related to responding to the COVID–19 emergency.

(b) NOTICE AND SUNSET OF EMERGENCY ACTIONS.—The Federal financial regulators shall—

(1) provide the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate with a notice of any regulatory actions taken during the COVID–19 emergency period, along with an explanation of how such action was necessary and appropriate in response to the COVID–19 emergency; and

(2) limit the period of effectiveness of any action taken in response to the COVID–19 emergency to be not longer than 12-months following the end of the COVID–19 emergency period.

(c) VOTING BY REGULATORS.—Any action taken pursuant to this section by a Federal financial regulator headed by a multi-person entity may only be taken by unanimous vote.

(d) DEFINITIONS.—In this section:

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(1) COVID–19 EMERGENCY PERIOD.—For purposes of this Act, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) FEDERAL FINANCIAL REGULATOR.—In this section, the term ''Federal financial regulator'' means the Board of Governors of the Federal Reserve System, the Bureau of Consumer Financial Protection, the Department of Housing and Urban Development, the Department of the Treasury (other than the Internal Revenue Service), the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of the Comptroller of the Currency, the National Credit Union Administration, and the Securities and Exchange Commission.

SEC. 402. TEMPORARY BAN ON STOCK BUYBACKS.

(a) IN GENERAL.—It shall be unlawful for any issuer, the securities of which are traded on a national securities

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exchange, to purchase securities of the issuer during the period beginning on the date of enactment of this section and ending 120 days after the end of the COVID–19 emergency period.

(b) EARLY TERMINATION.—The Securities and Exchange Commission may terminate the prohibition under subsection (a) after the end of the COVID–19 emergency period and before the end of the 120-day period described under subsection (a), if—

(1) the Commission determines such termination is in the public interest; and

(2) immediately notifies the Congress and the public of such determination and the reason for such determination, including on the website of the Commission.

(c) ENFORCEMENT; RULEMAKING.—

(1) IN GENERAL.—The Securities and Exchange Commission shall have the authority to enforce this Act and may issue such rules as may be necessary to carry out this Act.

(2) COMMISSION VOTING.—Any action taken by the Commission pursuant to this section may only be taken upon a unanimous vote of the commissioners.

(d) DEFINITIONS.—In this section:

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(1) COVID–19 EMERGENCY PERIOD.—The term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(2) OTHER DEFINITIONS.—The terms ''issuer'', ''national securities exchange'', and ''security'' have the meaning given those terms, respectively, under section 3 of the Securities Exchange Act of 1934.

SEC. 403. DISCLOSURES RELATED TO SUPPLY CHAIN DISRUPTION RISK.

Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) is amended by adding at the end the following:

''(s) DISCLOSURES RELATED TO SUPPLY CHAIN DISRUPTION RISK.—

''(1) IN GENERAL.—Each issuer required to file an annual report under subsection (a) shall disclose in that report—

''(A) an identification of—

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"(i) the risks in the issuer's sourcing of goods, labor, services, and other supply chain related matters, including—

"(I) risks of dependency upon sole sourcing arrangements or sourcing concentrated in one geographic locality;

"(II) shipping risks; and

"(III) risks arising from natural disasters, pandemics, extreme weather, armed conflicts, refugee and related disruptions, trade conflicts or disruptions, and labor wage, safety, and health care practices; and

"(ii) the impacts any risk or disruption identified in clause (i) would have on the issuer's workforce, suppliers, and customers;

"(B) the issuer's business continuity or other contingency plans that will be implemented in the case of a supply chain disruption in order to mitigate such risks and impacts; and

"(C) all other material information.

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''(2) UPDATES.—Disclosures required under this subsection shall be updated when there are material changes.''.

SEC. 404. DISCLOSURES RELATED TO GLOBAL PANDEMIC RISK.

(a) IN GENERAL.—Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m), as amended by section 403, is further amended by adding at the end the following:

''(t) DISCLOSURES RELATED TO GLOBAL PANDEMIC RISK.—

''(1) IN GENERAL.—Each issuer required to file current reports under subsection (a) shall, in the event the World Health Organization declares a pandemic, file a report with the Commission containing a description of—

''(A) the risks and exposures to the issuer related to the pandemic, including risks to health and worker safety faced by the issuer's employees and independent contractors;

''(B) the steps the issuer is taking to mitigate such risks and exposures, including measures to protect the workforce, including information related to wages, healthcare, and leave;

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''(C) a preliminary view on the effect the pandemic may have on the issuer's business, solvency, and workforce; and

''(D) all other material information.

''(2) UPDATES.—Disclosures required under this subsection shall be updated when there are material changes.

''(3) PUBLIC AVAILABILITY OF REPORTS.—The Commission shall make each report filed to the Commission under paragraph (1) available to the public, including on the website of the Commission.''.

(b) APPLICATION.—Section 13(t) of the Securities Exchange Act of 1934, as added by subsection (a), shall apply to a pandemic declared by the World Health Organization that is in existence on the date of enactment of this Act or that is declared after the date of enactment of this Act.

SEC. 405. OVERSIGHT OF FEDERAL AID RELATED TO COVID–19.

(a) CONGRESSIONAL COVID–19 AID OVERSIGHT PANEL.—

(1) ESTABLISHMENT.—There is hereby established the Congressional COVID–19 Aid Oversight Panel (hereafter in this subsection referred to as the

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''Oversight Panel'') as an establishment in the legislative branch.

(2) DUTIES.—The Oversight Panel shall review the current state of the financial markets and the regulatory system and submit regular reports to Congress on the following:

(A) The use of Federal aid provided during the COVID–19 emergency.

(B) The impact of Federal aid related to COVID–19 on the financial markets and financial institutions.

(3) MEMBERSHIP.—

(A) IN GENERAL.—The Oversight Panel shall consist of 5 members, as follows:

(i) 1 member appointed by the Speaker of the House of Representatives.

(ii) 1 member appointed by the minority leader of the House of Representatives.

(iii) 1 member appointed by the majority leader of the Senate.

(iv) 1 member appointed by the minority leader of the Senate.

(v) 1 member appointed by the Speaker of the House of Representatives and the majority leader of the Senate, after con-

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sultation with the minority leader of the Senate and the minority leader of the House of Representatives.

(B) PAY.—Each member of the Oversight Panel shall each be paid at a rate equal to the daily equivalent of the annual rate of basic pay for level I of the Executive Schedule for each day (including travel time) during which such member is engaged in the actual performance of duties vested in the Commission.

(C) PROHIBITION OF COMPENSATION OF FEDERAL EMPLOYEES.—Members of the Oversight Panel who are full-time officers or employees of the United States or Members of Congress may not receive additional pay, allowances, or benefits by reason of their service on the Oversight Panel.

(D) TRAVEL EXPENSES.—Each member shall receive travel expenses, including per diem in lieu of subsistence, in accordance with applicable provisions under subchapter I of chapter 57 of title 5, United States Code.

(E) QUORUM.—Four members of the Oversight Panel shall constitute a quorum but a lesser number may hold hearings.

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(F) VACANCIES.—A vacancy on the Oversight Panel shall be filled in the manner in which the original appointment was made.

(G) MEETINGS.—The Oversight Panel shall meet at the call of the Chairperson or a majority of its members.

(4) STAFF.—

(A) IN GENERAL.—The Oversight Panel may appoint and fix the pay of any personnel as the Oversight Panel considers appropriate.

(B) EXPERTS AND CONSULTANTS.—The Oversight Panel may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(C) STAFF OF AGENCIES.—Upon request of the Oversight Panel, the head of any Federal department or agency may detail, on a reimbursable basis, any of the personnel of that department or agency to the Oversight Panel to assist it in carrying out its duties under this section.

(5) POWERS.—

(A) HEARINGS AND SESSIONS.—The Oversight Panel may, for the purpose of carrying out this section, hold hearings, sit and act at

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times and places, take testimony, and receive evidence as the Panel considers appropriate and may administer oaths or affirmations to witnesses appearing before it.

(B) POWERS OF MEMBERS AND AGENTS.—Any member or agent of the Oversight Panel may, if authorized by the Oversight Panel, take any action which the Oversight Panel is authorized to take by this section.

(C) OBTAINING OFFICIAL DATA.—The Oversight Panel may secure directly from any department or agency of the United States information necessary to enable it to carry out this section. Upon request of the Chairperson of the Oversight Panel, the head of that department or agency shall furnish that information to the Oversight Panel.

(D) REPORTS.—The Oversight Panel shall receive and consider all reports required to be submitted to the Oversight Panel under this section.

(6) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Oversight Panel such sums as may be necessary for any fiscal year, half of which shall be derived from the

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applicable account of the House of Representatives, and half of which shall be derived from the contingent fund of the Senate.

(7) SUNSET.—The Oversight Panel established by this subsection shall terminate on the date that is two years following the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(8) DEFINITIONS.—In this subsection:

(A) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends one year after the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(B) FEDERAL AID.—The term ''Federal aid'' means any emergency lending provided under section 13(3) of the Federal Reserve Act

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or any Federal financial support in the form of a grant, loan, or loan guarantee.

(b) SPECIAL INSPECTOR GENERAL AUTHORITY OVER FEDERAL AID RELATED TO COVID–19.—Section 121 of the Emergency Economic Stabilization Act of 2008 (12 U.S.C. 5231) is amended—

(1) in subsection (k)—

(A) in paragraph (1), by striking ''or'' at the end;

(B) in paragraph (2), by striking the period at the end and inserting ''; or''; and

(C) by adding at the end the following:

''(3) the date on which all Federal aid related to the COVID–19 emergency is repaid.''; and

(2) by adding at the end the following:

''(l) RESPONSIBILITY WITH RESPECT TO FEDERAL AID RELATED TO COVID–19.—

''(1) IN GENERAL.—The Special Inspector General shall have the same authority and responsibilities with respect to Federal aid provided during the COVID–19 emergency as the Special Inspector General has with respect to financial assistance (including the purchase of troubled assets) provided under this title.

''(2) DEFINITIONS.—In this section:

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"(A) COVID–19 EMERGENCY.—The term 'COVID–19 emergency' means the period that begins upon the date of the enactment of this Act and ends one year after the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

"(B) FEDERAL AID.—The term 'Federal aid' means any emergency lending provided under section 13(3) of the Federal Reserve Act or any Federal financial support in the form of a grant, loan, or loan guarantee.".

SEC. 406. INTERNATIONAL FINANCIAL INSTITUTIONS.

(a) UNITED STATES PARTICIPATION IN, AND CONTRIBUTIONS TO, THE NINETEENTH REPLENISHMENT OF THE RESOURCES OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION.— The International Development Association Act (22 U.S.C. 284 et seq.) is amended by adding at the end the following:

"SEC. 31. NINETEENTH REPLENISHMENT.

"(a) The United States Governor of the International Development Association is authorized to contribute on

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behalf of the United States $3,004,200,000 to the nineteenth replenishment of the resources of the Association, subject to obtaining the necessary appropriations.

''(b) In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $3,004,200,000 for payment by the Secretary of the Treasury.''.

(b) UNITED STATES PARTICIPATION IN, AND CONTRIBUTIONS TO, THE FIFTEENTH REPLENISHMENT OF THE RESOURCES OF THE AFRICAN DEVELOPMENT FUND.—The African Development Fund Act (22 U.S.C. 290g et seq.) is amended by adding at the end the following:

''SEC. 226. FIFTEENTH REPLENISHMENT.

''(a) The United States Governor of the Fund is authorized to contribute on behalf of the United States $513,900,000 to the fifteenth replenishment of the resources of the Fund, subject to obtaining the necessary appropriations.

''(b) In order to pay for the United States contribution provided for in subsection (a), there are authorized to be appropriated, without fiscal year limitation, $513,900,000 for payment by the Secretary of the Treasury.''.

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(c) UNITED STATES PARTICIPATION IN, AND CONTRIBUTIONS TO, THE SEVENTH CAPITAL INCREASE FOR THE AFRICAN DEVELOPMENT BANK.— The African Development Bank Act (22 U.S.C. 290i et seq.) is amended by adding at the end the following:

"SEC. 1345. SEVENTH CAPITAL INCREASE.

"(a) SUBSCRIPTION AUTHORIZED.—

"(1) The United States Governor of the Bank may subscribe on behalf of the United States to 532,023 additional shares of the capital stock of the Bank.

"(2) Any subscription by the United States to the capital stock of the Bank shall be effective only to such extent and in such amounts as are provided in advance in appropriations Acts.

"(b) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—

"(1) In order to pay for the increase in the United States subscription to the Bank under subsection (a), there are authorized to be appropriated, without fiscal year limitation, $7,286,587,008 for payment by the Secretary of the Treasury.

"(2) Of the amount authorized to be appropriated under paragraph (1)—

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"(A) $437,190,016 shall be for paid in shares of the Bank; and

"(B) $6,849,396,992 shall be for callable shares of the Bank.".

SEC. 407. CONDITIONS ON FEDERAL AID TO CORPORATIONS.

(a) REQUIREMENTS ON ALL CORPORATIONS UNTIL FEDERAL AID RELATED TO COVID–19 IS REPAID.—Any corporation that receives Federal aid related to COVID–19 shall, until the date on which all such Federal aid is repaid by the corporation to the Federal Government, comply with the following:

(1) RESTRICTIONS ON EXECUTIVE BONUSES.—The corporation may not pay a bonus to any executive of the corporation.

(2) BAN ON EXECUTIVE GOLDEN PARACHUTES.—The corporation may not pay any type of compensation (whether present, deferred, or contingent) to an executive of the corporation, if such compensation is in connection with the termination of employment of the executive.

(3) BAN ON STOCK BUYBACKS.—The corporation may not purchase securities of the corporation.

(4) BAN ON DIVIDENDS.—The corporation may not pay dividends on securities of the corporation.

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(5) BAN ON FEDERAL LOBBYING.—The corporation may not carry out any Federal lobbying activities.

(b) PERMANENT REQUIREMENTS ON ACCELERATED FILERS RECEIVING FEDERAL AID RELATED TO COVID–19.—

(1) IN GENERAL.—An accelerated filer that receives Federal aid related to COVID–19 shall permanently comply with the following:

(A) WORKER BOARD REPRESENTATION.—

(i) IN GENERAL.—At least ⅓ of the members of the accelerated filer's directors are chosen by the employees of the accelerated filer in a one-employee-one-vote election process.

(ii) COMPLIANCE DATE.—An accelerated filer shall comply with the requirements under clause (i) not later than the end of the 2-year period beginning on the date of enactment of this Act.

(iii) DEFINITIONS.—In this subparagraph—

(I) the term ''director'' has the meaning given the term in section 3

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of the Securities Exchange Act of 1934 (15 U.S.C. 78c); and

(II) the term ''employee'' has the meaning given the term in section 2 of the National Labor Relations Act (29 U.S.C. 152).

(B) ADDITIONAL DISCLOSURES.—If the securities of the corporation are traded on a national securities exchange, the corporation shall issue the following disclosures to the Securities and Exchange Commission on a quarterly basis (and make such disclosures available to shareholders of the corporation and the public):

(i) The political spending disclosures required under paragraph (2).

(ii) The human capital management disclosures required under paragraph (3).

(iii) The environmental, social, and governance disclosures required under paragraph (4).

(iv) The Federal aid disclosures required under paragraph (5).

(v) The disclosures of financial performance on a country-by-country basis required under paragraph (6).

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(2) POLITICAL SPENDING DISCLOSURES.—

(A) IN GENERAL.—With respect to an accelerated filer, the disclosures required under this paragraph are—

(i) a description of any expenditure for political activities made during the preceding quarter;

(ii) the date of each expenditure for political activities;

(iii) the amount of each expenditure for political activities;

(iv) if the expenditure for political activities was made in support of or opposed to a candidate, the name of the candidate and the office sought by, and the political party affiliation of, the candidate;

(v) the name or identity of trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code which receive dues or other payments as described in paragraph (1)(A)(i)(III);

(vi) a summary of each expenditure for political activities made during the pre-

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ceding year in excess of $10,000, and each expenditure for political activities for a particular election if the total amount of such expenditures for that election is in excess of $10,000;

(vii) a description of the specific nature of any expenditure for political activities the corporation intends to make for the forthcoming fiscal year, to the extent the specific nature is known to the corporation; and

(viii) the total amount of expenditures for political activities intended to be made by the corporation for the forthcoming fiscal year.

(B) DEFINITIONS.—In this paragraph:

(i) EXPENDITURE FOR POLITICAL ACTIVITIES.—The term ''expenditure for political activities''—

(I) means—

(aa) an independent expenditure (as defined in section 301(17) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101(17)));

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(bb) an electioneering communication (as defined in section 304(f)(3) of that Act (52 U.S.C. 30104(f)(3))) and any other public communication (as defined in section 301(22) of that Act (52 U.S.C. 30101(22))) that would be an electioneering communication if it were a broadcast, cable, or satellite communication; or

(cc) dues or other payments to trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of that Code that are, or could reasonably be anticipated to be, used or transferred to another association or organization for the purposes described in item (aa) or (bb); and

(II) does not include—

(aa) direct lobbying efforts through registered lobbyists em-

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ployed or hired by the corporation;

(bb) communications by a corporation to its shareholders and executive or administrative personnel and their families; or

(cc) the establishment and administration of contributions to a separate segregated fund to be utilized for political purposes by a corporation.

(ii) EXCEPTION.—The term ''corporation'' does not include an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a–8).

(3) HUMAN CAPITAL MANAGEMENT DISCLOSURES.—With respect to an accelerated filer, the disclosures required under this paragraph are the following:

(A) Workforce demographic information, including the number of full-time employees, the number of part-time employees, the number of contingent workers (including temporary and contract workers), and any policies or practices

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relating to subcontracting, outsourcing, and insourcing.

(B) Workforce stability information, including information about the voluntary turnover or retention rate, the involuntary turnover rate, the internal hiring rate, and the internal promotion rate.

(C) Workforce composition, including data on diversity (including racial and gender composition) and any policies and audits related to diversity.

(D) Workforce skills and capabilities, including information about training of employees (including the average number of hours of training and spending on training per employee per year), skills gaps, and alignment of skills and capabilities with business strategy.

(E) Workforce culture and empowerment, including information about—

(i) policies and practices of the corporation relating to freedom of association and work-life balance initiatives;

(ii) any incidents of verified workplace harassment in the previous 5 fiscal years of the corporation;

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(iii) policies and practices of the corporation relating to employee engagement and psychological wellbeing, including management discussion regarding—

(I) the creation of an autonomous work environment;

(II) fostering a sense of purpose in the workforce;

(III) trust in management; and

(IV) a supportive, fair, and constructive workplace.

(F) Workforce health and safety, including information about—

(i) the frequency, severity, and lost time due to injuries, illness, and fatalities;

(ii) the total dollar value of assessed fines under the Occupational Safety and Health Act of 1970;

(iii) the total number of actions brought under section 13 of the Occupational Safety and Health Act of 1970 to prevent imminent dangers; and

(iv) the total number of actions brought against the corporation under sec-

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tion 11(c) of the Occupational Safety and Health Act of 1970.

(G) Workforce compensation and incentives, including information about—

(i) total workforce compensation, including disaggregated information about compensation for full-time, part-time, and contingent workers;

(ii) policies and practices about how performance, productivity, and sustainability are considered when setting pay and making promotion decisions; and

(iii) policies and practices relating to any incentives and bonuses provided to employees below the named executive level and any policies or practices designed to counter any risks create by such incentives and bonuses.

(H) Workforce recruiting, including information about the quality of hire, new hire engagement rate, and new hire retention rate.

(4) ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES.—With respect to an accelerated filer, the disclosures required under this paragraph are disclosures that satisfy the recommendations of

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the Task Force on Climate-related Financial Disclosures of the Financial Stability Board as reported in June, 2017.

(5) FEDERAL AID DISCLOSURES.—With respect to an accelerated filer, the disclosure required under this paragraph is a description of how the Federal aid related to COVID–19 received by the corporation is being used to support the corporation's employees.

(6) DISCLOSURES OF FINANCIAL PERFORMANCE ON A COUNTRY-BY-COUNTRY BASIS.—

(A) IN GENERAL.—With respect to an accelerated filer, the disclosures required under this paragraph are the following:

(i) CONSTITUENT ENTITY INFORMATION.—Information on any constituent entity of the corporation, including the following:

(I) The complete legal name of the constituent entity.

(II) The tax jurisdiction, if any, in which the constituent entity is resident for tax purposes.

(III) The tax jurisdiction in which the constituent entity is orga-

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nized or incorporated (if different from the tax jurisdiction of residence).

(IV) The tax identification number, if any, used for the constituent entity by the tax administration of the constituent entity's tax jurisdiction of residence.

(V) The main business activity or activities of the constituent entity.

(ii) TAX JURISDICTION.—Information on each tax jurisdiction in which one or more constituent entities is resident, presented as an aggregated or consolidated form of the information for the constituent entities resident in each tax jurisdiction, including the following:

(I) Revenues generated from transactions with other constituent entities.

(II) Revenues not generated from transactions with other constituent entities.

(III) Profit or loss before income tax.

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(IV) Total income tax paid on a cash basis to all tax jurisdictions.

(V) Total accrued tax expense recorded on taxable profits or losses.

(VI) Stated capital.

(VII) Total accumulated earnings.

(VIII) Total number of employees on a full-time equivalent basis.

(IX) Net book value of tangible assets, which, for purposes of this section, does not include cash or cash equivalents, intangibles, or financial assets.

(iii) SPECIAL RULES.—The information listed in clause (ii) shall be provided, in aggregated or consolidated form, for any constituent entity or entities that have no tax jurisdiction of residence. In addition, if a constituent entity is an owner of a constituent entity that does not have a jurisdiction of tax residence, then the owner's share of such entity's revenues and profits will be aggregated or consolidated with the

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information for the owner's tax jurisdiction of residence.

(B) DEFINITIONS.—In this paragraph—

(i) the term ''constituent entity'' means, with respect to an accelerated filer, any separate business entity of the accelerated filer;

(ii) the term ''tax jurisdiction''—

(I) means a country or a jurisdiction that is not a country but that has fiscal autonomy; and

(II) includes a territory or possession of the United States that has fiscal autonomy.

(c) PERMANENT REQUIREMENTS ON ALL CORPORATIONS RECEIVING FEDERAL AID RELATED TO COVID–19.—Any corporation that receives Federal aid related to COVID–19 shall permanently comply with the following:

(1) PAID LEAVE FOR WORKERS.—The corporation shall provide at least 14 days of paid leave to workers (employees and contractors, full-time and part-time) who—

(A) are unable to telework;

(B) need to be isolated or quarantined to prevent the spread of COVID–19; or

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(C) need time off to care for the needs of family members.

(2) MINIMUM WAGE.—The corporation shall pay each employee (full-time and part-time) of the corporation a wage of not less than $15 an hour, beginning not later than January 1, 2021.

(3) LIMITATION ON CEO AND EXECUTIVE PAY.—The corporation may not have a CEO to median worker pay ratio of greater than 50 to 1 and no officer or employee of the corporation may received higher compensation than the chief executive officer (or any equivalent position).

(d) REQUIREMENTS ON ALL CORPORATIONS RECEIVING FEDERAL AID RELATED TO COVID–19 UNTIL THE END OF THE EMERGENCY.—Any corporation that receives Federal aid related to COVID–19 shall, until the COVID–19 emergency ends, comply with the following:

(1) WORKFORCE LEVELS AND BENEFITS.—The corporation shall maintain at least the same workforce levels and benefits that existed before the COVID–19 emergency.

(2) MAINTENANCE OF WORKER PAY.—The corporation shall maintain worker (employee or contractor, full-time and part-time) pay throughout the entire duration of the COVID–19 emergency at or

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above the pay level the worker was earning before the emergency.

(3) MAINTENANCE OF COLLECTIVE BARGAINING AGREEMENTS.—The corporation may not alter any collective bargaining agreement that was in place at the beginning of the COVID–19 emergency.

(e) ENFORCEMENT; RULEMAKING.—The Securities and Exchange Commission and the Secretary of the Treasury shall have the authority to enforce this section and may issue such rules as may be necessary to carry out this section.

(f) DEFINITIONS.—In this section:

(1) ACCELERATED FILER.—The Securities and Exchange Commission shall define the term ''accelerated filer'' for purposes of this section.

(2) CEO TO MEDIAN WORKER PAY RATIO.—With respect to an accelerated filer, the term ''CEO to median worker pay ratio'' means the ratio of—

(A) the annual total compensation of the chief executive officer (or any equivalent position) of the corporation; and

(B) the median of the annual total compensation of all employees of the corporation, except the chief executive officer (or any equivalent position) of the corporation.

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(3) COVID–19 EMERGENCY.—The term ''COVID–19 emergency'' means the period that begins upon the date of the enactment of this Act and ends upon the termination by the Federal Emergency Management Agency of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19).

(4) FEDERAL AID.—The term ''Federal aid'' means any emergency lending provided under section 13(3) of the Federal Reserve Act or any Federal financial support in the form of a grant, loan, or loan guarantee.

(5) S CORPORATION.—The term ''S corporation'' has the meaning given that term under section 1361(a) of the Internal Revenue Code of 1986.

(6) SECURITIES TERMS.—The terms ''national securities exchange'' and ''security'' have the meaning given those terms, respectively, under section 3 of the Securities Exchange Act of 1934.

SEC. 408. AUTHORITY FOR WARRANTS AND DEBT INSTRUMENTS.

(a) DEFINITIONS.—In this section:

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(1) ASSET.—The term ''asset'' means any financial instrument that the Secretary, after consultation with the Chairman of the Board of Governors of the Federal Reserve System, determines the purchase of which or the guarantee of which is necessary to promote economic stability.

(2) COMPANY.—The term ''company'' means any entity that is not subject to the prohibitions in subsection (e).

(3) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury.

(b) WARRANT OR SENIOR DEBT INSTRUMENT.—The Secretary may not purchase, or make any commitment to purchase, or guarantee, or make any commitment to guarantee, any asset in response to the coronavirus disease (COVID–19) outbreak, unless the Secretary receives from the company from which such assets are to be purchased or are to be guaranteed—

(1) in the case of a company, the securities of which are traded on a national securities exchange, a warrant giving the right to the Secretary to receive preferred voting stock; or

(2) in the case of any company other than one described in paragraph (1), a warrant for preferred

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voting stock, or a senior debt instrument from such company.

(c) TERMS AND CONDITIONS.—The terms and conditions of any warrant or senior debt instrument required under subsection (b) shall meet the following requirements:

(1) PURPOSES.—Such terms and conditions shall, at a minimum, be designed—

(A) to provide for reasonable participation by the Secretary, for the benefit of taxpayers, in equity appreciation in the case of a warrant or other equity security, or a reasonable interest rate premium, in the case of a debt instrument; and

(B) to provide additional protection for the taxpayer against losses from sale of assets by the Secretary and any associated administrative expenses.

(2) TERMS OF PREFERRED VOTING STOCK.—Any preferred voting stock received from a company should include the following terms:

(A) VOTING RIGHTS.—The Secretary shall have the right to vote on matters brought before the stockholders generally. The Secretary shall control a percentage of votes equal to the

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percentage of the total value of the company the government's share will represent after the investment.

(B) BANKRUPTCY IMMUNITY.—The rights associated with the preferred voting stock shall not be subject to modification, amendment, or any change by the bankruptcy laws of the United States or any other state.

(3) AUTHORITY TO SELL, EXERCISE, OR SURRENDER.—

(A) IN GENERAL.—For the primary benefit of taxpayers, the Secretary may sell, exercise, or surrender a warrant or any senior debt instrument received under this section, based on the conditions established under paragraph (1).

(B) PROCEEDS.—Of any proceeds received through the sale, exercise, or surrender of any warrant or any senior debt instrument—

(i) 65 percent shall be transferred or credited to the Housing Trust Fund established under section 1338 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4568); and

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(ii) 35 percent shall be transferred or credited to the Capital Magnet Fund under section 1339 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4569).

(4) CONVERSION.—The warrant shall provide that if, after the warrant is received by the Secretary under this section, the company that issued the warrant is no longer listed or traded on a national securities exchange or securities association, as described in subsection (b)(1), the Secretary will have an option to convert the warrants to senior debt to ensure that the Treasury is appropriately compensated for the value of the warrant, in an amount determined by the Secretary for the primary benefit of taxpayers.

(5) PROTECTIONS.—Any warrant representing securities to be received by the Secretary under this section shall contain anti-dilution provisions of the type employed in capital market transactions, as determined by the Secretary for the primary benefit of taxpayers. Such provisions shall protect the value of the securities from market transactions such as stock splits, stock distributions, dividends, and other

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distributions, mergers, and other forms of reorganization or recapitalization.

(6) EXERCISE PRICE.—The exercise price for any warrant issued pursuant to this section shall be set by the Secretary, for the primary benefit of taxpayers.

(7) SUFFICIENCY.—The company shall guarantee to the Secretary that it has authorized shares of stock available to fulfill its obligations under this section. Should the company not have sufficient authorized shares, including preferred shares that may carry dividend rights equal to a multiple number of common shares, the Secretary may, to the extent necessary for the primary benefit of taxpayers, accept a senior debt note in an amount, and on such terms as will compensate the Secretary with equivalent value, in the event that a sufficient shareholder vote to authorize the necessary additional shares cannot be obtained.

(d) EXCEPTIONS.—The Secretary may establish an exception to the requirements of this section and appropriate alternative requirements for any participating company that is legally prohibited from issuing securities and debt instruments, so as not to allow circumvention of the requirements of this section.

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(e) PROHIBITIONS OF FOREIGN COMPANIES.—

(1) IN GENERAL.—The Secretary may not purchase, or make any commitment to purchase, or guarantee, or make any commitment to guarantee, any asset in response to the coronavirus disease (COVID–19) outbreak from—

(A) any foreign incorporated entity that the Secretary has determined is an inverted domestic corporation or any subsidiary of such entity; or

(B) any joint venture if more than 10 percent of the joint venture (by vote or value) is held by a foreign incorporated entity that the Secretary has determined is an inverted domestic corporation or any subsidiary of such entity.

(2) INVERTED DOMESTIC CORPORATION.—

(A) IN GENERAL.—For purposes of this subsection, a foreign incorporated entity shall be treated as an inverted domestic corporation if, pursuant to a plan (or a series of related transactions)—

(i) the entity completes on or after May 8, 2014, the direct or indirect acquisition of—

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(I) substantially all of the properties held directly or indirectly by a domestic corporation; or

(II) substantially all of the assets of, or substantially all of the properties constituting a trade or business of, a domestic partnership; and

(ii) after the acquisition, either—

(I) more than 50 percent of the stock (by vote or value) of the entity is held—

(aa) in the case of an acquisition with respect to a domestic corporation, by former shareholders of the domestic corporation by reason of holding stock in the domestic corporation; or

(bb) in the case of an acquisition with respect to a domestic partnership, by former partners of the domestic partnership by reason of holding a capital or profits interest in the domestic partnership; or

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(II) the management and control of the expanded affiliated group which includes the entity occurs, directly or indirectly, primarily within the United States, as determined pursuant to regulations prescribed by the Secretary, and such expanded affiliated group has significant domestic business activities.

(B) EXCEPTION FOR CORPORATIONS WITH SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN COUNTRY OF ORGANIZATION.—

(i) IN GENERAL.—A foreign incorporated entity described in subparagraph (A) shall not be treated as an inverted domestic corporation if after the acquisition the expanded affiliated group which includes the entity has substantial business activities in the foreign country in which or under the law of which the entity is created or organized when compared to the total business activities of such expanded affiliated group.

(ii) SUBSTANTIAL BUSINESS ACTIVITIES.—The Secretary shall establish regu-

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lations for determining whether an affiliated group has substantial business activities for purposes of clause (i), except that such regulations may not treat any group as having substantial business activities if such group would not be considered to have substantial business activities under the regulations prescribed under section 7874 of the Internal Revenue Code of 1986, as in effect on January 18, 2017.

(C) SIGNIFICANT DOMESTIC BUSINESS ACTIVITIES.—

(i) IN GENERAL.—For purposes of subparagraph (A)(ii)(II), an expanded affiliated group has significant domestic business activities if at least 25 percent of—

(I) the employees of the group are based in the United States;

(II) the employee compensation incurred by the group is incurred with respect to employees based in the United States;

(III) the assets of the group are located in the United States; or

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(IV) the income of the group is derived in the United States.

(ii) DETERMINATION.—Determinations pursuant to clause (i) shall be made in the same manner as such determinations are made for purposes of determining substantial business activities under regulations referred to in subparagraph (B) as in effect on January 18, 2017, but applied by treating all references in such regulations to ''foreign country'' and ''relevant foreign country'' as references to ''the United States''. The Secretary may issue regulations decreasing the threshold percent in any of the tests under such regulations for determining if business activities constitute significant domestic business activities for purposes of this subparagraph.

(3) WAIVER.—

(A) IN GENERAL.—The Secretary may waive paragraph (1) if the Secretary determines that the waiver is—

(i) required in the interest of national security; or

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(ii) necessary for the efficient or effective administration of Federal or federally funded—

(I) programs that provide health benefits to individuals; or

(II) public health programs.

(B) REPORT TO CONGRESS.—The Secretary shall, not later than 14 days after issuing such waiver, submit a written notification of the waiver to the relevant authorizing committees of Congress and the Committees on Appropriations of the Senate and the House of Representatives.

(4) DEFINITIONS AND SPECIAL RULES.—

(A) DEFINITIONS.—In this subsection, the terms ''expanded affiliated group'', ''foreign incorporated entity'', ''domestic'', and ''foreign'' have the meaning given those terms in section 835(c) of the Homeland Security Act of 2002 (6 U.S.C. 395(c)).

(B) SPECIAL RULES.—In applying paragraph (2) of this subsection for purposes of paragraph (1) of this subsection, the rules described under 835(c)(1) of the Homeland Secu-

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rity Act of 2002 (6 U.S.C. 395(c)(1)) shall apply.

(5) REGULATIONS REGARDING MANAGEMENT AND CONTROL.—

(A) IN GENERAL.—The Secretary shall, for purposes of this subsection, prescribe regulations for purposes of determining cases in which the management and control of an expanded affiliated group is to be treated as occurring, directly or indirectly, primarily within the United States. The regulations prescribed under the preceding sentence shall apply to periods after May 8, 2014.

(B) EXECUTIVE OFFICERS AND SENIOR MANAGEMENT.—The regulations prescribed under subparagraph (A) shall provide that the management and control of an expanded affiliated group shall be treated as occurring, directly or indirectly, primarily within the United States if substantially all of the executive officers and senior management of the expanded affiliated group who exercise day-to-day responsibility for making decisions involving strategic, financial, and operational policies of the expanded affiliated group are based or primarily

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located within the United States. Individuals who in fact exercise such day-to-day responsibilities shall be treated as executive officers and senior management regardless of their title.

(f) PREEMPTION.—Any State or Federal laws that prohibit the transactions authorized by this statute, including state or federal laws that prohibit company directors from agreeing to the transactions authorized by this statute, are preempted and superseded by this statute.

SEC. 409. AUTHORIZATION TO PARTICIPATE IN THE NEW ARRANGEMENTS TO BORROW OF THE INTERNATIONAL MONETARY FUND.

Section 17 of the Bretton Woods Agreements Act (22 U.S.C. 286e-2) is amended—

(1) in subsection (a)—

(A) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6) and inserting after paragraph (2) the following:

"(3) In order to carry out the purposes of a one-time decision of the Executive Directors of the International Monetary Fund (the Fund) to expand the resources of the New Arrangements to Borrow, established pursuant to the decision of January 27, 1997 referred to in paragraph (1) above, the Secretary of the Treasury is authorized to make loans,

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in an amount not to exceed the dollar equivalent of 28,202,470,000 of Special Drawing Rights, in addition to any amounts previously authorized under this section; except that prior to activation of the New Arrangements to Borrow, the Secretary shall report to Congress on whether supplementary resources are needed to forestall or cope with an impairment of the international monetary system and whether the Fund has fully explored other means of funding to the Fund.''; and

(B) in paragraph (6) (as so redesignated by subparagraph (A) of this paragraph), by striking ''December 16, 2022'' and inserting ''December 31, 2025''; and

(2) in subsection (e)(1), by inserting ''(a)(3),'' after ''(a)(2),''.

SEC. 410. EMERGENCY RELIEF THROUGH LOANS AND LOAN GUARANTEES.

(a) IN GENERAL.—Notwithstanding any other provision of law, to provide liquidity to eligible businesses related to losses incurred as a direct result of coronavirus, the Secretary is authorized to make or guarantee loans to eligible businesses, including women-owned, minority-owned, veteran-owned and rural businesses, that do not, in the aggregate, exceed **[**$150,000,000,000**]** and provide

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the subsidy amounts necessary for such loans and loan guarantees in accordance with the provisions of the Federal Credit Reform Act of 1990 (2 U.S.C. 661 et seq.).

(c) LOANS AND LOAN GUARANTEES.—

(1) IN GENERAL.—The Secretary shall review and decide on applications for loans and loan guarantees under this section and may enter into agreements to make or guarantee loans to one or more obligors if the Secretary determines, in the Secretary's discretion, that—

(A) the obligor is a eligible business for which credit is not reasonably available at the time of the transaction;

(B) the intended obligation by the obligor is prudently incurred; and

(C) the loan is sufficiently secured.

(2) TERMS AND LIMITATIONS.—

(A) FORMS; TERMS AND CONDITIONS.—Subject to section 407 of this division, a loan or loan guarantee shall be issued under this section in such form and on such terms and conditions and contain such covenants, representatives, warranties, and requirements (including requirements for audits) as the Secretary determines appropriate. Any loans made

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by the Secretary under this section shall be at a rate not less than a rate determined by the Secretary taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturity.

(B) PROCEDURES.—As soon as practicable, but in no case later than 10 days after the date of enactment of this Act, the Secretary shall publish procedures for application and minimum requirements, which may be supplemented by the Secretary in the Secretary's discretion, for the making of loans and loan guarantees under this section.

(d) FINANCIAL PROTECTION OF GOVERNMENT.—

(1) IN GENERAL.—To the extent feasible and practicable, the Secretary shall ensure that the Federal Government is compensated for the risk assumed in making loans and loan guarantees under this section.

(2) GOVERNMENT PARTICIPATION IN GAINS.—If an eligible business receives a loan or loan guarantee from the Federal Government under this section, the Secretary is authorized to enter into contracts under which the Federal Government, contingent on the fi-

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nancial success of the eligible business, would participate in the gains of the eligible business or its security holders through the use of such instruments as warrants, stock options, common or preferred stock, or other appropriate equity instruments.

(e) DEPOSIT OF PROCEEDS.—Amounts collected by the Secretary under this section, including the proceeds of investments, earnings, and interest collected, shall be deposited in the Treasury as miscellaneous receipts.

(f) ADMINISTRATIVE EXPENSES.—Notwithstanding any other provision of law, the Secretary may use $100,000,000 of the funds made available under this section to pay costs and administrative expenses associated with the provision of direct loans or guarantees authorized under this section.

(g) CONFORMING AMENDMENT.—Section 5302(a)(1) of title 31, United States Code, is amended—

(1) by striking ''and'' before ''section 3''; and

(2) by inserting ''Financial Protections and Assistance for America's Consumers, States, Businesses, and Vulnerable Populations Act,'' before ''and for investing''.

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SEC. 411. LIMITATION ON CERTAIN EMPLOYEE COMPENSATION.

(a) IN GENERAL.—The Secretary may only enter into a loan or loan agreement under section 410(a) with an eligible business after the eligible business enters into a legally binding agreement with the Secretary that, during the period beginning March 1, 2020, and ending March 1, 2022 or the termination of the loan or loan agreement under section 410(a), which is later, no officer or employee of the eligible business—

(1) will receive from the eligible business total compensation which exceeds $425,000, during any 12 consecutive months of such period; and

(2) will receive from the eligible business severance pay or other benefits upon termination of employment with the eligible business which exceeds twice the compensation described in paragraph (1).

(b) TOTAL COMPENSATION DEFINED.—In this section, the term ''total compensation'' includes salary, bonuses, awards of stock, and other financial benefits provided by an eligible business to an officer or employee of the eligible business.

SEC. 412. INTERNATIONAL FINANCE CORPORATION.

The International Finance Corporation Act (22 U.S.C. 282 et seq.) is amended by adding at the end the following:

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"SEC. 18. CAPITAL INCREASES AND AMENDMENT TO THE ARTICLES OF AGREEMENT.

"(a) VOTES AUTHORIZED.—The United States Governor of the Corporation is authorized to vote in favor of—

"(1) a resolution to increase the authorized capital stock of the Corporation by 16,999,998 shares, to implement the conversion of a portion of the retained earnings of the Corporation into paid-in capital, which will result in the United States being issued an additional 3,771,899 shares of capital stock, without any cash contribution;

"(2) a resolution to increase the authorized capital stock of the Corporation on a general basis by 4,579,995 shares; and

"(3) a resolution to increase the authorized capital stock of the Corporation on a selective basis by 919,998 shares.

"(b) AMENDMENT OF THE ARTICLES OF AGREEMENT.—The United States Governor of the Corporation is authorized to agree to and accept an amendment to Article II, Section 2(c)(ii) of the Articles of Agreement of the Corporation that would increase the vote by which the Board of Governors of the Corporation may increase the capital stock of the Corporation from a four-fifths majority to an 85 percent majority.".

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SEC. 413. OVERSIGHT AND REPORTS.

(a) OVERSIGHT.—

(1) SIGTARP.—As provided for under section 405 of this division, the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) shall have oversight of the Secretary's administration of the loans and loan guarantees provided under section 410, the use of the funds by eligible businesses, and compliance with the requirements of section 407.

(2) OVERSIGHT PANEL.—As provided for under section 405 of this division, the Congressional COVID–19 Aid Oversight Panel shall have oversight of the Secretary's administration of the loans and loan guarantees provided under section 410, the use of the funds by eligible businesses, and compliance with the requirements of section 407.

(b) SECRETARY.—The Secretary shall, with respect to the loans and loan guarantees provided under section 410, make such reports as are required under section 5302 of title 31, United States Code.

(c) GOVERNMENT ACCOUNTABILITY OFFICE.—

(1) STUDY.—The Comptroller General of the United States shall conduct a study on the loans and loan guarantees provided under section 410.

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(2) REPORT.—Not later than 9 months after the date of enactment of this Act, and annually thereafter through the year succeeding the last year for which loans or loan guarantees provided under section 410 are in effect, the Comptroller General shall submit to the Committee on Financial Services, the Committee on Appropriations, and the Committee on the Budget of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs, the Committee on Appropriations, and the Committee on the Budget of the Senate a report on the loans and loan guarantees provided under section 410.

(d) DIVERSITY REPORT.—The Congressional COVID–19 Aid Oversight Panel, in conjunction with the SIGTARP, shall collect diversity data from any corporation that receives Federal aid related to COVID–19, and issue a report that will be made publicly available no later than one year after the disbursement of funds. In addition to any other data, the report shall include the following:

(1) EMPLOYEE DEMOGRAPHICS.—The gender, race, and ethnic identity (and to the extent possible, results disaggregated by ethnic group) of the corporation's employees, as otherwise known or provided voluntarily for the total number of employees

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(full- and part-time) and the career level of employees (executive and manager versus employees in other roles).

(2) SUPPLIER DIVERSITY.—The number and dollar value invested with minority- and women-owned suppliers (and to the extent possible, results disaggregated by ethnic group), including professional services (legal and consulting) and asset managers, and deposits and other accounts with minority depository institutions, as compared to all vendor investments.

(3) PAY EQUITY.—A comparison of pay amongst racial and ethnic minorities (and to the extent possible, results disaggregated by ethnic group) as compared to their white counterparts and comparison of pay between men and women for similar roles and assignments.

(4) CORPORATE BOARD DIVERSITY.—Corporate board demographic data, including total number of board members, gender, race and ethnic identity of board members (and to the extent possible, results disaggregated by ethnic group), as otherwise known or provided voluntarily, board position titles, as well as any leadership and subcommittee assignments.

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(5) DIVERSITY AND INCLUSION OFFICES.—The reporting structure of lead diversity officials, number of staff and budget dedicated to diversity and inclusion initiatives.

(e) DIVERSITY AND INCLUSION INITIATIVES.—Any corporation that receives Federal aid related to COVID–19 must maintain officials and budget dedicated to diversity and inclusion initiatives for no less than 5 years after disbursement of funds.

SEC. 414. DEFINITIONS.

In this title:

(1) COVERED LOSS.—The term ''covered loss'' includes losses, direct or incremental, incurred as a result of COVID–19, as determined by the Secretary.

(2) ELIGIBLE BUSINESS.—The term ''eligible business'' means a United States business that has incurred covered losses such that the continued operations of the business are jeopardized, as determined by the Secretary, and that has not otherwise applied for or received economic relief in the form of loans or loan guarantees provided under any other provision of this Act.

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(3) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury, or the designee of the Secretary of the Treasury.

SEC. 415. RULE OF CONSTRUCTION.

Nothing in this title shall be construed to allow the Secretary to provide relief to eligible businesses except in the form of secured loans and loan guarantees as provided in this title and under terms and conditions that are in the interest of the Federal Government.

TITLE V—INVESTING IN A SUSTAINABLE RECOVERY

SEC. 501. IMPROVING CORPORATE GOVERNANCE THROUGH DIVERSITY.

(a) PURPOSE.—The purpose of this section, and the amendment made by this section, is to create accountability to ensure that corporate boards reflect the diversity and perspectives of the communities and consumers impacted by the hardships due to the coronavirus disease (COVID–19) outbreak and future major disasters.

(b) SUBMISSION OF DATA RELATING TO DIVERSITY BY ISSUERS.—

(1) IN GENERAL.—Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) is amended by adding at the end the following:

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''(s) SUBMISSION OF DATA RELATING TO DIVERSITY.—

''(1) DEFINITIONS.—In this subsection—

''(A) the term 'executive officer' has the meaning given the term in section 230.501(f) of title 17, Code of Federal Regulations, as in effect on the date of enactment of this subsection; and

''(B) the term 'veteran' has the meaning given the term in section 101 of title 38, United States Code.

''(2) SUBMISSION OF DISCLOSURE.—Each issuer required to file an annual report under subsection (a) shall disclose in any proxy statement and any information statement relating to the election of directors filed with the Commission the following:

''(A) Data, based on voluntary self-identification, on the racial, ethnic, and gender composition of—

''(i) the board of directors of the issuer;

''(ii) nominees for the board of directors of the issuer; and

''(iii) the executive officers of the issuer.

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''(B) The status of any member of the board of directors of the issuer, any nominee for the board of directors of the issuer, or any executive officer of the issuer, based on voluntary self-identification, as a veteran.

''(C) Whether the board of directors of the issuer, or any committee of that board of directors, has, as of the date on which the issuer makes a disclosure under this paragraph, adopted any policy, plan, or strategy to promote racial, ethnic, and gender diversity among—

''(i) the board of directors of the issuer;

''(ii) nominees for the board of directors of the issuer; or

''(iii) the executive officers of the issuer.

''(3) ALTERNATIVE SUBMISSION.—In any 1-year period in which an issuer required to file an annual report under subsection (a) does not file with the Commission a proxy statement relating to the election of directors or an information statement, the issuer shall disclose the information required under paragraph (2) in the first annual report of issuer

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that the issuer submits to the Commission after the end of that 1-year period.

''(4) ANNUAL REPORT.—Not later than 18 months after the date of the enactment of this subsection, and annually thereafter, the Commission shall submit to the Committee on Financial Services of the House of Representatives and to the Committee on Banking, Housing, and Urban Affairs of the Senate and publish on the website of the Commission a report that analyzes the information disclosed pursuant to paragraphs (1), (2), and (3) and identifies any trends in such information.

''(5) BEST PRACTICES.—

''(A) IN GENERAL.—The Director of the Office of Minority and Women Inclusion of the Commission shall, not later than the end of the 3-year period beginning on the date of the enactment of this subsection and every three years thereafter, publish best practices for compliance with this subsection.

''(B) COMMENTS.—The Director of the Office of Minority and Women Inclusion of the Commission may, pursuant to subchapter II of chapter 5 of title 5, United States Code, solicit

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public comments related to the best practices published under subparagraph (A).''.

(2) RULEMAKING.—

(A) IN GENERAL.—The Securities and Exchange Commission shall issue rules to carry out the amendment made by paragraph (1) within the 6-month period beginning on the end of the COVID–19 emergency period.

(B) COVID–19 EMERGENCY PERIOD DEFINED.—In this subsection, the term ''COVID–19 emergency period'' means the period that begins upon the date of the enactment of this Act and ends upon the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

(c) DIVERSITY ADVISORY GROUP.—

(1) ESTABLISHMENT.—The Securities and Exchange Commission shall establish a Diversity Advisory Group (the ''Advisory Group''), which shall be

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composed of representatives from the government, academia, and the private sector.

(2) STUDY AND RECOMMENDATIONS.—The Advisory Group shall—

(A) carry out a study that identifies strategies that can be used to increase gender, racial, and ethnic diversity among members of boards of directors of issuers; and

(B) not later than 9 months after the establishment of the Advisory Group, submit a report to the Commission, the Committee on Financial Services of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate that—

(i) describes any findings from the study conducted pursuant to subparagraph (A); and

(ii) makes recommendations of strategies that issuers could use to increase gender, racial, and ethnic diversity among board members.

(3) ANNUAL REPORT.—Not later than 1 year following the submission of a report pursuant to paragraph (2), and annually thereafter, the Commission shall submit a report to the Committee on Fi-

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nancial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate that describes the status of gender, racial, and ethnic diversity among members of the board of directors of issuers.

(4) PUBLIC AVAILABILITY OF REPORTS.—The Commission shall make all reports of the Advisory Group available to issuers and the public, including on the website of the Commission.

(5) DEFINITIONS.—For the purposes of this subsection:

(A) ISSUER.—The term ''issuer'' has the meaning given the term in section 3 of the Securities Exchange Act of 1934.

(B) COMMISSION.—The term ''Commission'' means the Securities and Exchange Commission.

SEC. 502. DIVERSE INVESTMENT ADVISERS.

(a) FINDINGS.—The Congress finds the following:

(1) Diverse individual-owned and controlled firms continue to face obstacles, such as discrimination and other related barriers, when competing for investment adviser services opportunities, including Federal opportunities.

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(2) The Government Accountability Office found in September 2017 that asset management firms (also known as firms providing investment adviser services) registered in the United States manage more than $70,000,000,000,000 of assets and that minority- and women-owned asset management firms manage less than 1 percent of such assets.

(3) Conscious efforts to facilitate diverse and inclusive firm selection for investment advisers services opportunities are required to overcome obstacles facing diverse individual-owned and controlled firms, especially as women- and minority-owned businesses across the financial services sector struggle to recover from the impacts of the coronavirus disease (COVID–19) outbreak and future major disasters.

(4) Despite evidence that women and minority-owned firms perform as well as and sometimes outperform their industry counterparts, they are not consistently selected to manage institutional assets. Although women and minority-owned firms account for approximately 8.6 percent of the asset management industry, recent reports show that they only manage 1.1 percent of all assets under management or $785 billion out of $71.4 trillion, and are underrepresented as managers in every asset class.

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(b) INVESTMENT ADVISER CONTRACTING BY PERSONS REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION.—The Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is amended by inserting after section 15G the following:

"SEC. 15H. INVESTMENT ADVISER CONTRACTING REQUIREMENTS.

''(a) REQUIRED FOR REGISTRATION.—No broker, dealer, investment adviser, investment company, or self-regulatory organization may be registered with the Commission unless such person—

''(1) does not contract for the services of an investment adviser for externally managed funds; or

''(2) in contracting for the services of an investment adviser for externally managed funds after the date of the enactment of this section, has in place procedures that require the person, before contracting for such services—

''(A) to publish, unless prohibited by law or regulation, a request for proposal for such services; and

''(B) if one or more diverse individual owned and controlled firms submits a proposal to provide such services that satisfies the criteria set forth in the request for proposal, to in-

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vite at least one such diverse individual-owned and controlled firm to present their proposal, or certify to the Commission that no diverse individual-owned and controlled firms submitted a proposal, unless such invitation is prohibited by other law or regulation.

''(b) REPORTS.—

''(1) PERSONS CONTRACTING FOR THE SERVICES OF INVESTMENT ADVISERS FOR EXTERNALLY MANAGED FUNDS.—Each broker, dealer, investment adviser, investment company, and self-regulatory organization who contracts for the services of an investment adviser for externally managed funds and who is registered with the Commission shall, each fiscal year of such person, submit to the Office of Minority and Women Inclusion of the Commission a report that identifies, for the previous fiscal year—

''(A) the percentage of services of investment advisers for externally managed funds the person contracted for that were provided by a diverse individual-owned and controlled firm;

''(B) the dollar value of any contracts with diverse-individual owned and controlled firms providing the services of investment advisers for externally managed funds as a percentage of

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the dollar value of all contracts with all firms providing the services of investment advisers for externally managed funds;

"(C) the efforts made by the person to communicate opportunities for investment adviser services for externally managed funds to diverse-individual owned and controlled firms providing the services of investment advisers for externally managed funds;

"(D) the number of diverse-individual owned and controlled firms that were considered by the person to provide the services of investment advisers for externally managed funds and, with respect to each such firm, the race and gender of the owners of such firm; and

"(E) for any investment adviser for externally managed funds services contract opportunity in which a diverse-individual owned and controlled firm was not considered, a description of why a diverse-individual owned and controlled firm was not considered.

"(2) INCLUSION OF REPORT INFORMATION ON FORM ADV.—Any person who is required to file a report under paragraph (1) shall, in any Form ADV filed by, or required to be filed by such person, in-

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clude all information required to be filed in the report under paragraph (1) in such Form ADV filing.

''(3) ANNUAL REPORT BY THE OFFICE OF MINORITY AND WOMEN INCLUSION.—The Director of the Office of Minority and Women Inclusion of the Commission shall issue an annual report to the Commission and the Congress on the use of diverse individual-owned and controlled firms offering investment advising services for externally managed funds, including a summary of reports received under paragraph (1) and under section 13B(b).

''(4) COMMISSION REPORT TO CONGRESS.—The Commission shall issue a report every 5 years to the Congress on the steps taken by the Commission to implement this section and section 13B.

''(c) EXCEPTION.—This section shall not apply to—

''(1) a contract described in section 15 of the Investment Company Act of 1940, except for an initial contract—

''(A) pursuant to which a person serves or acts as an unaffiliated sub-adviser to a registered investment company; and

''(B) which is exempt from the shareholder approval requirement of section 15 in reliance on an order or rule of the Commission; or

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''(2) a diverse individual-owned and controlled firm with assets under $100,000,000.

''(d) DEFINITIONS.—For the purposes of this section:

''(1) AFFILIATED PERSON.—The term 'affiliated person' has the meaning given that term under section 2(a) of the Investment Company Act of 1940.

''(2) DIVERSE INDIVIDUAL-OWNED AND CONTROLLED FIRM.—The term 'diverse individual-owned and controlled firm' means a firm—

''(A) which is at least 51 percent owned by one or more individuals who are women, minorities, or veterans; or

''(B) whose management and daily business operations are—

''(i) in the case of a firm the shares of which are traded on a national securities exchange, controlled by a board with a majority of members who are women, minorities, or veterans; and

''(ii) in the case of any other firm, at least 51 percent controlled by one or more individuals who are women, minorities, or veterans.

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''(3) INVESTMENT ADVISER.—The term 'investment adviser' has the meaning given the term in section 202(a)(11) of the Investment Advisers Act of 1940.

''(4) MINORITY.—The term 'minority' has the meaning given the term in section 308(b) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and also includes any indigenous person in the United States or its territories.

''(5) UNAFFILIATED SUB-ADVISER TO A REGISTERED INVESTMENT COMPANY.—With respect to a registered investment company, the term 'unaffiliated sub-adviser to a registered investment company' means a person described under section 2(a)(20)(B) of the Investment Company Act of 1940 that is not an affiliated person of a person described under section 2(a)(20)(A) of the Investment Company Act of 1940.

''(6) VETERAN.—The term 'veteran' has the meaning given the term in section 101 of title 38, United States Code.''.

(c) INVESTMENT ADVISER CONTRACTING BY PERSONS REGISTERING SECURITIES.—The Securities Exchange Act of 1934 is amended by inserting after section 13A the following:

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"SEC. 13B. INVESTMENT ADVISER CONTRACTING REQUIREMENTS.

"(a) IN GENERAL.—Any issuer required to file an annual report under section 13 shall, when contracting for the services of an investment adviser for externally manage funds—

"(1) publish, unless prohibited by law or regulation, a request for proposal for such services; and

"(2) if one or more diverse individual owned and controlled firms submits a proposal to provide such services that satisfies the criteria set forth in the request for proposal, invite at least one such diverse individual-owned and controlled firm to present their proposal, or certify to the Commission that no diverse individual-owned and controlled firms submitted a proposal, unless such invitation is prohibited by other law or regulation.

"(b) REPORT.—Any issuer required to file an annual report under section 13 who contracts for the services of an investment adviser for externally managed funds shall, each fiscal year of such issuer, submit to the Office of Minority and Women Inclusion of the Commission a report that identifies, for the previous fiscal year—

"(1) the percentage of services of investment advisers for externally managed funds the issuer

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contracted for that were provided by a diverse individual-owned and controlled firm;

''(2) the dollar value of any contracts with diverse-individual owned and controlled firms providing the services of investment advisers for externally managed funds as a percentage of the dollar value of all contracts with all firms providing the services of investment advisers for externally managed funds;

''(3) the efforts made by the issuer to communicate investment adviser services for externally managed funds contract opportunities to diverse-individual owned and controlled firms providing the services of investment advisers for externally managed funds;

''(4) the number of diverse-individual owned and controlled firms that were considered by the issuer to provide the services of investment advisers for externally managed funds and, with respect to each such firm, the race and gender of the owners of such firm; and

''(5) for any investment adviser services for externally managed funds contract opportunity in which a diverse-individual owned and controlled firm was not considered, a description of why a diverse-

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individual owned and controlled firm was not considered.

''(c) EXCEPTION.—This section shall not apply to—

''(1) a contract described in section 15 of the Investment Company Act of 1940, except for an initial contract—

''(A) pursuant to which a person serves or acts as an unaffiliated sub-adviser to a registered investment company; and

''(B) which is exempt from the shareholder approval requirement of section 15 in reliance on an order or rule of the Commission; or

''(2) a diverse individual-owned and controlled firm with assets under $100,000,000.

''(d) DEFINITIONS.—In this section, the terms, 'affiliated person', 'diverse individual-owned and controlled firm', 'investment adviser', 'minority', 'unaffiliated sub-adviser to a registered investment company', and 'veteran' have the meaning given such terms in section 15H(d).''.

(d) EFFECTIVE DATE.—The amendments made by section shall take effect after the end of the 180-day period beginning on the date of the termination by the Federal Emergency Management Administration of the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency As-

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sistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

SEC. 503. FINANCIAL LITERACY EDUCATION COMMISSION EMERGENCY RESPONSE.

(a) PURPOSE.—The purpose of this section is to provide financial literacy education, including information on access to banking services and other financial products, for individuals seeking information and resources as they recover from any financial distress caused by the coronavirus disease (COVID–19) outbreak and future major disasters.

(b) FINANCIAL LITERACY AND EDUCATION COMMISSION RESPONSE TO THE COVID–19 EMERGENCY.—

(1) SPECIAL MEETING.—Not later than the end of the 60-day period beginning on the date of enactment of this section, the Financial Literacy and Education Commission (the ''Commission'') shall convene a special meeting to discuss and plan assistance related to the financial impacts of the COVID–19 emergency.

(2) UPDATE OF THE COMMISSION'S WEBSITE.—

(A) IN GENERAL.—Not later than the end of the 60-day period beginning on the date of enactment of this section, the Commission shall update the website of the Commission with a

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full list of tools to help individuals recover from any financial hardship as a result of the COVID–19 emergency.

(B) SPECIFIC REQUIREMENTS.—In performing the update required under subparagraph (A), the Commission shall—

(i) place special emphasis on providing an additional set of tools geared towards women, racial and ethnic minorities, veterans, disabled, and LGBTQ+ communities; and

(ii) provide information in English and Spanish.

(C) INFORMATION FROM MEMBERS.—Not later than the end of the 60-day period beginning on the date of enactment of this section, each Federal department or agency that is a member of the Commission shall provide an update on the website of the Commission disclosing any tools that the department or agency is offering to individuals or to employees of the department or agency related to the COVID–19 emergency.

(3) IMPLEMENTATION REPORT TO CONGRESS.—The Secretary of the Treasury and the Director of

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the Bureau of Consumer Financial Protection shall, jointly and not later than the end of the 30-day period following the date on which the meeting required under paragraph (1) is held and all updates required under paragraph (2) have been completed, report to Congress on the implementation of this section.

(4) COVID–19 EMERGENCY DEFINED.—In this subsection, the term ''COVID–19 emergency'' means the emergency declared on March 13, 2020, by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 4121 et seq.) relating to the Coronavirus Disease 2019 (COVID–19) pandemic.

SEC. 504. INTERAGENCY PANDEMIC GUIDANCE FOR CONSUMERS.

(a) INTERAGENCY PANDEMIC GUIDANCE.—

(1) GUIDANCE.—Not later than the end of the 60-day period beginning on the date of enactment of this section, the Federal financial regulators shall issue interagency regulatory guidance on preparedness, flexibility, and relief options for consumers in pandemics and major disasters, such as deferment, forbearance, affordable payment plan options, and

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other options such as delays on debt collections and wage garnishments.

(2) UPDATES.—The Federal financial regulators shall update the guidance required under paragraph (1) as necessary to keep such guidance current.

(b) PANDEMIC PREPAREDNESS TESTING.—

(1) IN GENERAL.—Not later than the end of the 2-year period beginning on the date of enactment of this section, and every 5 years thereafter, the Federal financial regulators shall carry out testing along with the institutions regulated by the Federal financial regulators to determine how effectively such institutions will be able to respond to a pandemic or major disaster.

(2) REPORT.—After the end of each test required under paragraph (1), the Federal financial regulators shall, jointly, issue a report to Congress containing the results of such test and any regulatory or legislative recommendations the regulators may have to increase pandemic preparedness.

(c) DEFINITIONS.—In this section:

(1) FEDERAL FINANCIAL REGULATORS.—The term ''Federal financial regulators'' means the Board of Governors of the Federal Reserve System,

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the Bureau of Consumer Financial Protection, the Comptroller of the Currency, the Director of the Federal Housing Finance Agency, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Secretary of Agriculture, and the Secretary of Housing and Urban Development.

(2) MAJOR DISASTER.—The term ''major disaster'' means a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174), or section 501 of such Act (42 U.S.C. 5191).

SEC. 505. SEC PANDEMIC GUIDANCE FOR INVESTORS.

(a) PANDEMIC GUIDANCE.—

(1) GUIDANCE.—Not later than the end of the 60-day period beginning on the date of enactment of this section, the Securities and Exchange Commission shall issue regulatory guidance on preparedness, flexibility, relief, and investor protection for investors in pandemics and major disasters, including relevant disclosures.

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(2) UPDATES.—The Commission shall update the guidance required under paragraph (1) as necessary to keep such guidance current.

(b) PANDEMIC PREPAREDNESS TESTING.—

(1) IN GENERAL.—Not later than the end of the 60-day period beginning on the date of enactment of this Act, and every 5 years thereafter, the Securities and Exchange Commission shall carry out testing along with the entities regulated by the Commission to determine how effectively such entities will be able to respond to a pandemic or major disaster.

(2) REPORT.—After the end of each test required under paragraph (1), the Commission shall issue a report to Congress containing the results of such test and any regulatory or legislative recommendations the Commission may have to increase pandemic preparedness.

(c) MAJOR DISASTER DEFINED.—In this section, the term ''major disaster'' means a major disaster declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170), under which assistance is authorized under section 408 of such Act (42 U.S.C. 5174), or section 501 of such Act (42 U.S.C. 5191).

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SEC. 506. UPDATES OF THE PANDEMIC INFLUENZA PLAN AND NATIONAL PLANNING FRAMEWORKS.

(a) IN GENERAL.—Not later than one year following the end of the Declaration of the National Emergency, the President shall ensure that the Pandemic Influenza Plan (2017 Update) and the National Planning Frameworks are updated. The Secretary of the Treasury, in consultation with the Federal financial regulators, shall provide to the President the following:

(1) An assessment of the effectiveness of current plans and strategies to address the economic, financial, and monetary issues arising from a pandemic or other disaster.

(2) A description of the most significant challenges to protecting the economy, the financial system, and consumers, during a pandemic or other disaster, including the specific challenges experienced by women, racial and ethnic minorities, diverse-owned businesses, veterans, and the disabled.

(3) Actions that could be carried out in a crisis, as defined by the preparedness plans described in subsection (a), such as the following:

(A) Significant increases of unemployment insurance benefits (including payment amounts) for all workers under a certain income thresh-

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old, including freelancers and the self-employed, during the crisis.

(B) Loan deference, modification, and forbearance mechanisms of all consumer and business payments, allowing long-term repayment plans and excluding no industries, during the crisis.

(C) Suspension of foreclosure and eviction proceedings taken against individuals or businesses during the crisis.

(D) Suspension of all negative consumer credit reporting during the crisis.

(E) Prohibition of debt collection, repossession, and garnishment of wages during the crisis.

(F) Provision of emergency homeless assistance during the crisis.

(G) An increase in Community Development Block Grants during the crisis and to improve community response.

(H) Reduction of hurdles in the form of waivers and authorities to modify existing housing and homelessness programs to facilitate response to the crisis.

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(I) Expand the size standards for eligible businesses with access no-interest or low-interest loans through the Small Business Administration during the crisis.

(J) Remove the size standard limits on eligible businesses with access no-interest or low-interest loans through the Small Business Administration during the crisis for businesses that agree to maintain their employment workforce and preserve benefits during the crisis.

(K) Support for additional no-interest or low-interest loans for small businesses through the Small Business Administration during the crisis.

(L) Utilization of the Community Development Financial Institutions (CDFI) Fund to support small businesses as well as low-income communities during the crisis.

(M) Support for State, territory, and local government financing during the crisis.

(N) Waiver of matching requirements for municipal governments during the crisis.

(O) Suspension of requirements relating to minimum distributions for retirement plans and

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individual retirement accounts for the calendar years of which the crisis is occurring.

(b) SPECIAL CONSIDERATION FOR DIVERSITY.—In issuing the updates required under subsection (a), the President shall ensure that consideration is given as to how to minimize the economic impacts of a crisis on women, minorities, diverse-owned businesses, veterans, and the disabled.

(c) MAKING PLANS PUBLIC.—The updated plans described in subsection (a) shall be made publicly available, but may have classified information redacted.

(d) DEFINITIONS.—In this section:

(1) DECLARATION OF THE NATIONAL EMERGENCY.—The term ''Declaration of the National Emergency'' means the emergency declared by the President under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191) relating to the COVID–19 pandemic.

(2) FEDERAL FINANCIAL REGULATOR.—The term ''Federal financial regulators'' means the Bureau of Consumer Financial Protection, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Board of Governors of the Federal Reserve System, the Office of the Comptroller

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of the Currency, the National Credit Union Administration, and the Securities and Exchange Commission.

DIVISION J—EDUCATION RELIEF AND OTHER PROGRAMS

TITLE I—EDUCATION PROVISIONS

SEC. 100101. SHORT TITLE.

This title may be cited as the ''COVID–19 Pandemic Education Relief Act of 2020''.

SEC. 100102. DEFINITIONS.

In this title:

(1) CORONAVIRUS.—The term ''coronavirus'' has the meaning given that term in section 506 of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116–123).

(2) INSTITUTION OF HIGHER EDUCATION.—The term ''institution of higher education'' has the meaning given that term in section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002).

(3) QUALIFYING EMERGENCY.—The term ''qualifying emergency'' means—

(A) a public health emergency related to the coronavirus declared by the Secretary of

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Health and Human Services pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d);

(B) an event related to the coronavirus for which the President declared a major disaster or an emergency under section 401 or 501, respectively, of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170 and 5191); or

(C) a national emergency related to the coronavirus declared by the President under section 201 of the National Emergencies Act (50 U.S.C. 1601 et seq.).

(4) SECRETARY.—The term ''Secretary'' means the Secretary of Education.

(5) FOREIGN INSTITUTION.—The term ''foreign institution'' means an institution of higher education located outside the United States that is described in paragraphs (1)(C) and (2) of section 102(a) of the Higher Education Act of 1965 (20 U.S.C. 1002(a)).

SEC. 100103. CAMPUS-BASED AID WAIVERS.

(a) WAIVER OF NON-FEDERAL SHARE REQUIREMENT.—Notwithstanding sections 413C(a)(2) and 443(b)(5) of the Higher Education Act of 1965 (20

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U.S.C. 1070b–2(a)(2) and 1087–53(b)(5)), with respect to funds made available for award years 2019–2020 and 2020–2021, the Secretary shall waive the requirement that a participating institution of higher education provide a non-Federal share to match Federal funds provided to the institution for the programs authorized pursuant to subpart 3 of part A and part C of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070b et seq. and 1087–51 et seq.), except nothing in this subsection shall affect the non-Federal share requirement under section 443(c)(3) of such Act that applies to private for-profit organizations.

(b) AUTHORITY TO REALLOCATE.—Notwithstanding sections 413D, 442, and 488 of the Higher Education Act of 1965 (20 U.S.C. 1070b–3, 1087–52, and 1095), during a period of a qualifying emergency, an institution may transfer up to 100 percent of the institution's unexpended allotment under section 442 of such Act to the institution's allotment under section 413D of such Act, but may not transfer any funds from the institution's unexpended allotment under section 413D of such Act to the institution's allotment under section 442 of such Act.

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SEC. 100104. USE OF SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS FOR EMERGENCY AID.

(a) IN GENERAL.—Notwithstanding section 413B of the Higher Education Act of 1965 (20 U.S.C. 1070b–1), an institution of higher education may reserve any amount of an institution's allocation under subpart 3 of part A of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070b et seq.) for a fiscal year to award, in such fiscal year, emergency financial aid grants to assist undergraduate or graduate students for unexpected expenses and unmet financial need as the result of a qualifying emergency.

(b) DETERMINATIONS.—In determining eligibility for and awarding emergency financial aid grants under this section, an institution of higher education may—

(1) waive the amount of need calculation under section 471 of the Higher Education Act of 1965 (20 U.S.C. 1087kk);

(2) allow for a student affected by a qualifying emergency to receive funds in an amount that is not more than the maximum Federal Pell Grant for the applicable award year; and

(3) utilize a contract with a scholarship-granting organization designated for the sole purpose of accepting applications from or disbursing funds to students enrolled in the institution of higher edu-

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cation, if such scholarship-granting organization disburses the full allocated amount provided to the institution of higher education to the recipients.

(c) SPECIAL RULE.—Any emergency financial aid grants to students under this section shall not be treated as other financial assistance for the purposes of section 471 of the Higher Education Act of 1965 (20 U.S.C. 1087kk).

SEC. 100105. FEDERAL WORK-STUDY DURING A QUALIFYING EMERGENCY.

(a) IN GENERAL.—In the event of a qualifying emergency, an institution of higher education participating in the program under part C of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087–51 et seq.) may make payments under such part to affected work-study students, for the period of time (not to exceed one academic year) in which affected students were unable to fulfill the students' work-study obligation for all or part of such academic year due to such qualifying emergency, as follows:

(1) Payments may be made under such part to affected work-study students in an amount equal to or less than the amount of wages such students would have been paid under such part had the students been able to complete the work obligation nec-

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essary to receive work study funds, as a one time grant or as multiple payments.

(2) Payments shall not be made to any student who was not eligible for work study or was not completing the work obligation necessary to receive work study funds under such part prior to the occurrence of the qualifying emergency.

(3) Any payments made to affected work-study students under this subsection shall meet the matching requirements of section 443 of the Higher Education Act of 1965 (20 U.S.C. 1087–53), unless such matching requirements are waived by the Secretary.

(b) DEFINITION OF AFFECTED WORK-STUDY STUDENT.—In this section, the term ''affected work-study student'' means a student enrolled at an eligible institution participating in the program under part C of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087–51 et seq.) who—

(1) received a work-study award under section 443 of the Higher Education Act of 1965 (20 U.S.C. 1087–53) for the academic year during which a qualifying emergency occurred;

(2) earned Federal work-study wages from such eligible institution for such academic year; and

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(3) was prevented from fulfilling the student's work-study obligation for all or part of such academic year due to such qualifying emergency.

SEC. 100106. ADJUSTMENT OF SUBSIDIZED LOAN USAGE LIMITS.

Notwithstanding section 455(q)(3) of the Higher Education Act of 1965 (20 U.S.C. 1087e(q)(3)), the Secretary shall exclude from a student's period of enrollment for purposes of loans made under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) any semester (or the equivalent) that the student does not complete due to a qualifying emergency, if the Secretary is able to administer such policy in a manner that limits complexity and the burden on the student.

SEC. 100107. EXCLUSION FROM FEDERAL PELL GRANT DURATION LIMIT.

The Secretary shall exclude from a student's Federal Pell Grant duration limit under section 401(c)(5) of the Higher Education Act of 1965 (2 U.S.C. 1070a(c)(5)) any semester (or the equivalent) that the student does not complete due to a qualifying emergency if the Secretary is able to administer such policy in a manner that limits complexity and the burden on the student.

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SEC. 100108. INSTITUTIONAL REFUNDS AND FEDERAL STUDENT LOAN FLEXIBILITY.

(a) INSTITUTIONAL WAIVER.—

(1) IN GENERAL.—The Secretary shall waive the institutional requirement under section 484B of the Higher Education Act of 1965 (20 U.S.C. 1091b) with respect to the amount of grant or loan assistance (other than assistance received under part C of title IV of such Act) to be returned under such section if a recipient of assistance under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) withdraws from the institution of higher education during the payment period or period of enrollment as a result of a qualifying emergency.

(2) WAIVERS.—The Secretary shall require each institution using a waiver relating to the withdrawal of recipients under this subsection to report the number of such recipients, the amount of grant or loan assistance (other than assistance received under part C of title IV of such Act) associated with each such recipient, and the total amount of grant or loan assistance (other than assistance received under part C of title IV of such Act) for which each institution has not returned assistance under title IV to the Secretary.

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(b) STUDENT WAIVER.—The Secretary shall waive the amounts that students are required to return under section 484B of the Higher Education Act of 1965 (20 U.S.C. 1091b) with respect to Federal Pell Grants or other grant assistance if the withdrawals on which the returns are based are withdrawals by students who withdrew from the institution of higher education as a result of a qualifying emergency.

(c) CANCELING LOAN OBLIGATION.—Notwithstanding any other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), the Secretary shall cancel the borrower's obligation to repay the entire portion of a loan made under part D of title IV of such Act (20 U.S.C. 1087a et seq.) associated with a payment period for a recipient of such loan who withdraws from the institution of higher education during the payment period as a result of a qualifying emergency.

(d) APPROVED LEAVE OF ABSENCE.—Notwithstanding any other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), for purposes of receiving assistance under title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.), an institution of higher education may, as a result of a qualifying emergency, provide a student with an approved leave of absence that does not require the student to return at the same point in the

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academic program that the student began the leave of absence if the student returns within the same semester (or the equivalent).

SEC. 100109. SATISFACTORY ACADEMIC PROGRESS.

Notwithstanding section 484 of the Higher Education Act of 1965 (20 U.S.C. 1091), in determining whether a student is maintaining satisfactory academic progress for purposes of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.), an institution of higher education may, as a result of a qualifying emergency, exclude from the quantitative component of the calculation any attempted credits that were not completed by such student without requiring an appeal by such student.

SEC. 100110. CONTINUING EDUCATION AT AFFECTED FOREIGN INSTITUTIONS.

(a) IN GENERAL.—Notwithstanding section 481(b) of the Higher Education Act of 1965 (20 U.S.C. 1088(b)), with respect to a foreign institution, in the case of a public health emergency, major disaster or emergency, or national emergency declared by the applicable government authorities in the country in which the foreign institution is located, the Secretary may permit any part of an otherwise eligible program to be offered via distance education for the duration of such emergency or disaster and the

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following payment period for purposes of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).

(b) ELIGIBILITY.—An otherwise eligible program that is offered in whole or in part through distance education by a foreign institution between March 1, 2020, and the date of enactment of this Act shall be deemed eligible for the purposes of part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) for the duration of the emergency or disaster affecting the institution as described in subsection (a) and the following payment period for purposes of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.). An institution of higher education that uses the authority provided in the previous sentence shall report such use to the Secretary—

(1) for the 2019–2020 award year, not later than June 30, 2020; and

(2) for an award year subsequent to the 2019–2020 award year, not later than 30 days after such use.

(c) REPORT.—Not later than 180 days after the date of enactment of this Act, and every 180 days thereafter for the duration of the applicable disaster or emergency and the following payment period, the Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C.

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1003)) a report that identifies each foreign institution that carried out a distance education program authorized under this section.

(d) WRITTEN ARRANGEMENTS.—

(1) IN GENERAL.—Notwithstanding section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002), with respect to a foreign institution, in the case of a public health emergency, major disaster or emergency, or national emergency declared by the applicable government authorities in the country in which the foreign institution is located, the Secretary may allow a foreign institution to enter into a written arrangement with an institution of higher education located in the United States that participates in the Federal Direct Loan Program under part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.), for the duration of such emergency or disaster and the following payment period, for the purpose of allowing a student of the foreign institution who is a borrower of a loan made under such part to take courses from the institution of higher education located in the United States.

(2) FORM OF ARRANGEMENTS.—

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(A) PUBLIC OR OTHER NONPROFIT INSTITUTIONS.—A foreign institution that is a public or other nonprofit institution may enter into a written arrangement under paragraph (1) only with an institution of higher education described in section 101 of such Act (20 U.S.C. 1001).

(B) OTHER INSTITUTIONS.—A foreign institution that is a graduate medical school, nursing school, or a veterinary school and that is not a public or other nonprofit institution may enter into a written arrangement under paragraph (1) with an institution of higher education described in section 101 or section 102 of such Act (20 U.S.C. 1001 and 1002).

(3) REPORT ON USE.—An institution of higher education that uses the authority described in paragraph (2) shall report such use to the Secretary—

(A) for the 2019–2020 award year, not later than June 30, 2020; and

(B) for an award year subsequent to the 2019–2020 award year, not later than 30 days after such use.

(4) REPORT FROM THE SECRETARY.—Not later than 180 days after the date of enactment of this

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Act, and every 180 days thereafter for the duration of the applicable disaster or emergency and the following payment period, the Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) a report that identifies each foreign institution that entered into a written arrangement authorized under paragraph (1).

SEC. 100111. HBCU CAPITAL FINANCING.

(a) DEFERMENT PERIOD.—

(1) IN GENERAL.—Notwithstanding any provision of title III of the Higher Education Act of 1965 (20 U.S.C. 1051 et seq.), or any regulation promulgated under such title, the Secretary may grant a deferment, for the duration of a qualifying emergency, to an institution of higher education that has received a loan under part D of title III of such Act (20 U.S.C. 1066 et seq.).

(2) TERMS.—During the deferment period granted under this subsection—

(A) the institution of higher education shall not be required to pay any periodic installment of principal or interest required under the loan agreement for such loan; and

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(B) the Secretary shall make principal and interest payments otherwise due under the loan agreement.

(3) CLOSING.—At the closing of a loan deferred under this subsection, terms shall be set under which the institution of higher education shall be required to repay the Secretary for the payments of principal and interest made by the Secretary during the deferment, on a schedule that begins upon repayment to the lender in full on the loan agreement, except in no case shall repayment be required to begin before the date that is 1 full fiscal year after the date that is the end of the qualifying emergency.

(b) TERMINATION DATE.—

(1) IN GENERAL.—The authority provided under this section to grant a loan deferment under subsection (a) shall terminate on the date on which the qualifying emergency is no longer in effect.

(2) DURATION.—Any provision of a loan agreement or insurance agreement modified by the authority under this section shall remain so modified for the duration of the period covered by the loan agreement or insurance agreement.

(c) REPORT.—Not later than 180 days after the date of enactment of this Act, and every 180 days thereafter

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during the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency, the Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) a report that identifies each institution of higher education that received assistance under this section.

SEC. 100112. WAIVER AUTHORITY AND REPORTING REQUIREMENT FOR INSTITUTIONAL AID.

(a) WAIVER AUTHORITY.—Notwithstanding any other provision of the Higher Education Act of 1965 (U.S.C. 1001 et seq.), unless enacted with specific reference to this section, for any institution of higher education that was receiving assistance under title III, title V, or subpart 4 of part A of title VII of such Act (20 U.S.C. 1051 et seq.; 1101 et seq.; 1136a et seq.) at the time of a qualifying emergency, the Secretary may, for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency—

(1) waive—

(A) the eligibility data requirements set forth in section 391(d) and 521(e) of the High-

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er Education Act of 1965 (20 U.S.C. 1068(d) and 1103(e));

(B) the wait-out period set forth in section 313(d) of the Higher Education Act of 1965 (20 U.S.C. 1059(d));

(C) the allotment requirements under paragraphs (2) and (3) of subsection 318(e) of the Higher Education Act of 1965 (20 U.S.C. 1059e(e)), and references to ''the academic year preceding the beginning of that fiscal year'' in paragraph (1);

(D) the allotment requirements under subsections (b), (c), and (g) of section 324 of the Higher Education Act of 1965 (20 U.S.C. 1063), and references to ''the end of the school year preceding the beginning of that fiscal year'' under subsection (a) and references to ''the academic year preceding such fiscal year'' under subsection (h) of such section;

(E) subparagraphs (A), (C), (D), and (E) of section 326(f)(3) of the Higher Education Act of 1965 (20 U.S.C. 1063b(f)(3)), and references to ''previous year'' under subparagraph (B) of such section;

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(F) subparagraphs (A), (C), (D), and (E) of section 723(f)(3) and section 724(f)(3) of the Higher Education Act of 1965 (20 U.S.C. 1136a(f)(3) and 1136b(f)(3)), and references to ''previous academic year'' under subparagraph (B) of such sections; and

(G) the allotment restriction set forth in section 318(d)(4) and 323(c)(2) of the Higher Education Act of 1965 (20 U.S.C. 1059e(d)(4) and 1062(c)(2)); and

(2) waive or modify any statutory or regulatory provision to ensure that institutions that were receiving assistance under such titles at the time of a qualifying emergency are not adversely affected by any formula calculation for fiscal year 2020 and for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency, as necessary.

(b) USE OF UNEXPENDED FUNDS.—Any funds paid to an institution under title III, title V, or subpart 4 of part A of title VII of the Higher Education Act of 1965 (20 U.S.C. 1051 et seq.; 1101 et seq.) and not expended or used for the purposes for which the funds were paid to the institution during the 5-year period following the

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date on which the funds were first paid to the institution, may be carried over and expended during the succeeding 5-year period.

(c) REPORT.—Not later than 180 days after the date of enactment of this Act, and every 180 days thereafter for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency, the Secretary shall submit to the authorizing committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) a report that identifies each institution that received a waiver or modification under this section.

SEC. 100113. AUTHORIZED USES AND OTHER MODIFICATIONS FOR GRANTS.

(a) IN GENERAL.—The Secretary is authorized to modify the required and allowable uses of funds for grants awarded under part A or B of title III, chapters I or II of subpart 2 of part A of title IV, title V, or subpart 4 of part A of title VII of the Higher Education Act of 1965 (20 U.S.C. 1057 et seq.; 1060 et seq.; 1070a–11 et seq.; 1070a–21 et seq.; 1101 et seq.; 1136a et seq.) to an institution of higher education or other grant recipient (not including individual recipients of Federal student financial assistance), at the request of an institution of higher education or other recipient of a grant (not including indi-

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vidual recipients of Federal student financial assistance) as a result of a qualifying emergency, for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency.

(b) MATCHING REQUIREMENT MODIFICATIONS.—Notwithstanding any other provision of the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), the Secretary is authorized to modify any Federal share or other financial matching requirement for a grant awarded on a competitive basis, or a grant awarded under part A or B of title III or subpart 4 of part A of title VII of the Higher Education Act of 1965 (20 U.S.C. 1057 et seq.; 1060 et seq.; 1136a et seq.) at the request of an institution of higher education or other grant recipient as a result of a qualifying emergency, for the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency.

(c) REPORTS.—Not later than 180 days after the date of enactment of this Act, and every 180 days thereafter for the duration of the period beginning on the first day of the qualifying emergency and ending on September 30 of the fiscal year following the end of the qualifying emergency, the Secretary shall submit to the authorizing

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committees (as defined in section 103 of the Higher Education Act of 1965 (20 U.S.C. 1003)) a report that identifies each institution of higher education or other grant recipient that received a modification under this section.

SEC. 100114. SERVICE OBLIGATIONS FOR TEACHERS.

(a) TEACH GRANTS.—For the purposes of section 420N of the Higher Education Act of 1965 (20 U.S.C. 1070g–2), during a qualifying emergency, the Secretary—

(1) may modify the categories of extenuating circumstances under which a recipient of a grant under subpart 9 of part A of title IV of such Act who is unable to fulfill all or part of the recipient's service obligation may be excused from fulfilling that portion of the service obligation; and

(2) shall consider teaching service that, as a result of a qualifying emergency, is part-time or temporarily interrupted to be full-time service and to fulfill the service obligations under section 420N.

(b) TEACHER LOAN FORGIVENESS.—Notwithstanding section 428J or 460 of the Higher Education Act of 1965 (20 U.S.C. 1078–10; 1087j), the Secretary shall waive the requirements under such sections that years of teaching service shall be consecutive if—

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(1) the teaching service of a borrower is temporarily interrupted due to a qualifying emergency; and

(2) after the temporary interruption due to a qualifying emergency, the borrower resumes teaching service and completes a total of five years of qualifying teaching service under such sections, including qualifying teaching service performed before, during, and after such qualifying emergency.

SEC. 100115. PAYMENTS FOR STUDENT LOAN BORROWERS AS A RESULT OF A NATIONAL EMERGENCY.

(a) PAYMENTS FOR STUDENT LOAN BORROWERS DURING A NATIONAL EMERGENCY.—

(1) IN GENERAL.—Part G of title IV of the Higher Education Act of 1965 (20 U.S.C. 1088 et seq.) is amended by inserting after section 493D the following:

"SEC. 493E. PAYMENTS FOR STUDENT LOAN BORROWERS DURING A NATIONAL EMERGENCY.

''(a) DEFINITIONS.—In this section:

''(1) CORONAVIRUS.—The term 'coronavirus' has the meaning given the term in section 506 of the Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 (Public Law 116–123).

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"(2) INCOME-DRIVEN REPAYMENT.—The term 'income-driven repayment' means—

"(A) income-based repayment authorized under section 493C for loans made, insured, or guaranteed under part B or part D; or

"(B) income contingent repayment authorized under section 455(e) for loans made under part D.

"(3) INVOLUNTARY COLLECTION.—The term 'involuntary collection' means—

"(A) a wage garnishment authorized under section 488A of this Act or section 3720D of title 31, United States Code;

"(B) a reduction of tax refund by amount of debt authorized under section 3720A of title 31, United States Code;

"(C) a reduction of any other Federal benefit payment by administrative offset authorized under section 3716 of title 31, United States Code (including a benefit payment due to an individual under the Social Security Act or any other provision described in subsection (c)(3)(A)(i) of such section); and

"(D) any other involuntary collection activity.

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"(4) NATIONAL EMERGENCY.—The term 'national emergency' means—

"(A) a public health emergency related to the coronavirus that is declared by the Secretary of Health and Human Services pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d); or

"(B) a national emergency related to the coronavirus declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.).

"(b) NATIONAL EMERGENCY STUDENT LOAN REPAYMENT ASSISTANCE.—

"(1) AUTHORITY.—Beginning on the date of enactment of the [Take Responsibility for Workers and Families Act], in the event of a national emergency, the Secretary shall, for each month during the national emergency period and for each borrower of a loan made, insured, or guaranteed under part B, D, or E, pay the total amount due for such month on the loan, based on the payment plan selected by the borrower or the borrower's loan status.

"(2) NO CAPITALIZATION OF INTEREST.—With respect to any loan in repayment during a national emergency period, interest due on loans made, in-

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sured, or guaranteed under part B, D, or E during such period shall not be capitalized at any time during the national emergency.

"(3) APPLICABILITY OF PAYMENTS.—Any payment made by the Secretary under this section shall be considered by the Secretary, or by a lender with respect to a loan made, insured, or guaranteed under part B—

"(A) as a qualifying payment under the public service loan forgiveness program under section 455(m), if the borrower would otherwise qualify under such section;

"(B) in the case of a borrower enrolled in an income-driven repayment plan, as a qualifying payment for the purpose of calculating eligibility for loan forgiveness for the borrower in accordance with section 493C(b)(7) or section 455(d)(1)(D), as the case may be; and

"(C) in the case of a borrower in default, as an on-time monthly payment for purposes of loan rehabilitation pursuant to section 428F(a).

"(4) REPORTING TO CONSUMER REPORTING AGENCIES.—During the period in which the Secretary is making payments on a loan under paragraph (1), the Secretary shall ensure that, for the

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purpose of reporting information about the loan to a consumer reporting agency, any payment made by the Secretary is treated as if it were a regularly scheduled payment made by a borrower.

"(5) NOTICE OF PAYMENTS AND PROGRAM.—Not later than 15 days following the date of enactment of the [Take Responsibility for Workers and Families Act], and monthly thereafter during the period of a national emergency, the Secretary shall provide a notice to all borrowers of loans made, insured, or guaranteed under part B, D, or E—

"(A) informing borrowers of the actions taken under this section;

"(B) providing borrowers with an easily accessible method to opt out of the benefits provided under this section; and

"(C) notifying the borrower that the program under this section is a temporary program and will end after the national emergency ends.

"(6) SUSPENSION OF INVOLUNTARY COLLECTION.—Beginning on the date of enactment of the [Take Responsibility for Workers and Families Act], in the event of a national emergency, the Secretary, or other holder of a loan made, insured, or guaranteed under part B, D, or E, shall immediately

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take action to halt all involuntary collection related to the loan until the date on which the national emergency ends.

''(c) WAIVER OF INTEREST DURING NATIONAL EMERGENCY.—Notwithstanding any other provision of law, the Secretary shall pay any interest that would otherwise be charged or accrue during a national emergency on any loan made, insured, or guaranteed under part B, D, or E.

''(d) TRANSITION PERIOD.—Upon the termination of a national emergency, the Secretary shall carry out a program to provide for a transition period of 90 days, beginning on the day after the last day of the national emergency, during which—

''(1) the Secretary shall provide not less than 3 notices to borrowers indicating when the borrower's normal payment obligations will resume; and

''(2) any missed payments by a borrower under part B, D, or E shall not—

''(A) result in fees or penalties; or

''(B) be reported to any consumer reporting agency or otherwise impact the borrower's credit history.

''(e) IMPLEMENTATION IN FFEL ENTITIES.—To facilitate implementation of this section—

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''(1) lenders and guaranty agencies holding loans made, insured, or guaranteed under part B shall report, to the satisfaction of the Secretary, information to verify at the borrower level the amount of payments made under this section; and

''(2) the Secretary shall have the authority to establish a payment schedule for purposes of this section for loans made, insured, or guaranteed under part B and not held by the Secretary.

''(f) WAIVERS.—In carrying out this section, the Secretary may waive the application of—

''(1) subchapter I of chapter 35 of title 44, United States Code;

''(2) the master calendar requirements under section 482;

''(3) negotiated rulemaking under section 492; and

''(4) the requirement to publish the notices related to the system of records of the agency before implementation required under paragraphs (4) and (11) of section 552a(e) of title 5, United States Code (commonly known as the 'Privacy Act of 1974'), except that the notices shall be published not later than 180 days after the date of enactment of

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the [Take Responsibility for Workers and Families Act].".]

(2) FFEL AMENDMENT.—Section 428(c)(8) of the Higher Education Act of 1965 (20 U.S.C. 1078(c)(8)) is amended by striking "and for which" and all that follows through "this subsection".

(3) APPLICABILITY.—The requirement of the Secretary to make payments under section 493E of the Higher Education Act of 1965, as added by paragraph 1, shall apply to payments due after the date of enactment of this Act.

(b) MINIMUM RELIEF FOR STUDENT LOAN BORROWERS AS A RESULT OF A NATIONAL EMERGENCY.—Part G of title IV the Higher Education Act of 1965 (20 U.S.C. 1088 et seq.), as amended by subsection (a), is further amended by inserting after section 493E the following:

"SEC. 493F. MINIMUM RELIEF FOR STUDENT LOAN BORROWERS AS A RESULT OF A NATIONAL EMERGENCY.

"(a) MINIMUM STUDENT LOAN RELIEF AS A RESULT OF A NATIONAL EMERGENCY.—Not later than 90 days after the conclusion of a national emergency (as defined in section 493E), the Secretary shall, for each borrower of a loan made under part B, D, or E, reduce the total

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outstanding balance due on all such loans of the borrower, by an amount equal to the lesser of—

''(1) the difference between $10,000 and the total amount of payments made by the Secretary under section 493E(b) on such loans of the borrower during the period of such national emergency; or

''(2) the total amount of outstanding principal and interest due on such loans of the borrower, as of the date of the calculation under this subsection.

''(b) DATA TO IMPLEMENT.—Contractors of the Secretary and lenders and guaranty agencies holding loans made, insured, or guaranteed under part B shall report, to the satisfaction of the Secretary, the information necessary to calculate the amount to be applied under subsection (a).''.

SEC. 100116. EXCLUSION FROM GROSS INCOME.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 139H the following new section:

''SEC. 139I. STUDENT LOAN PAYMENTS RESULTING FROM A NATIONAL EMERGENCY.

''Gross income shall not include any payment made on behalf of the taxpayer under section 493E(b)(1) or 493F of the Higher Education Act of 1965.''.

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(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 139H the following new item:

"Sec. 139I.Student loan payments resulting from a national emergency.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 100117. RULE OF CONSTRUCTION.

Except as otherwise provided in this Act or the amendments made by this Act, nothing in this Act shall be construed to provide additional authority to the Secretary of Education to waive any provision of the following:

(1) The Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.).

(2) The Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.).

(3) The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.).

(4) The Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2301 et seq.)

TITLE II—OTHER PROGRAMS

SEC. 100201. PROVISIONS RELATED TO THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE.

(a) ACCRUAL OF SERVICE HOURS.—

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(1) ACCRUAL THROUGH OTHER SERVICE HOURS.—

(A) IN GENERAL.—Notwithstanding any other provision of the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4950 et seq.) or the National and Community Service Act of 1990 (42 U.S.C. 12501 et seq.), the Corporation for National and Community Service shall allow an individual described in subparagraph (B) to accrue other service hours that will count toward the number of hours needed for the individual's education award.

(B) AFFECTED INDIVIDUALS.—Subparagraph (A) shall apply to any individual serving in a position eligible for an educational award under subtitle D of title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.)—

(i) who is performing limited service due to COVID–19; or

(ii) whose position has been suspended or placed on hold due to COVID–19.

(2) PROVISIONS IN CASE OF EARLY EXIT.—In any case where an individual serving in a position eligible for an educational award under subtitle D of

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title I of the National and Community Service Act of 1990 (42 U.S.C. 12601 et seq.) was required to exit the position early at the direction of the Corporation for National and Community Service, the Chief Executive Officer of the Corporation for National and Community Service may—

(A) deem such individual as having met the requirements of the position; and

(B) award the individual the full value of the educational award under such subtitle for which the individual would otherwise have been eligible.

(b) NO REQUIRED RETURN OF GRANT FUNDS.—Notwithstanding section 129(l)(3)(A)(i) of the National and Community Service Act of 1990 (42 U.S.C. 12581(l)(3)(A)(i)), the Chief Executive Officer of the Corporation for National and Community Service may permit fixed-amount grant recipients under such section 129(l) to maintain a pro rata amount of grant funds, at the discretion of the Corporation for National and Community Service, for participants who exited, were suspended, or are serving in a limited capacity due to COVID–19, to enable the grant recipients to maintain operations and to accept participants.

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(c) EXTENSION OF TERMS AND AGE LIMITS.—Notwithstanding any other provision of law, the Corporation for National and Community Service may extend the term of service (for a period not to exceed the 1-year period immediately following the end of the national emergency) or waive any upper age limit (except in no case shall the maximum age exceed 26 years of age) for national service programs carried out by the National Civilian Community Corps under subtitle E of title I of the National and Community Service Act of 1990 (42 U.S.C. 12611 et seq.), and the participants in such programs, for the purposes of—

(1) addressing disruptions due to COVID–19; and

(2) minimizing the difficulty in returning to full operation due to COVID–19 on such programs and participants.

DIVISION K—AGRICULTURE PROVISIONS

TITLE I—COMMODITY SUPPORT AND OTHER AGRICULTURE PROGRAMS

SEC. 110101. SUPPLEMENTAL DAIRY MARGIN COVERAGE.

(a) IN GENERAL.—Of the funds of the Commodity Credit Corporation, the Secretary of Agriculture shall pro-

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vide supplemental dairy margin coverage payments to eligible dairy operations described in subsection (b) whenever the average actual dairy production margin (as defined in section 1401 of the Agricultural Act of 2014 (7 U.S.C. 9051)) for a month is less than the coverage level threshold selected by such eligible dairy operation under such section 1406.

(b) ELIGIBLE DAIRY OPERATION DESCRIBED.—An eligible dairy operation described in this subsection is a participating dairy operation (as defined in section 1401 of the Agricultural Act of 2014 (7 U.S.C. 9051)) that—

(1) is located in the United States; and

(2) on the date of the enactment of this section, had a production history established under the dairy margin coverage program described in section 1405 of the Agricultural Act of 2014 (7 U.S.C. 9055) of less than 5 million pounds, as determined in accordance with subsection (c).

(c) SUPPLEMENTAL PRODUCTION HISTORY CALCULATION.—

(1) IN GENERAL.—For purposes of determining the production history of an eligible dairy operation under this subsection, such an operation's production history shall be equal to—

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(A) the production volume of such dairy operation for the 2019 milk marketing year; minus

(B) the production history of such dairy operation established under section 1405 of the Agricultural Act of 2014 (7 U.S.C. 9055).

(2) 5-MILLION POUND LIMITATION.—

(A) IN GENERAL.—The Secretary shall not provide supplemental dairy margin coverage on a dairy operation's actual production for calendar year 2019 such that the total production history of the operation exceeds 5 million pounds.

(B) DETERMINATION OF AMOUNT.—In calculating the total production history of a dairy operation under subparagraph (A), the Secretary shall add the following:

(i) The supplemental production history calculated under paragraph (1) with respect to such dairy operation.

(ii) The dairy margin coverage production history described in paragraph (1)(B) with respect to such dairy operation.

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(d) COVERAGE PERCENTAGE.—For purposes of calculating payments to be issued under this section, an eligible dairy operation's coverage percentage shall be equal to the coverage percentage selected by such eligible dairy operation under section 1406 of the Agricultural Act of 2014 (7 U.S.C. 9056).

(e) PREMIUM COST.—The premium cost for an eligible dairy operation under this section shall be equal to the product of multiplying—

(1) the Tier I premium cost calculated under section 1407(b) of the Agricultural Act of 2014 (7 U.S.C. 9057(b)); by

(2) the production history calculation determined under subsection (c) (such that total production history does not exceed 5 million pounds).

(f) REGULATIONS.—Not later than 45 days after the date of the enactment of this section, the Secretary shall issue regulations to carry out this section.

(g) RETROACTIVITY.—The authority to carry out this section shall begin on January 1, 2020.

SEC. 110102. TARGETED PURCHASES.

(a) IN GENERAL.—The Secretary of Agriculture shall utilize not less than $300,000,000 of the funds available under section 32 of the Act of August 24, 1935 (7 U.S.C. 612c) to purchase qualified agricultural products for the

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purpose of donating the products to food assistance programs, including the Emergency Food Assistance Program, of which the Secretary shall utilize—

(1) not less than $150,000,000 to purchase specialty crops;

(2) not less than $75,000,000 to purchase dairy; and

(3) not less than $75,000,000 to purchase meat and poultry products.

(b) QUALIFIED AGRICULTURAL PRODUCT DEFINED.—In this section, the term ''qualified agricultural product'' means a dairy, meat, or poultry product, or a specialty crop—

(1) that was packaged or marketed for sale to commercial or food service industries;

(2) for which decreased demand exists for such a product due to the COVID–19 outbreak; and

(3) the repurposing of which would be impractical for grocery or retail sale.

TITLE II—SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

SEC. 110201. SNAP FUNDING.

There are hereby appropriated to the Secretary of Agriculture, out of any money in the Treasury not other-

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wise appropriated, such sums as maybe necessary to carry out this title and sections 2301 and 2302 of the Families First Coronavirus Response Act (Public Law 116–127).

SEC. 110202. SNAP ALLOTMENTS.

(a) NUTRITION ASSISTANCE ALLOTMENT AMOUNT.—

(1) VALUE OF BENEFITS.—Notwithstanding any other provision of law, beginning on May 1, 2020, the value of benefits determined under section 8(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2017(a)), and consolidated block grants for Puerto Rico and American Samoa determined under section 19(a) of such Act (7 U.S.C. 2028(a)), shall be calculated using 115 percent of the June 2019 value of the thrifty food plan (as defined in section 3 of such Act (7 U.S.C. 2012)) if the value of the benefits and block grants would be greater under that calculation than in the absence of this paragraph.

(2) MINIMUM AMOUNT.—

(A) IN GENERAL.—The minimum value of benefits determined under section 8(a) of the Food and Nutrition Act of 2008 (7 U.S.C. 2017(a)) for a household of not more than 2 members shall be $30.

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(B) EFFECTIVENESS.—Subparagraph (A) shall remain in effect until the date on which 8 percent of the value of the thrifty food plan for a household containing 1 member, rounded to the nearest whole dollar increment, is equal to or greater than $30.

(b) REQUIREMENTS FOR THE SECRETARY.—In carrying out this section, the Secretary shall—

(1) consider the benefit increases described in subsection (a) to be a ''mass change'';

(2) require a simple process for States to notify households of the increase in benefits;

(3) not include any errors in the implementation of this section in the payment error rate calculated under section 16(c) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(c));

(4) disregard the additional amount of benefits that a household receives as a result of this section in determining the amount of overissuances under section 13 of the Food and Nutrition Act of 2008 (7 U.S.C. 2022); and

(5) set the tolerance level for excluding small errors for the purposes of section 16(c) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(c)) at $50 through September 30, 2021.

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(c) ADMINISTRATIVE EXPENSES.—

(1) IN GENERAL.—For the costs of State administrative expenses associated with carrying out this section and administering the supplemental nutrition assistance program established under the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.), the Secretary of Agriculture shall make available $150,000,000 for fiscal year 2020 and $150,000,000 for fiscal year 2021.

(2) TIMING FOR FISCAL YEAR 2020.—Not later than 60 days after the date of the enactment of this section, the Secretary shall make available to States amounts for fiscal year 2020 under paragraph (1).

(3) ALLOCATION OF FUNDS.—Funds described in paragraph (1) shall be made available as grants to State agencies for each fiscal year as follows:

(A) 75 percent of the amounts available for each fiscal year shall be allocated to States based on the share of each State of households that participate in the supplemental nutrition assistance program as reported to the Department of Agriculture for the most recent 12-month period for which data are available, adjusted by the Secretary (as of the date of the enactment of this section) for participation in

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disaster programs under section 5(h) of the Food and Nutrition Act of 2008 (7 U.S.C. 2014(h)); and

(B) 25 percent of the amounts available for each fiscal year shall be allocated to States based on the increase in the number of households that participate in the supplemental nutrition assistance program as reported to the Department of Agriculture over the most recent 12-month period for which data are available, adjusted by the Secretary (as of the date of the enactment of this section) for participation in disaster programs under section 5(h) of the Food and Nutrition Act of 2008 (7 U.S.C. 2014(h)).

SEC. 110203. SNAP RULES.

No funds (including fees) made available under this Act or any other Act for any fiscal year may be used to finalize, implement, administer, enforce, carry out, or otherwise give effect to—

(1) the final rule entitled ''Supplemental Nutrition Assistance Program: Requirements for Able-Bodied Adults Without Dependents'' published in the Federal Register on December 5, 2019 (84 Fed. Reg. 66782);

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(2) the proposed rule entitled ''Revision of Categorical Eligibility in the Supplemental Nutrition Assistance Program (SNAP)'' published in the Federal Register on July 24, 2019 (84 Fed. Reg. 35570); or

(3) the proposed rule entitled ''Supplemental Nutrition Assistance Program: Standardization of State Heating and Cooling Standard Utility Allowances'' published in the Federal Register on October 3, 2019 (84 Fed. Reg. 52809).

SEC. 110204. SNAP HOT FOOD PURCHASES.

During the period beginning 10 days after the date of the enactment of this Act and ending on the termination date of the public health emergency declaration made by the Secretary of Health and Human Services under section 319 of the Public Health Service Act based on an outbreak of coronavirus disease 2019 (COVID–19), the term ''food'', as defined in section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), shall be deemed to exclude ''hot foods or hot food products ready for immediate consumption other than those authorized pursuant to clauses (3), (4), (5), (7), (8), and (9) of this subsection,'' for purposes of such Act, except that such exclusion is limited to retail food stores authorized to accept

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and redeem supplemental nutrition assistance program benefits as of the date of enactment of this Act.

[SEC. 110205. WAIVER.

[Any funds provided in the Third Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 for the Food Distribution Program on Indian Reservations, as authorized by section 4(b) of the Food and Nutrition Act of 2008 (7 U.S.C. 2013(b)), are not subject to the payment of the non-Federal share requirement described in section 4(b)(4)(A) of the Food and Nutrition Act of 2008 (7 U.S.C. 2013(b)(4)(A)).]

DIVISION L—ACCESS ACT

SEC. 120001. SHORT TITLE.

This division may be cited as the ''American Coronavirus/COVID–19 Election Safety and Security Act'' or the ''ACCESS Act''.

SEC. 120002. REQUIREMENTS FOR FEDERAL ELECTION CONTINGENCY PLANS IN RESPONSE TO NATURAL DISASTERS AND EMERGENCIES.

(a) IN GENERAL.—

(1) ESTABLISHMENT.—Not later than 30 days after the date of the enactment of this Act, each State and each jurisdiction in a State which is responsible for administering elections for Federal office shall establish and make publicly available a

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contingency plan to enable individuals to vote in elections for Federal office during a state of emergency, public health emergency, or national emergency which has been declared for reasons including—

(A) a natural disaster; or

(B) an infectious disease.

(2) UPDATING.—Each State and jurisdiction shall update the contingency plan established under this subsection not less frequently than every 5 years.

(b) REQUIREMENTS RELATING TO SAFETY.—The contingency plan established under subsection (a) shall include initiatives to provide equipment and resources needed to protect the health and safety of poll workers and voters when voting in person.

(c) REQUIREMENTS RELATING TO RECRUITMENT OF POLL WORKERS.—The contingency plan established under subsection (a) shall include initiatives by the chief State election official and local election officials to recruit poll workers from resilient or unaffected populations, which may include—

(1) employees of other State and local government offices; and

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(2) in the case in which an infectious disease poses significant increased health risks to elderly individuals, students of secondary schools and institutions of higher education in the State.

(d) STATE.—For purposes of this section, the term ''State'' includes the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

(e) ENFORCEMENT.—

(1) ATTORNEY GENERAL.—The Attorney General may bring a civil action against any State or jurisdiction in an appropriate United States District Court for such declaratory and injunctive relief (including a temporary restraining order, a permanent or temporary injunction, or other order) as may be necessary to carry out the requirements of this section.

(2) PRIVATE RIGHT OF ACTION.—

(A) IN GENERAL.—In the case of a violation of this section, any person who is aggrieved by such violation may provide written notice of the violation to the chief election official of the State involved.

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(B) RELIEF.—If the violation is not corrected within 20 days after receipt of a notice under subparagraph (A), or within 5 days after receipt of the notice if the violation occurred within 120 days before the date of an election for Federal office, the aggrieved person may, in a civil action, obtain declaratory or injunctive relief with respect to the violation.

(C) SPECIAL RULE.—If the violation occurred within 5 days before the date of an election for Federal office, the aggrieved person need not provide notice to the chief election official of the State involved under subparagraph (A) before bringing a civil action under subparagraph (B).

(f) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

SEC. 120003. EARLY VOTING AND VOTING BY MAIL.

(a) REQUIREMENTS.—Title III of the Help America Vote Act of 2002 (52 U.S.C. 21081 et seq.) is amended by adding at the end the following new subtitle:

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"Subtitle C—Other Requirements

"SEC. 321. EARLY VOTING.

''(a) REQUIRING ALLOWING VOTING PRIOR TO DATE OF ELECTION.—

''(1) IN GENERAL.—Each State shall allow individuals to vote in an election for Federal office during an early voting period which occurs prior to the date of the election, in the same manner as voting is allowed on such date.

''(2) LENGTH OF PERIOD.—The early voting period required under this subsection with respect to an election shall consist of a period of consecutive days (including weekends) which begins on the 15th day before the date of the election (or, at the option of the State, on a day prior to the 15th day before the date of the election) and ends on the date of the election.

''(b) MINIMUM EARLY VOTING REQUIREMENTS.—Each polling place which allows voting during an early voting period under subsection (a) shall—

''(1) allow such voting for no less than 10 hours on each day;

''(2) have uniform hours each day for which such voting occurs; and

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''(3) allow such voting to be held for some period of time prior to 9:00 a.m (local time) and some period of time after 5:00 p.m. (local time).

''(c) LOCATION OF POLLING PLACES.—

''(1) PROXIMITY TO PUBLIC TRANSPORTATION.—To the greatest extent practicable, a State shall ensure that each polling place which allows voting during an early voting period under subsection (a) is located within walking distance of a stop on a public transportation route.

''(2) AVAILABILITY IN RURAL AREAS.—The State shall ensure that polling places which allow voting during an early voting period under subsection (a) will be located in rural areas of the State, and shall ensure that such polling places are located in communities which will provide the greatest opportunity for residents of rural areas to vote during the early voting period.

''(d) STANDARDS.—

''(1) IN GENERAL.—The Commission shall issue standards for the administration of voting prior to the day scheduled for a Federal election. Such standards shall include the nondiscriminatory geographic placement of polling places at which such voting occurs.

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''(2) DEVIATION.—The standards described in paragraph (1) shall permit States, upon providing adequate public notice, to deviate from any requirement in the case of unforeseen circumstances such as a natural disaster, terrorist attack, or a change in voter turnout.

''(e) BALLOT PROCESSING AND SCANNING REQUIREMENTS.—

''(1) IN GENERAL.—The State shall begin processing and scanning ballots cast during early voting for tabulation at least 14 days prior to the date of the election involved.

''(2) LIMITATION.—Nothing in this subsection shall be construed to permit a State to tabulate ballots in an election before the closing of the polls on the date of the election.

''(f) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

''SEC. 322. PROMOTING ABILITY OF VOTERS TO VOTE BY MAIL.

''(a) UNIFORM AVAILABILITY OF ABSENTEE VOTING TO ALL VOTERS.—

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"(1) IN GENERAL.—If an individual in a State is eligible to cast a vote in an election for Federal office, the State may not impose any additional conditions or requirements on the eligibility of the individual to cast the vote in such election by absentee ballot by mail, including—

"(A) requiring any form of identification as a condition of obtaining the absentee ballot; or

"(B) requiring notarization or witness signature or other formal authentication (other than voter attestation) as a condition of the acceptance of the ballot by an election official.

"(2) PERMITTING CERTAIN REQUIREMENTS.—Notwithstanding paragraph (1)—

"(A) a State shall require an individual to meet signature verification in accordance with subsection (b); and

"(B) the State may impose a deadline for requesting the ballot and related voting materials from the appropriate State or local election official and for returning the ballot to the appropriate State or local election official.

"(b) REQUIRING SIGNATURE VERIFICATION.—

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"(1) REQUIREMENT.—A State may not accept and process an absentee ballot submitted by any individual with respect to an election for Federal office unless the State verifies the identification of the individual by comparing the individual's signature on the absentee ballot with the individual's signature on the official list of registered voters in the State, in accordance with such procedures as the State may adopt (subject to the requirements of paragraph (2)).

"(2) DUE PROCESS REQUIREMENTS.—

"(A) NOTICE AND OPPORTUNITY TO CURE DISCREPANCY.—If an individual submits an absentee ballot and the appropriate State or local election official determines that a discrepancy exists between the signature on such ballot and the signature of such individual on the official list of registered voters in the State, such election official, prior to making a final determination as to the validity of such ballot, shall make a good faith effort to immediately notify such individual by mail, telephone, and (if available) electronic mail that—

"(i) a discrepancy exists between the signature on such ballot and the signature

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of such individual on the official list of registered voters in the State;

''(ii) such individual may provide the official with information to cure such discrepancy, either in person, by telephone, or by electronic methods; and

''(iii) if such discrepancy is not cured prior to the expiration of the 7-day period which begins on the date of the election, such ballot will not be counted.

''(B) OPPORTUNITY TO PROVIDE MISSING SIGNATURE.—If an individual submits an absentee ballot without a signature, the State shall notify the individual and give the individual an opportunity to provide the missing signature on a form proscribed by the State.

''(C) OTHER REQUIREMENTS.—An election official may not make a determination that a discrepancy exists between the signature on an absentee ballot and the signature of the individual who submits the ballot on the official list of registered voters in the State unless—

''(i) at least 2 election officials make the determination; and

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"(ii) each official who makes the determination has received training in procedures used to verify signatures.

"(3) REPORT.—

"(A) IN GENERAL.—Not later than 120 days after the end of a Federal election cycle, each chief State election official shall submit to Congress a report containing the following information for the applicable Federal election cycle in the State:

"(i) The number of ballots invalidated due to a discrepancy under this subsection.

"(ii) Description of attempts to contact voters to provide notice as required by this subsection.

"(iii) Description of the cure process developed by such State pursuant to this subsection, including the number of ballots determined valid as a result of such process.

"(B) FEDERAL ELECTION CYCLE DEFINED.—For purposes of this subsection, the term 'Federal election cycle' means the period beginning on January 1 of any odd numbered

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year and ending on December 31 of the following year.

''(c) METHODS AND TIMING FOR TRANSMISSION OF BALLOTS AND BALLOTING MATERIALS TO VOTERS.—

''(1) METHOD FOR REQUESTING BALLOT.—In addition to such other methods as the State may establish for an individual to request an absentee ballot, the State shall permit an individual to submit a request for an absentee ballot online. The State shall be considered to meet the requirements of this paragraph if the website of the appropriate State or local election official allows an absentee ballot request application to be completed and submitted online and if the website permits the individual—

''(A) to print the application so that the individual may complete the application and return it to the official; or

''(B) request that a paper copy of the application be transmitted to the individual by mail or electronic mail so that the individual may complete the application and return it to the official.

''(2) ENSURING DELIVERY PRIOR TO ELECTION.—If an individual requests to vote by absentee ballot in an election for Federal office, the appro-

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priate State or local election official shall ensure that the ballot and relating voting materials are received by the individual prior to the date of the election so long as the individual's request is received by the official not later than 5 days (excluding Saturdays, Sundays, and legal public holidays) before the date of the election, except that nothing in this paragraph shall preclude a State or local jurisdiction from allowing for the acceptance and processing of ballot requests submitted or received after such required period.

"(3) SPECIAL RULES IN CASE OF EMERGENCY PERIODS.—

"(A) AUTOMATIC MAILING OF ABSENTEE BALLOTS TO ALL VOTERS.—If the area in which an election is held is in an area in which an emergency or disaster which is described in subparagraph (A) or (B) of section 1135(g)(1) of the Social Security Act (42 U.S.C. 1320b-5(g)(1)) is declared during the period described in subparagraph (C)—

"(i) paragraphs (1) and (2) shall not apply with respect to the election; and

"(ii) not later than 2 weeks before the date of the election, the appropriate State

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or local election official shall transmit absentee ballots and balloting materials for the election to all individuals who are registered to vote in such election.

''(B) AFFIRMATION.—If an individual receives an absentee ballot from a State or local election official pursuant to subparagraph (A) and returns the voted ballot to the official, the ballot shall not be counted in the election unless the individual includes with the ballot a signed affirmation that—

''(i) the individual has not and will not cast another ballot with respect to the election; and

''(ii) acknowledges that a material misstatement of fact in completing the ballot may constitute grounds for conviction of perjury.

''(C) PERIOD DESCRIBED.—The period described in this subparagraph with respect to an election is the period which begins 120 days before the date of the election and ends 30 days before the date of the election.

''(D) APPLICATION TO NOVEMBER 2020 GENERAL ELECTION.—Because of the public

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health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) resulting from the COVID–19 pandemic, the special rules set forth in this paragraph shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 in each State.

''(d) ACCESSIBILITY FOR INDIVIDUALS WITH DISABILITIES.—The State shall ensure that all absentee ballots and related voting materials in elections for Federal office are accessible to individuals with disabilities in a manner that provides the same opportunity for access and participation (including with privacy and independence) as for other voters.

''(e) REQUIREMENTS FOR ENVELOPES.—

''(1) PREPAYMENT OF POSTAGE.—Consistent with regulations of the United States Postal Service, the State or the unit of local government responsible for the administration of an election for Federal office shall prepay the postage on any ballot in the election which is cast by mail.

''(2) USE OF SELF-SEALING ENVELOPE.—The State or unit of local government shall provide with any absentee ballot transmitted to a voter by mail a self-sealing return envelope.

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''(f) UNIFORM DEADLINE FOR ACCEPTANCE OF MAILED BALLOTS.—If a ballot submitted by an individual by mail with respect to an election for Federal office in a State is postmarked on or before the date of the election, the State may not refuse to accept or process the ballot on the grounds that the individual did not meet a deadline for returning the ballot to the appropriate State or local election official.

''(g) METHODS OF RETURNING BALLOTS.—

''(1) IN GENERAL.—The State shall permit an individual to whom a ballot in an election was provided under this section to cast the ballot by delivering the ballot at such times and to such locations as the State may establish, including—

''(A) permitting the individual to deliver the ballot to a polling place on the date of the election; and

''(B) permitting the individual to deliver the ballot to a designated ballot drop-off location.

''(2) PERMITTING VOTERS TO DESIGNATE OTHER PERSON TO RETURN BALLOT.—The State—

''(A) shall permit a voter to designate any person to return a voted and sealed absentee ballot to the post office, a ballot drop-off loca-

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tion, tribally designated building, or election office so long as the person designated to return the ballot does not receive any form of compensation based on the number of ballots that the person has returned and no individual, group, or organization provides compensation on this basis; and

''(B) may not put any limit on how many voted and sealed absentee ballots any designated person can return to the post office, a ballot drop off location, tribally designated building, or election office.

''(h) BALLOT PROCESSING AND SCANNING REQUIREMENTS.—

''(1) IN GENERAL.—The State shall begin processing and scanning ballots cast by mail for tabulation at least 14 days prior to the date of the election involved.

''(2) LIMITATION.—Nothing in this subsection shall be construed to permit a State to tabulate ballots in an election before the closing of the polls on the date of the election.

''(i) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to affect the authority of States

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to conduct elections for Federal office through the use of polling places at which individuals cast ballots.

''(j) NO EFFECT ON BALLOTS SUBMITTED BY ABSENT MILITARY AND OVERSEAS VOTERS; TREATMENT OF BLANK ABSENTEE BALLOTS TRANSMITTED TO CERTAIN VOTERS.—Nothing in this section may be construed to affect the treatment of any ballot submitted by an individual who is entitled to vote by absentee ballot under the Uniformed and Overseas Citizens Absentee Voting Act (52 U.S.C. 20301 et seq.), and any blank absentee ballot transmitted to an individual by mail or electronically in accordance with section 102(f) of such Act shall be treated in the same manner as any other absentee ballot for purposes of this section.

''(k) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

''SEC. 323. ABSENTEE BALLOT TRACKING PROGRAM.

''(a) REQUIREMENT.—Each State shall carry out a program to track and confirm the receipt of absentee ballots in an election for Federal office under which the State or local election official responsible for the receipt of voted absentee ballots in the election carries out procedures to track and confirm the receipt of such ballots, and makes

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information on the receipt of such ballots available to the individual who cast the ballot, by means of online access using the Internet site of the official's office.

"(b) INFORMATION ON WHETHER VOTE WAS COUNTED.—The information referred to under subsection (a) with respect to the receipt of an absentee ballot shall include information regarding whether the vote cast on the ballot was counted, and, in the case of a vote which was not counted, the reasons therefor.

"(c) USE OF TOLL-FREE TELEPHONE NUMBER BY OFFICIALS WITHOUT INTERNET SITE.—A program established by a State or local election official whose office does not have an Internet site may meet the requirements of subsection (a) if the official has established a toll-free telephone number that may be used by an individual who cast an absentee ballot to obtain the information on the receipt of the voted absentee ballot as provided under such subsection.

"(d) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

"SEC. 324. RULES FOR COUNTING PROVISIONAL BALLOTS.

"(a) STATEWIDE COUNTING OF PROVISIONAL BALLOTS.—

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"(1) IN GENERAL.—For purposes of section 302(a)(4), notwithstanding the precinct or polling place at which a provisional ballot is cast within the State, the appropriate election official shall count each vote on such ballot for each election in which the individual who cast such ballot is eligible to vote.

"(2) EFFECTIVE DATE.—This subsection shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

"(b) UNIFORM AND NONDISCRIMINATORY STANDARDS.—

"(1) IN GENERAL.—Consistent with the requirements of section 302, each State shall establish uniform and nondiscriminatory standards for the issuance, handling, and counting of provisional ballots.

"(2) EFFECTIVE DATE.—This subsection shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

"SEC. 325. COVERAGE OF COMMONWEALTH OF NORTHERN MARIANA ISLANDS.

"In this subtitle, the term 'State' includes the Commonwealth of the Northern Mariana Islands.

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"SEC. 326. MINIMUM REQUIREMENTS FOR EXPANDING ABILITY OF INDIVIDUALS TO VOTE.

"The requirements of this subtitle are minimum requirements, and nothing in this subtitle may be construed to prevent a State from establishing standards which promote the ability of individuals to vote in elections for Federal office, so long as such standards are not inconsistent with the requirements of this subtitle or other Federal laws.".

(b) CONFORMING AMENDMENT RELATING TO ISSUANCE OF VOLUNTARY GUIDANCE BY ELECTION ASSISTANCE COMMISSION.—Section 311(b) of such Act (52 U.S.C. 21101(b)) is amended—

(1) by striking "and" at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting "; and"; and

(3) by adding at the end the following new paragraph:

"(4) in the case of the recommendations with respect to subtitle C, June 30, 2020.".

(c) ENFORCEMENT.—

(1) COVERAGE UNDER EXISTING ENFORCEMENT PROVISIONS.—Section 401 of such Act (52 U.S.C. 21111) is amended by striking "and 303" and inserting "303, and subtitle C of title III".

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(2) AVAILABILITY OF PRIVATE RIGHT OF ACTION.—Title IV of such (52 U.S.C. 21111 et seq.) is amended by adding at the end the following new section:

"SEC. 403. PRIVATE RIGHT OF ACTION FOR VIOLATIONS OF CERTAIN REQUIREMENTS.

''(a) IN GENERAL.—In the case of a violation of subtitle C of title III, section 402 shall not apply and any person who is aggrieved by such violation may provide written notice of the violation to the chief election official of the State involved.

''(b) RELIEF.—If the violation is not corrected within 20 days after receipt of a notice under subsection (a), or within 5 days after receipt of the notice if the violation occurred within 120 days before the date of an election for Federal office, the aggrieved person may, in a civil action, obtain declaratory or injunctive relief with respect to the violation.

''(c) SPECIAL RULE.—If the violation occurred within 5 days before the date of an election for Federal office, the aggrieved person need not provide notice to the chief election official of the State involved under subsection (a) before bringing a civil action under subsection (b).''.

(d) CLERICAL AMENDMENT.—The table of contents of such Act is amended—

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(1) by adding at the end of the items relating to title III the following:

"Subtitle C—Other Requirements

"Sec. 321. Early voting.
"Sec. 322. Promoting ability of voters to vote by mail.
"Sec. 323. Absentee ballot tracking program.
"Sec. 324. Rules for counting provisional ballots.
"Sec. 325. Coverage of Commonwealth of Northern Mariana Islands.
"Sec. 326. Minimum requirements for expanding ability of individuals to vote."; and

(2) by adding at the end of the items relating to title IV the following new item:

"Sec. 403. Private right of action for violations of certain requirements.".

SEC. 120004. POSTAGE-FREE ABSENTEE BALLOTS.

(a) IN GENERAL.—Chapter 34 of title 39, United States Code, is amended by adding after section 3406 the following:

"§ 3407. Absentee ballots

"(a) Any absentee ballot for any election for Federal office shall be carried expeditiously, with postage prepaid by the State or unit of local government responsible for the administration of the election.

"(b) As used in this section, the term 'absentee ballot' means any ballot transmitted by a voter by mail in an election for Federal office, but does not include any ballot covered by section 3406.".

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(b) CLERICAL AMENDMENT.—The table of sections for chapter 34 of such title is amended by inserting after the item relating to section 3406 the following:

"3407. Absentee ballots carried free of postage.".

SEC. 120005. REQUIRING TRANSMISSION OF BLANK ABSENTEE BALLOTS UNDER UOCAVA TO CERTAIN VOTERS.

(a) IN GENERAL.—The Uniformed and Overseas Citizens Absentee Voting Act (52 U.S.C. 20301 et seq.) is amended by inserting after section 103B the following new section:

"SEC. 103C. TRANSMISSION OF BLANK ABSENTEE BALLOTS TO CERTAIN OTHER VOTERS.

"(a) IN GENERAL.—

"(1) STATE RESPONSIBILITIES.—Subject to paragraph (2), each State shall transmit blank absentee ballots by mail and electronically to qualified individuals in the same manner and under the same terms and conditions under which the State transmits such ballots to absent uniformed services voters and overseas voters under section 102(f).

"(2) REQUIREMENTS.—Any blank absentee ballot transmitted to a qualified individual under this section—

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"(A) must comply with the language requirements under section 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503); and

"(B) must comply with the disability requirements under section 508 of the Rehabilitation Act of 1973 (29 U.S.C. 794d).

"(3) AFFIRMATION.—The State may not transmit a ballot to a qualified individual under this section unless the individual provides the State with a signed affirmation in electronic form that—

"(A) the individual is a qualified individual (as defined in subsection (b));

"(B) the individual has not and will not cast another ballot with respect to the election; and

"(C) acknowledges that a material misstatement of fact in completing the ballot may constitute grounds for conviction of perjury.

"(4) CLARIFICATION REGARDING FREE POSTAGE.—An absentee ballot obtained by a qualified individual under this section shall be considered balloting materials as defined in section 107 for purposes of section 3406 of title 39, United States Code.

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''(5) PROHIBITING REFUSAL TO ACCEPT BALLOT FOR FAILURE TO MEET CERTAIN REQUIREMENTS.—A State shall not refuse to accept and process any otherwise valid blank absentee ballot which was transmitted to a qualified individual under this section and used by the individual to vote in the election solely on the basis of the following:

''(A) Notarization or witness signature requirements.

''(B) Restrictions on paper type, including weight and size.

''(C) Restrictions on envelope type, including weight and size.

''(b) QUALIFIED INDIVIDUAL.—

''(1) IN GENERAL.—In this section, except as provided in paragraph (2), the term 'qualified individual' means any individual who is otherwise qualified to vote in an election for Federal office and who meets any of the following requirements:

''(A) The individual—

''(i) has requested an absentee ballot from the State or jurisdiction in which such individual is registered to vote; and

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"(ii) has not received such absentee ballot at least 2 days before the date of the election.

"(B) The individual—

"(i) resides in an area of a State with respect to which an emergency or public health emergency has been declared by the chief executive of the State or of the area involved within 5 days of the date of the election under the laws of the State due to reasons including a natural disaster, including severe weather, or an infectious disease; and

"(ii) has not requested an absentee ballot.

"(C) The individual expects to be absent from such individual's jurisdiction on the date of the election due to professional or volunteer service in response to a natural disaster or emergency as described in subparagraph (B).

"(D) The individual is hospitalized or expects to be hospitalized on the date of the election.

"(E) The individual is an individual with a disability (as defined in section 3 of the Ameri-

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cans with Disabilities Act of 1990 (42 U.S.C. 12102)) and resides in a State which does not offer voters the ability to use secure and accessible remote ballot marking. For purposes of this subparagraph, a State shall permit an individual to self-certify that the individual is an individual with a disability.

''(2) EXCLUSION OF ABSENT UNIFORMED SERVICES AND OVERSEAS VOTERS.—The term 'qualified individual' shall not include an absent uniformed services voter or an overseas voter.

''(c) STATE.—For purposes of this section, the term 'State' includes the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

''(d) EFFECTIVE DATE.—This section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.''.

(b) CONFORMING AMENDMENT.—Section 102(a) of such Act (52 U.S.C. 20302(a)) is amended—

(1) by striking ''and'' at the end of paragraph (10);

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(2) by striking the period at the end of paragraph (11) and inserting ''; and''; and

(3) by adding at the end the following new paragraph:

''(12) meet the requirements of section 103C with respect to the provision of blank absentee ballots for the use of qualified individuals described in such section.''.

(c) CLERICAL AMENDMENTS.—The table of contents of such Act is amended by inserting the following after section 103:

''Sec. 103A. Procedures for collection and delivery of marked absentee ballots of absent overseas uniformed services voters.
''Sec. 103B. Federal voting assistance program improvements.
''Sec. 103C. Transmission of blank absentee ballots to certain other voters.''.

SEC. 120006. VOTER REGISTRATION.

(a) REQUIRING AVAILABILITY OF INTERNET FOR VOTER REGISTRATION.—

(1) REQUIRING AVAILABILITY OF INTERNET FOR REGISTRATION.—The National Voter Registration Act of 1993 (52 U.S.C. 20501 et seq.) is amended by inserting after section 6 the following new section:

''SEC. 6A. INTERNET REGISTRATION.

''(a) REQUIRING AVAILABILITY OF INTERNET FOR ONLINE REGISTRATION.—

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"(1) AVAILABILITY OF ONLINE REGISTRATION AND CORRECTION OF EXISTING REGISTRATION INFORMATION.—Each State, acting through the chief State election official, shall ensure that the following services are available to the public at any time on the official public websites of the appropriate State and local election officials in the State, in the same manner and subject to the same terms and conditions as the services provided by voter registration agencies under section 7(a):

"(A) Online application for voter registration.

"(B) Online assistance to applicants in applying to register to vote.

"(C) Online completion and submission by applicants of the mail voter registration application form prescribed by the Election Assistance Commission pursuant to section 9(a)(2), including assistance with providing a signature as required under subsection (c).

"(D) Online receipt of completed voter registration applications.

"(b) ACCEPTANCE OF COMPLETED APPLICATIONS.—A State shall accept an online voter registration application provided by an individual under this section, and en-

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sure that the individual is registered to vote in the State, if—

"(1) the individual meets the same voter registration requirements applicable to individuals who register to vote by mail in accordance with section 6(a)(1) using the mail voter registration application form prescribed by the Election Assistance Commission pursuant to section 9(a)(2); and

"(2) the individual meets the requirements of subsection (c) to provide a signature in electronic form (but only in the case of applications submitted during or after the second year in which this section is in effect in the State).

"(c) SIGNATURE REQUIREMENTS.—

"(1) IN GENERAL.—For purposes of this section, an individual meets the requirements of this subsection as follows:

"(A) In the case of an individual who has a signature on file with a State agency, including the State motor vehicle authority, that is required to provide voter registration services under this Act or any other law, the individual consents to the transfer of that electronic signature.

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''(B) If subparagraph (A) does not apply, the individual submits with the application an electronic copy of the individual's handwritten signature through electronic means.

''(C) If subparagraph (A) and subparagraph (B) do not apply, the individual executes a computerized mark in the signature field on an online voter registration application, in accordance with reasonable security measures established by the State, but only if the State accepts such mark from the individual.

''(2) TREATMENT OF INDIVIDUALS UNABLE TO MEET REQUIREMENT.—If an individual is unable to meet the requirements of paragraph (1), the State shall—

''(A) permit the individual to complete all other elements of the online voter registration application;

''(B) permit the individual to provide a signature at the time the individual requests a ballot in an election (whether the individual requests the ballot at a polling place or requests the ballot by mail); and

''(C) if the individual carries out the steps described in subparagraph (A) and subpara-

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graph (B), ensure that the individual is registered to vote in the State.

''(3) NOTICE.—The State shall ensure that individuals applying to register to vote online are notified of the requirements of paragraph (1) and of the treatment of individuals unable to meet such requirements, as described in paragraph (2).

''(d) CONFIRMATION AND DISPOSITION.—

''(1) CONFIRMATION OF RECEIPT.—Upon the online submission of a completed voter registration application by an individual under this section, the appropriate State or local election official shall send the individual a notice confirming the State's receipt of the application and providing instructions on how the individual may check the status of the application.

''(2) NOTICE OF DISPOSITION.—Not later than 7 days after the appropriate State or local election official has approved or rejected an application submitted by an individual under this section, the official shall send the individual a notice of the disposition of the application.

''(3) METHOD OF NOTIFICATION.—The appropriate State or local election official shall send the notices required under this subsection by regular

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mail, and, in the case of an individual who has provided the official with an electronic mail address, by both electronic mail and regular mail.

''(e) PROVISION OF SERVICES IN NONPARTISAN MANNER.—The services made available under subsection (a) shall be provided in a manner that ensures that, consistent with section 7(a)(5)—

''(1) the online application does not seek to influence an applicant's political preference or party registration; and

''(2) there is no display on the website promoting any political preference or party allegiance, except that nothing in this paragraph may be construed to prohibit an applicant from registering to vote as a member of a political party.

''(f) PROTECTION OF SECURITY OF INFORMATION.—In meeting the requirements of this section, the State shall establish appropriate technological security measures to prevent to the greatest extent practicable any unauthorized access to information provided by individuals using the services made available under subsection (a).

''(g) ACCESSIBILITY OF SERVICES.—A state shall ensure that the services made available under this section are made available to individuals with disabilities to the

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same extent as services are made available to all other individuals.

''(h) USE OF ADDITIONAL TELEPHONE-BASED SYSTEM.—A State shall make the services made available online under subsection (a) available through the use of an automated telephone-based system, subject to the same terms and conditions applicable under this section to the services made available online, in addition to making the services available online in accordance with the requirements of this section.

''(i) NONDISCRIMINATION AMONG REGISTERED VOTERS USING MAIL AND ONLINE REGISTRATION.—In carrying out this Act, the Help America Vote Act of 2002, or any other Federal, State, or local law governing the treatment of registered voters in the State or the administration of elections for public office in the State, a State shall treat a registered voter who registered to vote online in accordance with this section in the same manner as the State treats a registered voter who registered to vote by mail.''.

(2) SPECIAL REQUIREMENTS FOR INDIVIDUALS USING ONLINE REGISTRATION.—

(A) TREATMENT AS INDIVIDUALS REGISTERING TO VOTE BY MAIL FOR PURPOSES OF FIRST-TIME VOTER IDENTIFICATION REQUIRE-

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MENTS.—Section 303(b)(1)(A) of the Help America Vote Act of 2002 (52 U.S.C. 21083(b)(1)(A)) is amended by striking ''by mail'' and inserting ''by mail or online under section 6A of the National Voter Registration Act of 1993''.

(B) REQUIRING SIGNATURE FOR FIRST-TIME VOTERS IN JURISDICTION.—Section 303(b) of such Act (52 U.S.C. 21083(b)) is amended—

(i) by redesignating paragraph (5) as paragraph (6); and

(ii) by inserting after paragraph (4) the following new paragraph:

''(5) SIGNATURE REQUIREMENTS FOR FIRST-TIME VOTERS USING ONLINE REGISTRATION.—

''(A) IN GENERAL.—A State shall, in a uniform and nondiscriminatory manner, require an individual to meet the requirements of subparagraph (B) if—

''(i) the individual registered to vote in the State online under section 6A of the National Voter Registration Act of 1993; and

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"(ii) the individual has not previously voted in an election for Federal office in the State.

"(B) REQUIREMENTS.—An individual meets the requirements of this subparagraph if—

"(i) in the case of an individual who votes in person, the individual provides the appropriate State or local election official with a handwritten signature; or

"(ii) in the case of an individual who votes by mail, the individual submits with the ballot a handwritten signature.

"(C) INAPPLICABILITY.—Subparagraph (A) does not apply in the case of an individual who is—

"(i) entitled to vote by absentee ballot under the Uniformed and Overseas Citizens Absentee Voting Act (52 U.S.C. 20302 et seq.);

"(ii) provided the right to vote otherwise than in person under section 3(b)(2)(B)(ii) of the Voting Accessibility for the Elderly and Handicapped Act (52 U.S.C. 20102(b)(2)(B)(ii)); or

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''(iii) entitled to vote otherwise than in person under any other Federal law.''.

(C) CONFORMING AMENDMENT RELATING TO EFFECTIVE DATE.—Section 303(d)(2)(A) of such Act (52 U.S.C. 21083(d)(2)(A)) is amended by striking ''Each State'' and inserting ''Except as provided in subsection (b)(5), each State''.

(3) CONFORMING AMENDMENTS.—

(A) TIMING OF REGISTRATION.—Section 8(a)(1) of the National Voter Registration Act of 1993 (52 U.S.C. 20507(a)(1)) is amended—

(i) by striking ''and'' at the end of subparagraph (C);

(ii) by redesignating subparagraph (D) as subparagraph (E); and

(iii) by inserting after subparagraph (C) the following new subparagraph:

''(D) in the case of online registration through the official public website of an election official under section 6A, if the valid voter registration application is submitted online not later than the lesser of 28 days, or the period provided by State law, before the date of the election (as determined by treating the date on

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which the application is sent electronically as the date on which it is submitted); and''.

(B) INFORMING APPLICANTS OF ELIGIBILITY REQUIREMENTS AND PENALTIES.—Section 8(a)(5) of such Act (52 U.S.C. 20507(a)(5)) is amended by striking ''and 7'' and inserting ''6A, and 7''.

(b) SAME DAY REGISTRATION.—

(1) IN GENERAL.—Subtitle C of title III of the Help America Vote Act of 2002, as added by section 3(a), is amended—

(A) by redesignating sections 325 and 326 as sections 326 and 327; and

(B) by inserting after section 324 the following new section:

''SEC. 325. SAME DAY REGISTRATION.

''(a) IN GENERAL.—

''(1) REGISTRATION.—Each State shall permit any eligible individual on the day of a Federal election and on any day when voting, including early voting, is permitted for a Federal election—

''(A) to register to vote in such election at the polling place using a form that meets the requirements under section 9(b) of the National Voter Registration Act of 1993 (or, if the indi-

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vidual is already registered to vote, to revise any of the individual's voter registration information); and

"(B) to cast a vote in such election.

"(2) EXCEPTION.—The requirements under paragraph (1) shall not apply to a State in which, under a State law in effect continuously on and after the date of the enactment of this section, there is no voter registration requirement for individuals in the State with respect to elections for Federal office.

"(b) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term 'eligible individual' means, with respect to any election for Federal office, an individual who is otherwise qualified to vote in that election.

"(c) EFFECTIVE DATE.—Each State shall be required to comply with the requirements of subsection (a) for the regularly scheduled general election for Federal office occurring in November 2020 and for any subsequent election for Federal office.".

(2) CLERICAL AMENDMENT.—The table of contents of such Act, as amended by section 3, is amended—

(A) by redesignating the items relating to sections 325 and 326 as relating to sections 326 and 327; and

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(B) by inserting after the item relating to section 324 the following new item:

''Sec. 325. Same day registration.''.

(c) PROHIBITING STATE FROM REQUIRING APPLICANTS TO PROVIDE MORE THAN LAST 4 DIGITS OF SOCIAL SECURITY NUMBER.—

(1) FORM INCLUDED WITH APPLICATION FOR MOTOR VEHICLE DRIVER'S LICENSE.—Section 5(c)(2)(B)(ii) of the National Voter Registration Act of 1993 (52 U.S.C. 20504(c)(2)(B)(ii)) is amended by striking the semicolon at the end and inserting the following: '', and to the extent that the application requires the applicant to provide a Social Security number, may not require the applicant to provide more than the last 4 digits of such number;''.

(2) NATIONAL MAIL VOTER REGISTRATION FORM.—Section 9(b)(1) of such Act (52 U.S.C. 20508(b)(1)) is amended by striking the semicolon at the end and inserting the following: '', and to the extent that the form requires the applicant to provide a Social Security number, the form may not require the applicant to provide more than the last 4 digits of such number;''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to the regularly scheduled general election for Federal of-

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fice held in November 2020 and each succeeding election for Federal office.

SEC. 120007. ACCOMMODATIONS FOR VOTERS RESIDING IN INDIAN LANDS.

(a) ACCOMMODATIONS DESCRIBED.—

(1) DESIGNATION OF BALLOT PICKUP AND COLLECTION LOCATIONS.—Given the widespread lack of residential mail delivery in Indian Country, an Indian Tribe may designate buildings as ballot pickup and collection locations with respect to an election for Federal office at no cost to the Indian Tribe. An Indian Tribe may designate one building per precinct located within Indian lands. The applicable State or political subdivision shall collect ballots from those locations. The applicable State or political subdivision shall provide the Indian Tribe with accurate precinct maps for all precincts located within Indian lands 60 days before the election.

(2) PROVISION OF MAIL-IN AND ABSENTEE BALLOTS.—The State or political subdivision shall provide mail-in and absentee ballots with respect to an election for Federal office to each individual who is registered to vote in the election who resides on Indian lands in the State or political subdivision in-

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volved without requiring a residential address or a mail-in or absentee ballot request.

(3) USE OF DESIGNATED BUILDING AS RESIDENTIAL AND MAILING ADDRESS.—The address of a designated building that is a ballot pickup and collection location with respect to an election for Federal office may serve as the residential address and mailing address for voters living on Indian lands if the tribally designated building is in the same precinct as that voter. If there is no tribally designated building within a voter's precinct, the voter may use another tribally designated building within the Indian lands where the voter is located. Voters using a tribally designated building outside of the voter's precinct may use the tribally designated building as a mailing address and may separately designate the voter's appropriate precinct through a description of the voter's address, as specified in section 9428.4(a)(2) of title 11, Code of Federal Regulations.

(4) LANGUAGE ACCESSIBILITY.—In the case of a State or political subdivision that is a covered State or political subdivision under section 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503), that State or political subdivision shall provide ab-

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sentee or mail-in voting materials with respect to an election for Federal office in the language of the applicable minority group as well as in the English language, bilingual election voting assistance, and written translations of all voting materials in the language of the applicable minority group, as required by section 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503), as amended by subsection (b).

(5) CLARIFICATION.—Nothing in this section alters the ability of an individual voter residing on Indian lands to request a ballot in a manner available to all other voters in the State.

(6) DEFINITIONS.—In this section:

(A) INDIAN.—The term ''Indian'' has the meaning given the term in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5304).

(B) INDIAN LANDS.—The term ''Indian lands'' includes—

(i) any Indian country of an Indian Tribe, as defined under section 1151 of title 18, United States Code;

(ii) any land in Alaska owned, pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), by an

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Indian Tribe that is a Native village (as defined in section 3 of that Act (43 U.S.C. 1602)) or by a Village Corporation that is associated with an Indian Tribe (as defined in section 3 of that Act (43 U.S.C. 1602));

(iii) any land on which the seat of the Tribal Government is located; and

(iv) any land that is part or all of a Tribal designated statistical area associated with an Indian Tribe, or is part or all of an Alaska Native village statistical area associated with an Indian Tribe, as defined by the Census Bureau for the purposes of the most recent decennial census.

(C) INDIAN TRIBE.—The term ''Indian Tribe'' has the meaning given the term ''Indian tribe'' in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5304).

(D) TRIBAL GOVERNMENT.—The term ''Tribal Government'' means the recognized governing body of an Indian Tribe.

(7) ENFORCEMENT.—

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(A) ATTORNEY GENERAL.—The Attorney General may bring a civil action in an appropriate district court for such declaratory or injunctive relief as is necessary to carry out this subsection.

(B) PRIVATE RIGHT OF ACTION.—

(i) A person or Tribal Government who is aggrieved by a violation of this subsection may provide written notice of the violation to the chief election official of the State involved.

(ii) An aggrieved person or Tribal Government may bring a civil action in an appropriate district court for declaratory or injunctive relief with respect to a violation of this subsection, if—

(I) that person or Tribal Government provides the notice described in clause (i); and

(II)(aa) in the case of a violation that occurs more than 120 days before the date of an election for Federal office, the violation remains and 90 days or more have passed since the date on which the chief election offi-

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cial of the State receives the notice under clause (i); or

(bb) in the case of a violation that occurs 120 days or less before the date of an election for Federal office, the violation remains and 20 days or more have passed since the date on which the chief election official of the State receives the notice under clause (i).

(iii) In the case of a violation of this section that occurs 30 days or less before the date of an election for Federal office, an aggrieved person or Tribal Government may bring a civil action in an appropriate district court for declaratory or injunctive relief with respect to the violation without providing notice to the chief election official of the State under clause (i).

(b) BILINGUAL ELECTION REQUIREMENTS.—Section 203 of the Voting Rights Act of 1965 (52 U.S.C. 10503) is amended—

(1) in subsection (b)(3)(C), by striking ''1990'' and inserting ''2010''; and

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(2) by striking subsection (c) and inserting the following:

''(c) PROVISION OF VOTING MATERIALS IN THE LANGUAGE OF A MINORITY GROUP.—

''(1) IN GENERAL.—Whenever any State or political subdivision subject to the prohibition of subsection (b) of this section provides any registration or voting notices, forms, instructions, assistance, or other materials or information relating to the electoral process, including ballots, it shall provide them in the language of the applicable minority group as well as in the English language.

''(2) EXCEPTIONS.—

''(A) IN GENERAL.—

''(i) In the case of a minority group that is not American Indian or Alaska Native and the language of that minority group is oral or unwritten, the State or political subdivision shall only be required to furnish, in the covered language, oral instructions, assistance, translation of voting materials, or other information relating to registration and voting.

''(ii) In the case of a minority group that is American Indian or Alaska Native,

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the State or political subdivision shall only be required to furnish in the covered language oral instructions, assistance, or other information relating to registration and voting, including all voting materials, if the Tribal Government of that minority group has certified that the language of the applicable American Indian or Alaska Native language is presently unwritten or the Tribal Government does not want written translations in the minority language.

''(3) WRITTEN TRANSLATIONS FOR ELECTION WORKERS.—Notwithstanding paragraph (2), the State or political division may be required to provide written translations of voting materials, with the consent of any applicable Indian Tribe, to election workers to ensure that the translations from English to the language of a minority group are complete, accurate, and uniform.''.

(c) EFFECTIVE DATE.—This section and the amendments made by this section shall apply with respect to the regularly scheduled general election for Federal office held in November 2020 and each succeeding election for Federal office.

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SEC. 120008. PAYMENTS BY ELECTION ASSISTANCE COMMISSION TO STATES TO ASSIST WITH COSTS OF COMPLIANCE.

(a) AVAILABILITY OF GRANTS.—Subtitle D of title II of the Help America Vote Act of 2002 (52 U.S.C. 21001 et seq.) is amended by adding at the end the following new part:

"PART 7—PAYMENTS TO ASSIST WITH COSTS OF COMPLIANCE WITH ACCESS ACT

"SEC. 297. PAYMENTS TO ASSIST WITH COSTS OF COMPLIANCE WITH ACCESS ACT.

''(a) AVAILABILITY AND USE OF PAYMENTS.—

''(1) IN GENERAL.—The Commission shall make a payment to each eligible State to assist the State with the costs of complying with the American Coronavirus/COVID–19 Election Safety and Security Act and the amendments made by such Act, including the provisions of such Act and such amendments which require States to pre-pay the postage on absentee ballots and balloting materials.

''(2) PUBLIC EDUCATION CAMPAIGNS.—For purposes of this part, the costs incurred by a State in carrying out a campaign to educate the public about the requirements of the American Coronavirus/COVID–19 Election Safety and Security Act and the amendments made by such Act

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shall be included as the costs of complying with such Act and such amendments.

''(b) PRIMARY ELECTIONS.—

''(1) PAYMENTS TO STATES.—In addition to any payments under subsection (a), the Commission shall make a payment to each eligible State to assist the State with the costs incurred in voluntarily electing to comply with the American Coronavirus/COVID–19 Election Safety and Security Act and the amendments made by such Act with respect to primary elections for Federal office held in the State in 2020.

''(2) STATE POLITICAL PARTY-RUN PRIMARIES.—In addition to any payments under paragraph (1), in the case of a State voluntarily electing to comply with the American Coronavirus/COVID–19 Election Safety and Security Act and the amendments made by such Act with respect to primary elections for Federal office held in the State in 2020, the Commission shall make a payment to each eligible political party of the State for the costs incurred by the party in transmitting absentee ballots and balloting materials with respect to such elections (including the costs relating to pre-paying the post-

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age on the return envelopes for such ballots and materials).

''(c) PASS-THROUGH OF FUNDS TO LOCAL JURISDICTIONS.—

''(1) IN GENERAL.—If a State receives a payment under this part for costs that include costs incurred by a local jurisdiction or Tribal government within the State, the State shall pass through to such local jurisdiction or Tribal government a portion of such payment that is equal to the amount of the costs incurred by such local jurisdiction or Tribal government.

''(2) TRIBAL GOVERNMENT DEFINED.—In this subsection, the term 'Tribal Government' means the recognized governing body of an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 5304).

''(d) SCHEDULE OF PAYMENTS.—As soon as practicable after the date of the enactment of this part and not less frequently than once each calendar year thereafter, the Commission shall make payments under this part.

''(e) COVERAGE OF COMMONWEALTH OF NORTHERN MARIANA ISLANDS.—In this part, the term 'State' in-

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cludes the Commonwealth of the Northern Mariana Islands.

''(f) LIMITATION.—No funds may be provided to a State under this part for costs attributable to the electronic return of marked ballots by any voter.

''SEC. 297A. AMOUNT OF PAYMENT.

''(a) IN GENERAL.—Except as provided in section 297C, the amount of a payment made to an eligible State for a year under this part shall be determined by the Commission.

''(b) CONTINUING AVAILABILITY OF FUNDS AFTER APPROPRIATION.—A payment made to an eligible State or eligible unit of local government under this part shall be available without fiscal year limitation.

''SEC. 297B. REQUIREMENTS FOR ELIGIBILITY.

''(a) APPLICATION.—Except as provided in section 297C, each State that desires to receive a payment under this part for a fiscal year, and each political party of a State that desires to receive a payment under section 297(b)(2), shall submit an application for the payment to the Commission at such time and in such manner and containing such information as the Commission shall require.

''(b) CONTENTS OF APPLICATION.—Each application submitted under subsection (a) shall—

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"(1) describe the activities for which assistance under this part is sought; and

"(2) provide such additional information and certifications as the Commission determines to be essential to ensure compliance with the requirements of this part.

"SEC. 297C. SPECIAL RULES FOR PAYMENTS FOR ELECTIONS SUBJECT TO EMERGENCY RULES.

"(a) SUBMISSION OF ESTIMATED COSTS.—If the special rules in the case of an emergency period under section 322(c)(3) apply to an election, not later than the applicable deadline under subsection (c), the State shall submit to the Commission a request for a payment under this part, and shall include in the request the State's estimate of the costs the State expects to incur in the administration of the election which are attributable to the application of such special rules to the election.

"(b) PAYMENT.—Not later than 7 days after receiving a request from the State under subsection (a), the Commission shall make a payment to the State in an amount equal to the estimate provided by the State in the request.

"(c) APPLICABLE DEADLINE.—The applicable deadline under this paragraph with respect to an election is—

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''(1) with respect to the regularly scheduled general election for Federal office held in November 2020, 15 days after the date of the enactment of this part; and

''(2) with respect to any other election, 15 days after the emergency or disaster described in section 322(c)(3) is declared.

''SEC. 297D. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated for payments under this part—

''(1) in the case of payments made under section 297C, such sums as may be necessary for fiscal year 2020 and each succeeding fiscal year; and

''(2) in the case of any other payments, such sums as may be necessary for fiscal year 2020.

''SEC. 297E. REPORTS.

''(a) REPORTS BY RECIPIENTS.—Not later than 6 months after the end of each fiscal year for which an eligible State received a payment under this part, the State shall submit a report to the Commission on the activities conducted with the funds provided during the year.

''(b) REPORTS BY COMMISSION TO COMMITTEES.—With respect to each fiscal year for which the Commission makes payments under this part, the Commission shall submit a report on the activities carried out under this

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part to the Committee on House Administration of the House of Representatives and the Committee on Rules and Administration of the Senate.''.

(b) CLERICAL AMENDMENT.—The table of contents of such Act is amended by adding at the end of the items relating to subtitle D of title II the following:

''PART 7—PAYMENTS TO ASSIST WITH COSTS OF COMPLIANCE WITH ACCESS ACT

''Sec. 297. Payments to assist with costs of compliance with Access Act.
''Sec. 297A. Amount of payment.
''Sec. 297B. Requirements for eligibility.
''Sec. 297C. Authorization of appropriations.
''Sec. 297D. Reports.''.

SEC. 120009. GRANTS TO STATES FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS OF ELECTIONS.

(a) AVAILABILITY OF GRANTS.—Subtitle D of title II of the Help America Vote Act of 2002 (52 U.S.C. 21001 et seq.), as amended by section 8(a), is further amended by adding at the end the following new part:

''PART 8—GRANTS FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS OF ELECTIONS

''SEC. 298. GRANTS FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS OF ELECTIONS.

''(a) AVAILABILITY OF GRANTS.—The Commission shall make a grant to each eligible State to conduct risk-limiting audits as described in subsection (b) with respect to the regularly scheduled general elections for Federal of-

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fice held in November 2020 and each succeeding election for Federal office.

''(b) RISK-LIMITING AUDITS DESCRIBED.—In this part, a 'risk-limiting audit' is a post-election process—

''(1) which is conducted in accordance with rules and procedures established by the chief State election official of the State which meet the requirements of subsection (c); and

''(2) under which, if the reported outcome of the election is incorrect, there is at least a predetermined percentage chance that the audit will replace the incorrect outcome with the correct outcome as determined by a full, hand-to-eye tabulation of all votes validly cast in that election that ascertains voter intent manually and directly from voter-verifiable paper records.

''(c) REQUIREMENTS FOR RULES AND PROCEDURES.—The rules and procedures established for conducting a risk-limiting audit shall include the following elements:

''(1) Rules for ensuring the security of ballots and documenting that prescribed procedures were followed.

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''(2) Rules and procedures for ensuring the accuracy of ballot manifests produced by election agencies.

''(3) Rules and procedures for governing the format of ballot manifests, cast vote records, and other data involved in the audit.

''(4) Methods to ensure that any cast vote records used in the audit are those used by the voting system to tally the election results sent to the chief State election official and made public.

''(5) Procedures for the random selection of ballots to be inspected manually during each audit.

''(6) Rules for the calculations and other methods to be used in the audit and to determine whether and when the audit of an election is complete.

''(7) Procedures and requirements for testing any software used to conduct risk-limiting audits.

''(d) DEFINITIONS.—In this part, the following definitions apply:

''(1) The term 'ballot manifest' means a record maintained by each election agency that meets each of the following requirements:

''(A) The record is created without reliance on any part of the voting system used to tabulate votes.

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"(B) The record functions as a sampling frame for conducting a risk-limiting audit.

"(C) The record contains the following information with respect to the ballots cast and counted in the election:

"(i) The total number of ballots cast and counted by the agency (including undervotes, overvotes, and other invalid votes).

"(ii) The total number of ballots cast in each election administered by the agency (including undervotes, overvotes, and other invalid votes).

"(iii) A precise description of the manner in which the ballots are physically stored, including the total number of physical groups of ballots, the numbering system for each group, a unique label for each group, and the number of ballots in each such group.

"(2) The term 'incorrect outcome' means an outcome that differs from the outcome that would be determined by a full tabulation of all votes validly cast in the election, determining voter intent manually, directly from voter-verifiable paper records.

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''(3) The term 'outcome' means the winner of an election, whether a candidate or a position.

''(4) The term 'reported outcome' means the outcome of an election which is determined according to the canvass and which will become the official, certified outcome unless it is revised by an audit, recount, or other legal process.

"SEC. 298A. ELIGIBILITY OF STATES.

''A State is eligible to receive a grant under this part if the State submits to the Commission, at such time and in such form as the Commission may require, an application containing—

''(1) a certification that, not later than 5 years after receiving the grant, the State will conduct risk-limiting audits of the results of elections for Federal office held in the State as described in section 298;

''(2) a certification that, not later than one year after the date of the enactment of this section, the chief State election official of the State has established or will establish the rules and procedures for conducting the audits which meet the requirements of section 298(c);

''(3) a certification that the audit shall be completed not later than the date on which the State certifies the results of the election;

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''(4) a certification that, after completing the audit, the State shall publish a report on the results of the audit, together with such information as necessary to confirm that the audit was conducted properly;

''(5) a certification that, if a risk-limiting audit conducted under this part leads to a full manual tally of an election, State law requires that the State or election agency shall use the results of the full manual tally as the official results of the election; and

''(6) such other information and assurances as the Commission may require.

''SEC. 298B. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated for grants under this part $20,000,000 for fiscal year 2020, to remain available until expended.''.

(b) CLERICAL AMENDMENT.—The table of contents of such Act, as amended by section 8(b), is further amended by adding at the end of the items relating to subtitle D of title II the following:

''PART 8—GRANTS FOR CONDUCTING RISK-LIMITING AUDITS OF RESULTS OF ELECTIONS

''Sec. 298. Grants for conducting risk-limiting audits of results of elections.
''Sec. 298A. Eligibility of States.
''Sec. 298B. Authorization of appropriations.

(c) GAO ANALYSIS OF EFFECTS OF AUDITS.—

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(1) ANALYSIS.—Not later than 6 months after the first election for Federal office is held after grants are first awarded to States for conducting risk-limiting audits under part 8 of subtitle D of title II of the Help America Vote Act of 2002 (as added by subsection (a)) for conducting risk-limiting audits of elections for Federal office, the Comptroller General of the United States shall conduct an analysis of the extent to which such audits have improved the administration of such elections and the security of election infrastructure in the States receiving such grants.

(2) REPORT.—The Comptroller General of the United States shall submit a report on the analysis conducted under subsection (a) to the appropriate congressional committees.

SEC. 120010. ADDITIONAL APPROPRIATIONS FOR THE ELECTION ASSISTANCE COMMISSION.

(a) IN GENERAL.—In addition to any funds otherwise appropriated to the Election Assistance Commission for fiscal year 2020, there is authorized to be appropriated $3,000,000 for fiscal year 2020 in order for the Commission to provide additional assistance and resources to States for improving the administration of elections.

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(b) AVAILABILITY OF FUNDS.—Amounts appropriated pursuant to the authorization under this subsection shall remain available without fiscal year limitation.

DIVISION M—OVERSIGHT AND ACCOUNTABILITY

SEC. 130001. CORONAVIRUS ACCOUNTABILITY AND TRANSPARENCY COMMITTEE.

(a) ESTABLISHMENT OF THE CORONAVIRUS ACCOUNTABILITY AND TRANSPARENCY COMMITTEE.—There is established the Coronavirus Accountability and Transparency Committee within the Council of the Inspectors General on Integrity and Efficiency to coordinate and support Inspectors General in conducting oversight of covered funds to detect and prevent fraud, waste, and abuse.

(b) COMPOSITION OF COMMITTEE.—

(1) CHAIRPERSON.—The Chairperson of the Committee shall be an Inspector General, identified in paragraph (2)(A) with experience managing oversight of large organizations and expenditures and shall be selected by the Chair of the Council of the Inspectors General on Integrity and Efficiency.

(2) MEMBERS.—The members of the Committee shall include—

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(A) the Inspectors General of the Departments of Commerce, Defense, Education, Health and Human Services, Homeland Security, Labor, Transportation, Treasury, Treasury Inspector General for Tax Administration, Veterans Affairs, and the Small Business Administration; and

(B) any other Inspector General as designated by the Chair of the Council of the Inspectors General on Integrity and Efficiency.

(c) FUNCTIONS OF THE COMMITTEE.—

(1) FUNCTIONS.—

(A) IN GENERAL.—The Committee shall coordinate and assist Inspectors General in the oversight of covered funds and the response of the Executive Branch to the Coronavirus Pandemic in order to prevent fraud, waste, and abuse.

(B) SPECIFIC FUNCTIONS.—The functions of the Committee shall include—

(i) developing a strategic plan to ensure Inspectors General effectively and efficiently conduct comprehensive oversight over all aspects of the covered funds and

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the response by the Executive Branch to the Coronavirus;

(ii) serving as a liaison to the Director of the Office of Management and Budget, Secretary of the Treasury, and other officials responsible for implementing this Act;

(iii) supporting audits and investigations of covered funds to determine whether wasteful spending, poor contract or grant management, or other abuses are occurring and referring matters the Committee considers appropriate for audit or investigation to the Inspector General for the agency that disbursed the covered funds or more than one Inspector General, as appropriate;

(iv) supporting reviews of contracts, grants, and other assistance that use using covered funds or that are otherwise related to Coronavirus by assessing whether—

(I) the contracts, grants, and other assistance meet applicable standards;

(II) the contracts, grants, and other assistance adequately specify the

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purpose of the contract, grant, or other assistance, as well as applicable measures of performance; and

(III) there are sufficient qualified acquisition and grant personnel overseeing the use of covered funds; and

(v) reviewing whether there are appropriate mechanisms for interagency collaboration relating to covered funds, including coordinating and collaborating to the extent practicable with State and local government entities.

(2) REPORTS.—

(A) REPORTS.—The Committee shall submit to the President and Congress, including the appropriate congressional committees, timely alerts on current or potential management and funding problems that require immediate attention. The Committee also shall submit to Congress such other reports as the Committee considers appropriate on the use and benefits of covered funds and the response of the Executive Branch to the Coronavirus.

(B) BIANNUAL REPORTS.—The Committee shall submit reports every six months to the

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President and the appropriate congressional committees, summarizing the findings of the Committee and Inspectors General of agencies. The Committee may submit additional reports as appropriate.

(C) PUBLIC AVAILABILITY.—

(i) IN GENERAL.—All reports submitted under this paragraph shall be made publicly available and posted on the website established by subsection (e).

(ii) REDACTIONS.—Any portion of a report submitted under this paragraph may be redacted when made publicly available, if that portion would disclose information that is not subject to disclosure under sections 552 and 552a of title 5, United States Code.

(3) RECOMMENDATIONS.—

(A) IN GENERAL.—The Committee, in coordination with the member Inspectors General, shall make recommendations to agencies and to Congress, including the appropriate committees, on measures to prevent fraud, waste, and abuse relating to covered funds.

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(B) RESPONSIVE REPORTS.—Not later than 30 days after receipt of a recommendation under subparagraph (A), an agency shall submit a report to the President, the congressional committees of jurisdiction, and the appropriate congressional committees, on—

(i) whether the agency agrees or disagrees with the recommendations; and

(ii) any specific action or action plan the agency will take to implement the recommendations.

(d) POWERS AND AUTHORITIES OF THE COMMITTEE.—

(1) IN GENERAL.—The Committee shall coordinate and support investigations, audits and reviews of spending of covered funds to avoid duplication and overlap of work and ensure that there are not gaps in oversight activities by the member Inspectors General. If a gap in oversight is identified, the Committee shall request that an Inspector General or more than one Inspector General, designated by the Chair, conduct the appropriate audit or review.

(2) AUDITS AND INVESTIGATIONS.—The Committee may—

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(A) provide all necessary support to an Inspector General or Inspectors General in the conduct of investigations, audits, evaluations, and reviews relating to covered funds and Coronavirus response; and

(B) collaborate on investigations, audits and reviews relating to covered funds and Coronavirus response with any Inspector General of an agency or more than one Inspectors General.

(3) AUTHORITIES.—

(A) AUDITS AND INVESTIGATIONS.—In providing assistance to Inspectors General in the conduct of investigations, audits and reviews, the Committee shall have the authorities provided under section 6 of the Inspector General Act of 1978 (5 U.S.C. App.). The Committee may issue subpoenas to compel the testimony of persons and may enforce subpoenas in the event of a refusal to obey by order of any appropriate United States district court as provided for Inspector General subpoenas under section 6 of the Inspector General Act of 1978 (5 U.S.C. App.).

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(B) STANDARDS AND GUIDELINES.—The Committee shall carry out the powers under paragraphs (1) and (2) in accordance with section 4(b)(1) of the Inspector General Act of 1978 (5 U.S.C. App.).

(C) REPORT OF REFUSALS.—Whenever information or assistance requested by the Committee or an Inspector General, is unreasonably refused or not provided, the Committee shall immediately report the circumstances to the appropriate committees.

(D) INFORMATION AND ASSISTANCE.—Upon request of the Committee for information or assistance from any agency or other entity of the Federal Government, or any recipient under this Act, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, and consistent with section 6 of the Inspector General Act of 1978, as amended, furnish such information or assistance to the Committee.

(4) CONTRACTS.—The Council may enter into contracts to enable the Committee to discharge its duties under this Act, including contracts for audits, studies, analyses, and other services with public

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agencies and private persons, and make such payments as may be necessary to carry out the duties of the Committee.

(5) TRANSFER OF FUNDS.—The Council may transfer funds appropriated to the Council under this section for administrative support services and any audits, investigations, reviews, or other activities to any office of Inspector General.

(6) EMPLOYMENT AND PERSONNEL AUTHORITIES.—

(A) IN GENERAL.—

(i) AUTHORITIES.—The Council may exercise the authorities of subsections (b) through (i) of section 3161 of title 5, United States Code, (without regard to subsection (a) of that section) to carry out the Committee's functions under this section.

(ii) APPLICATION.—For purposes of exercising the authorities described under clause (i), the term ''Chairperson of the Council'' shall be substituted for the term ''head of a temporary organization''.

(iii) CONSULTATION.—In exercising the authorities described under clause (i),

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the Chairperson shall consult with members of the Committee.

(iv) EMPLOYMENT AUTHORITIES.—In exercising the employment authorities under subsection (b) of section 3161 of title 5, United States Code, paragraph (2) of subsection (b) of section 3161 of that title (relating to periods of appointments) shall not apply and no period of appointment may exceed the date on which the Committee terminates under subsection (i).

(v) DETAIL OF PERSONNEL.—In addition to the authority provided by subsection (c) of section 3161 of title 5, United States Code, upon the request of an Inspector General, the Council may detail, on a nonreimbursable basis, any personnel of the Committee to that Inspector General to assist in carrying out any audit or investigation referred to the Inspector General by the Committee.

(vi) REHIRING ANNUITANTS.—The Committee may employ annuitants covered by section 9902(g) of title 5, United States Code, for purposes of the oversight of cov-

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ered funds or the Coronavirus response. The employment of annuitants under this subparagraph shall be subject to the provisions of section 9902(g) of title 5, United States Code, as if the Committee was the Department of Defense.

(vii) COMPETITIVE STATUS.—A person employed by the Committee shall acquire competitive status for appointment to any position in the competitive service for which the employee possesses the required qualifications upon the completion of 2 years of continuous service as an employee under this subsection. No person who is first employed more than 2 years after the date of the enactment of this Act may acquire competitive status under this authority.

(e) COMMITTEE WEBSITE.—

(1) ESTABLISHMENT.—The Committee shall utilize www.Oversight.gov to establish and maintain, no later than 30 days after the enactment of this Act, a public-facing website for accountability and transparency in the use of covered funds.

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(2) PURPOSE.—The website established and maintained under paragraph (1) shall provide information relating to implementation of this Act and provide connections to other government websites with related information.

(3) CONTENT AND FUNCTION.—In establishing the website established and maintained under paragraph (1), the Committee shall ensure the website—

(A) provides materials explaining what this Act means for citizens in plain language and shall be regularly updated;

(B) provides accountability information, including findings from audits, investigations, or reviews conducted by the Committee, Inspectors General, and the Government Accountability Office;

(C) provides data made available in a searchable, sortable, downloadable, and machine-readable format;

(D) provides—

(i) data on how funds provided under this Act are spent including through relevant economic, financial, grant, subgrant, contract, subcontract, loan, and other relevant information with a unique, trackable

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identification number for each project where applicable; and

(ii) information about the process that was used for the award of loans, grants, or contracts, and for contracts over $150,000, an explanation of the contract agreement where applicable;

(E) includes searchable, sortable, downloadable, machine-readable reports on covered funds obligated by month to each State and congressional district where applicable;

(F) includes detailed information on Federal Government contracts, grants, and loans that expend covered funds, using, where applicable, the data elements required by the Digital Access and Transparency Act (Public Law 113–101), and shall allow for aggregate reporting on awards below $50,000 or to individuals, as prescribed by the Director of the Office of Management and Budget;

(G) includes appropriate links to other government websites with information concerning covered funds, including Federal agency and State websites;

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(H) provides information on Federal allocations of formula grants and awards of competitive grants using covered funds;

(I) provides, if applicable, information on Federal allocations of mandatory and other entitlement programs by State, county, or other appropriate geographical unit;

(J) be enhanced and updated as necessary to carry out the purposes of this section; and

(K) presents the data such that funds subawarded by recipients are not double counted in search results, data visualizations or other reports.

(4) WAIVER.—The Committee may exclude posting contractual or other information on the website on a case-by-case basis when necessary to protect information that is not subject to disclosure under sections 552 and 552a of title 5, United States Code.

(f) INDEPENDENCE OF INSPECTORS GENERAL.—

(1) INDEPENDENT AUTHORITY.—Nothing in this section shall affect the independent authority of an Inspector General or the Comptroller General to determine whether to conduct an audit or investigation of covered funds.

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(2) REQUESTS BY COMMITTEE.—If the Committee requests that an Inspector General conduct or refrain from conducting an audit or investigation and such Inspector General rejects such request in whole or in part, such Inspector General shall, not later than 30 days after rejecting the request, submit a report to the appropriate congressional committees. The report shall state the reasons that such Inspector General has rejected the request in whole or in part.

(g) COORDINATION WITH THE COMPTROLLER GENERAL AND STATE AUDITORS.—The Committee shall coordinate its oversight activities with the Comptroller General of the United States and State and local auditors.

(h) AUTHORIZATION OF APPROPRIATIONS.—For the purposes of carrying out the mission of the Council of the Inspectors General on Integrity and Efficiency under section 11 of the Inspector General Act of 1978 (5 U.S.C. App.) and to carry out this section, there are authorized to be appropriated into the revolving fund described in subsection (c)(3)(B) of such section, out of any amount in the Treasury not otherwise appropriated, $60,000,000 to carry out the duties and functions of the Council.

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(i) TERMINATION OF THE COMMITTEE.—The Committee and its authorities and responsibilities shall terminate on the later of—

(1) the date the last grant administered under this Act is expended;

(2) the date the last contract administered under this Act expires;

(3) the date the last loan or loan guarantee provided under this Act matures or expires, as appropriate; or

(4) the date the last instrument or asset acquired by the Federal Government has been sold or transferred out of the ownership or control of the Federal Government, or otherwise disposed of.

(j) DEFINITIONS.—In this section:

(1) COMMITTEE.—The term ''Committee'' means the Coronavirus Accountability and Transparency Committee established in subsection (a).

(2) COVERED FUNDS.—The term ''covered funds'' means any funds that are made available, in any form, under this Act.

(3) RECIPIENT.—The term ''recipient'' means a recipient of Federal funds under this Act.

(4) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional com-

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mittees'' means the Committees on Appropriations and Homeland Security of the Senate and Committees on Appropriations and Oversight and Reform in the House of Representatives.

SEC. 130002. GAO OVERSIGHT AND AUDIT AUTHORITY.

(a) AUTHORITY.—The Comptroller General shall conduct monitoring and oversight of the exercise of authorities under this Act or any other Act to prepare for, respond to, and recover from the Coronavirus pandemic and the effect of the pandemic on the health, economy, and public and private institutions of the United States, including public health and homeland security efforts by the Federal Government and the use of selected funds under this or any other Act related to the Coronavirus pandemic.

(b) BRIEFINGS AND REPORTS.—In conducting monitoring and oversight under subsection (a), the Comptroller General shall—

(1) during the period beginning on the date of enactment of this Act and ending on the date on which the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) with respect to the Coronavirus Disease 2019 expires, offer regular briefings on not less frequently than a monthly basis to the appro-

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priate congressional committees regarding Federal public health and homeland security efforts;

(2) publish reports regarding the ongoing monitoring and oversight efforts, which, along with any audits and investigations conducted by the Comptroller General, shall be submitted to the appropriate congressional committees and posted on the website of the Government Accountability Office—

(A) not later than 90 days after the date of enactment of this Act, every other month thereafter until the date that is 1 year after the date of enactment of this Act; and

(B) after the period described in subparagraph (A), on a periodic basis; and

(3) submit to the appropriate congressional committees additional reports as warranted by the findings of the monitoring and oversight activities of the Comptroller General.

(c) ACCESS TO INFORMATION.—

(1) RIGHT OF ACCESS.—In conducting monitoring and oversight activities under this section, the Comptroller General shall have access to records, upon request, of any Federal, State, or local agency, contractor, grantee, recipient, or subrecipient pertaining to any Federal effort or assistance of any

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type related to Coronavirus under this Act or any other Act, including private entities receiving such assistance.

(2) COPIES.—The Comptroller General may make and retain copies of any records accessed under paragraph (1) as the Comptroller General determines appropriate.

(3) INTERVIEWS.—In addition to such other authorities as are available, the Comptroller General or a designee of the Comptroller General may interview Federal, State, or local officials, contractor staff, grantee staff, recipients, or subrecipients pertaining to any Federal effort or assistance of any type related to Coronavirus under this or any other Act, including private entities receiving such assistance.

(4) INSPECTION OF FACILITIES.—As determined necessary by the Comptroller General, the Government Accountability Office may inspect facilities at which Federal, State, or local officials, contractor staff, grantee staff, or recipients or subrecipients carry out their responsibilities related to Coronavirus.

(5) ENFORCEMENT.—Access rights under this subsection shall be subject to enforcement consistent with section 716 of title 31, United States Code.

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(d) RELATIONSHIP TO EXISTING AUTHORITY.—Nothing in this section shall be construed to limit, amend, supersede, or restrict in any manner any existing authority of the Comptroller General.

[(e) APPROPRIATIONS FOR GOVERNMENT ACCOUNTABILITY OFFICE.—Out of amounts in the Treasury not otherwise appropriated, there is appropriated, for an additional amount for ''Government Accountability Office—Salaries and Expenses'', $50,000,000, to remain available until expended, for audits and investigations relating to—

[(1) Coronavirus or similar pandemics; and

[(2) any related stimulus funding to assist the response of the United States to the major health and economic vulnerabilities of the United States to pandemics.]

(f) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means—

(A) the Committee on Appropriations of the Senate;

(B) the Committee on Homeland Security and Governmental Affairs of the Senate;

(C) the Committee on Health, Education, Labor, and Pensions of the Senate;

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(D) the Committee on Appropriations of the House of Representatives;

(E) the Committee on Homeland Security of the House of Representatives;

(F) the Committee on Oversight and Reform of the House of Representatives; and

(G) the Committee on Energy and Commerce of the House of Representatives.

(2) COMPTROLLER GENERAL.—The term ''Comptroller General'' means the Comptroller General of the United States.

DIVISION N—U.S. POSTAL SERVICE PROVISIONS

SEC. 140001. ELIMINATION OF USPS DEBT; ADDITIONAL BORROWING AUTHORITY.

(a) IN GENERAL.—Notwithstanding any other provision of law—

(1) any outstanding debt of the United States Postal Service owed to the Treasury pursuant to sections 2005 and 2011 of title 5, United States Code, on the date of the enactment of this Act is hereby cancelled; and

(2) after the date of the enactment of this Act, the United States Postal Service is authorized to borrow money from the Treasury in an amount not

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to exceed $15,000,000,000 to carry out the duties and responsibilities of the Postal Service, including those under title 39, United States Code, and the Secretary of the Treasury shall lend up to such amount at the request of the Postal Service.

(b) REPEAL OF FISCAL YEAR BORROWING LIMIT.—Section 2005(a)(1) of title 39, United States Code, is amended by striking ''In any one fiscal year,'' and all that follows through the period.

SEC. 140002. PRIORITIZATION OF DELIVERY FOR MEDICAL PURPOSES DURING COVID–19 EMERGENCY.

Notwithstanding any other provision of law, the United States Postal Service—

(1) shall prioritize delivery of postal products for medical purposes during the emergency, declared by the President under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191) on March 13, 2020, based on the outbreak of COVID–19;

(2) may establish temporary delivery points, in such form and manner as the Postal Service determines necessary, to protect employees of the Postal Service and individuals receiving deliveries from the Postal Service; and

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(3) may institute flexible delivery, in such form and manner as the Postal Service determines necessary, in the event operations or employees of the Postal Service are impacted by the COVID–19 outbreak described in paragraph (1).

DIVISION O—FEDERAL WORKFORCE PROVISIONS

SEC. 150001. REIMBURSEMENT FOR CHILD AND FAMILY CARE FOR FEDERAL EMPLOYEES DURING COVID–19 PANDEMIC.

(a) IN GENERAL.—During the period beginning on the date of enactment of this Act and ending on December 31, 2020, any employee who is unable to care for a dependent child of the employee or a relative of the employee who has COVID–19 as a result of the employee being required to report to their duty station (either permanent or temporary) or to telework shall be entitled to reimbursement for the costs of such care.

(b) APPLICATION.—

(1) IN GENERAL.—Any payment provided by operation of subsection (a) shall be paid on a monthly basis, with payments being made to the employee on the last day of each month.

(2) SUBMISSION OF RECEIPTS.—For purposes of determining reimbursement amounts, each em-

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ployee shall submit to their employing office receipts or other documents as the office may require.

(3) LIMIT.—Reimbursement may not be paid to any employee under this section for any month in an amount greater than $2,000 per child or relative.

(c) DEFINITIONS.—In this section—

(1) the term ''employee'' means any individual occupying a position in the civil service (as that term is defined in section 2101(1) of title 5, United States Code); and

(2) the terms ''dependent child'' and ''relative'' have the meaning given those terms in paragraphs (2) and (16), respectively, of section 109 of the Ethics in Government Act of 1978 (5 U.S.C. App. 109(2)).

SEC. 150002. FEDERAL CONTRACTOR REIMBURSEMENT.

Not later than 10 calendar days after the date of the enactment of this Act, the Director of the Office of Management and Budget, in consultation with the Administrator of the Office of Federal Procurement Policy, shall issue guidance to the head of each executive agency to provide equitable adjustment for any contractor under a contract with the Federal Government whose work was disrupted as a result of measures taken with respect to COVID–19. For purposes of this section, work disruption

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shall include denial of access to Federal facilities, supply chain disruptions, use of annual leave by individuals employed to fulfill the contract, and furloughs of individuals employed to fulfill the contract.

SEC. 150003. WEATHER AND SAFETY LEAVE FOR COVID–19.

(a) IN GENERAL.—Beginning on the date of enactment of this Act and ending on December 31, 2020, subsection (b)(3) of section 6329c of title 5, United States Code, shall be applied by substituting ''approved location, including by reason of the inability to travel or access work stations as a result of COVID–19'' for ''approved location''.

(b) APPROVED LOCATION.—Such section is amended in subsection (a)—

(1) by striking ''and'' at the end of paragraph (1);

(2) by striking the period at the end of paragraph (2) and inserting ''; and''; and

(3) by adding at the end the following:

''(3) the term 'approved location' means any location at which an employee has been approved to perform work, including any Federal office, a teleworking site, or other location as determined by the head of the agency at which the employee is employed.''.

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(c) RULE OF CONSTRUCTION.—Notwithstanding subparagraph (B) of subsection (a)(2) of such section, intermittent employees described in such subparagraph shall be eligible for the leave provided by operation of subsection (a) of this section.

SEC. 150004. COVID–19 TELEWORKING REQUIREMENTS FOR FEDERAL EMPLOYEES.

(a) MANDATED TELEWORK.—

(1) IN GENERAL.—Effective immediately upon the date of enactment of this Act, the head of any Federal agency shall require any employee of such agency who is authorized to telework under chapter 65 of title 5, United States Code, or any other provision of law to telework during the period beginning on the date of enactment of this Act and ending on December 31, 2020.

(2) DEFINITIONS.—In this subsection—

(A) the term ''employee'' means any individual occupying a position in the civil service (as that term is defined in section 2101(1) of title 5, United States Code); and

(B) the term ''telework'' has the meaning given that term in section 6501(3) of such title.

(b) TELEWORK PARTICIPATION GOALS.—Chapter 65 of title 5, United States Code, is amended as follows:

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(1) In section 6502—

(A) in subsection (b)—

(i) in paragraph (4), by striking ''and'' at the end;

(ii) in paragraph (5), by striking the period at the end and inserting a semicolon; and

(iii) by adding at the end the following:

''(6) include annual goals for increasing the percent of employees of the executive agency participating in teleworking—

''(A) three or more days per pay period;

''(B) one or 2 days per pay period;

''(C) once per month; and

''(D) on an occasional, episodic, or short-term basis; and

''(7) include methods for collecting data on, setting goals for, and reporting costs savings to the executive agency achieved through teleworking, consistent with the guidance developed under section 2(c) of the [_____ Act].''; and

(B) by adding at the end the following:

''(d) NOTIFICATION FOR REDUCTION IN TELEWORKING PARTICIPATION.—Not later than 30 days before

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the date that an executive agency implements or modifies a teleworking plan that would reduce the percentage of employees at the agency who telework, the head of the executive agency shall provide written notification, including a justification for the reduction in telework participation and a description of how the agency will pay for any increased costs resulting from that reduction, to—

''(1) the Director of the Office of Personnel Management;

''(2) the Committee on Oversight and Reform of the House of Representatives; and

''(3) the Committee on Homeland Security and Governmental Affairs of the Senate.

''(e) PROHIBITION ON AGENCY-WIDE LIMITS ON TELEWORKING.—An agency may not prohibit any delineated period of teleworking participation for all employees of the agency, including the periods described in subparagraphs (A) through (D) of subsection (b)(6). The agency shall make any teleworking determination with respect to an employee or group of employees at the agency on a case-by-case basis.''.

(2) In section 6506(b)(2)—

(A) in subparagraph (F)(vi), by striking ''and'' at the end;

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(B) in subparagraph (G), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following:

''(H) agency cost savings achieved through teleworking, consistent with the guidance developed under section 2(c) of the Telework Metrics and Cost Savings Act; and

''(I) a detailed explanation of a plan to increase the Government-wide teleworking participation rate above such rate applicable to fiscal year 2016, including agency-level plans to maintain or improve such rate for each of the teleworking frequency categories listed under subparagraph (A)(iii).''.

(c) GUIDANCE.—Not later than 90 days after the date of the enactment of this Act, the Director of the Office of Personnel Management, in collaboration with the Chief Human Capital Officer Council, shall establish uniform guidance for agencies on how to collect data on, set goals for, and report cost savings achieved through, teleworking. Such guidance shall account for cost savings related to travel, energy use, and real estate.

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(d) TECHNICAL CORRECTION.—Section 6506(b)(1) of title 5, United States Code, is amended by striking ''with Chief'' and inserting ''with the Chief''.

SEC. 150005. PAY DIFFERENTIAL FOR DUTY RELATED TO COVID–19.

(a) IN GENERAL.—Section 5545 of title 5, United States Code, is amended by adding at the end the following:

''(e)(1) The Office shall establish a schedule or schedules of pay differentials for duty during which an employee is exposed to an individual who has (or who has been exposed to) COVID–19.

''(2) Under such regulations as the Office may prescribe, during the period beginning on March 15, 2020, and ending on September 30, 2020, an employee to whom chapter 51 and subchapter III of chapter 53 applies, and an employee appointed under chapter 73 or 74 of title 38, is entitled to be paid the differential under paragraph (1) for any period in which the employee is carrying out the duty described in such paragraph.''.

(b) TSA EMPLOYEES.—Section 111(d)(2) of the Aviation and Transportation Security Act (49 U.S.C. 44935 note) is amended by adding at the end the following:

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"(C) HAZARDOUS DUTY PAY FOR COVID–19.—The provisions of section 5545(e) of title 5, United States Code, shall to apply to any individual appointed under paragraph (1).".

DIVISION P—FEDERAL EMPLOYEE COLLECTIVE BARGAINING AND OFFICIAL TIME

SEC. 160001. SHORT TITLE.

This division may be cited as the "Protecting Collective Bargaining and Official Time for Federal Workers Act".

SEC. 160002. FINDINGS.

Congress finds the following:

(1) Federal Unions play a critical role in protecting the rights of Federal workers by allowing members to have a collective voice on the job and in the legislative process, advance issues for working families, ensure equal opportunities for all workers, and raise the standards by which all professional and technical workers are employed.

(2) Collective bargaining is essential to the union process, because it provides mutual agreement between all parties that fosters harmonious relationships between the Federal Government and its employees and protects the interest of both parties.

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(3) The current administration has acted through Executive Orders and official memorandums to dismantle Federal Unions and undermine their collective bargaining rights across the Federal workforce and these directives have already negatively impacted labor contracts, both signed and under active negotiation.

(4) These orders set an aggressive schedule for unions to engage in collective bargaining, while also slashing the unions official time for performing union duties by over 91 percent in some cases. These actions are limiting the ability for unions to prepare for negotiations and perform their legally required employee representational duties.

(5) Section 7101(a) of title 5, United States Code, states, ''Congress finds that labor organizations and collective bargaining in the civil service are in the public interest.''. Attempting to eliminate the Union by eliminating almost all its official time repudiates the statutory position that unions are in the public interest.

(6) Through these orders, agencies are required to comply with artificial bargaining schedules, which undermine good faith negotiations and divert the decision-making to an impasse panel, which has no

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union representation on it and does not represent both parties.

(7) Collectively, the administration's actions have violated Congressional intent, undermined the ability of unions to engage in collective bargaining, and threatened the rights and benefits of millions of Federal workers.

SEC. 160003. NULLIFICATION OF EXECUTIVE ORDERS RELATING TO FEDERAL EMPLOYEE COLLECTIVE BARGAINING.

Each of the following Executive Orders and presidential memorandum are rescinded and shall have no force or effect:

(1) Executive Order 13837 (relating to the use of official time).

(2) Executive Order 13836 (relating to Federal collective bargaining).

(3) Executive Order 13839 (relating to the Merit Systems Protection Board).

(4) The Presidential Memorandum on the Delegation of Certain Authority under the Federal Service Labor-Management Relations Statute, issued to the Secretary of Defense on January 29, 2020.

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DIVISION Q—STUDENT VETERAN CORONAVIRUS RESPONSE ACT OF 2020

SEC. 170001. SHORT TITLE.

This division may be cited as the ''Student Veteran Coronavirus Response Act of 2020''.

SEC. 170002. PAYMENT OF WORK-STUDY ALLOWANCES DURING EMERGENCY SITUATIONS.

Section 3485 of title 38, United States Code, is amended by adding at the end the following new subsection:

''(f)(1) In case of an individual who is in receipt of work-study allowance pursuant to an agreement described in subsection (a)(3) as of the date on which an emergency situation occurs and who is unable to continue to perform qualifying work-study activities described in subsection (a)(4) by reason of the emergency situation—

''(A) the Secretary may continue to pay work-study allowance under this section or make deductions described in subsection (e)(1) during the period of such emergency situation, notwithstanding the inability of the individual to perform such work-study activities by reason of such emergency situation; and

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''(B) at the option of the individual, the Secretary shall extend the agreement described in subsection (a)(3) with the individual for any subsequent period of enrollment initiated during the emergency situation, notwithstanding the inability of the individual to perform work-study activities described in subsection (a)(4) by reason of such emergency situation.

''(2) The amount of work-study allowance payable to an individual under paragraph (1)(A) during the period of an emergency situation shall be an amount determined by the Secretary but may not exceed the amount that would be payable under subsection (a)(2) if the individual worked 25 hours per week paid during such period.''.

SEC. 170003. PAYMENT OF ALLOWANCES TO VETERANS ENROLLED IN EDUCATIONAL INSTITUTIONS CLOSED FOR EMERGENCY SITUATIONS.

(a) TEMPORARY PROVISION.—

(1) IN GENERAL.—During the period beginning on March 1, 2020, and ending on December 21, 2020, the Secretary may pay allowances to an eligible veteran or eligible person under section 3680(a)(2)(A) of title 38, United States Code, if the veteran or person is enrolled in a program or course of education that—

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(A) is provided by an educational institution that is closed by reason of an emergency situation; or

(B) is suspended by reason of an emergency situation.

(2) AMOUNT OF ALLOWANCE.—The total number of weeks for which allowances may be paid under this section may not exceed four weeks.

(3) NOT COUNTED FOR PURPOSES OF LIMITATION.—Any amount paid under this section shall not be counted for purposes of the limitation on allowanced under section 3680(a)(2)(A) of title 38, United States Code.

(b) PERMANENT PROVISION.—Section 3680(a)(2) of title 38, United States Code, is amended—

(1) in subparagraph (A), by striking ''12-month'' and inserting ''six-month''; and

(2) in subparagraph (B)—

(A) by striking ''or following'' and inserting ''during periods following''; and

(B) by inserting after ''section 3699(b)(1)(B) of this title,'' the following: '', or during periods when a course of study or program of education is temporarily closed or terminated by reason of an emergency situation,''.

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SEC. 170004. PROHIBITION OF CHARGE TO ENTITLEMENT OF STUDENTS UNABLE TO PURSUE A PROGRAM OF EDUCATION DUE TO AN EMERGENCY SITUATION.

Section 3699(b)(1) of title 38, United States Code, is amended—

(1) in subparagraph (A), by striking ''or'' at the end;

(2) in subparagraph (B)(ii), by striking ''and'' at the end and inserting ''or'' ; and

(3) by adding at the end the following new subparagraph:

''(C) the temporary closure of an educational institution or the temporary closure or termination of a course or program of education by reason of an emergency situation; and''.

SEC. 170005. EXTENSION OF TIME LIMITATIONS FOR USE OF ENTITLEMENT.

(a) MONTGOMERY GI BILL.—Section 3031 of title 38, United States Code, is amended by adding at the end the following new subsection:

''(i) In the case of an individual eligible for educational assistance under this chapter who is prevented from pursuing the individual's chosen program of education before the expiration of the 10-year period for the use of entitlement under this chapter otherwise applicable

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under this section because the educational institution closed (temporarily or permanently) under an established policy based on an Executive order of the President or due to an emergency situation, such 10-year period—

''(1) shall not run during the period the individual is so prevented from pursuing such program; and

''(2) shall again begin running on the first day after the individual is able to resume pursuit of a program of education with educational assistance under this chapter.''.

(b) POST-9/11 EDUCATIONAL ASSISTANCE.—

(1) IN GENERAL.—Section 3321(b)(1) of such title is amended—

(A) by inserting ''(A)'' before ''Subsections'';

(B) by striking ''and (d)'' and inserting ''(d), and (i)''; and by adding at the end the following new subparagraph:

''(B) Subsection (i) of section 3031 shall apply with respect to the running of the 15-year period described in paragraphs (4)(A) and (5)(A) of this subsection in the same manner as such subsection applies under section 3031 with respect to the running of the 10-year period described in section 3031(a).''.

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(2) TRANSFER PERIOD.—Section 3319(h)(5) is amended—

(A) in subparagraph (A) by inserting ''or (C)'' after ''subparagraph (B)''; and

(B) by adding at the end the following new subparagraph:

''(C) EMERGENCY SITUATIONS.—In any case in which the Secretary determines that an individual to whom entitlement is transferred under this section has been prevented from pursuing the individual's chosen program of education before the individual attains the age of 26 years because the educational institution closed (temporarily or permanently) under an established policy based on an Executive order of the President or due to an emergency situation, the Secretary shall extend the period during which the individual may use such entitlement for a period equal to the number of months that the individual was so prevented from pursuing the program of education, as determined by the Secretary.''.

(c) VOCATIONAL REHABILITATION AND TRAINING.—

(1) PERIOD FOR USE.—Section 3103 of such title is amended—

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(A) in subsection (a), by striking ''or (e)'' and inserting ''(e), or (g)''; and

(B) by adding at the end the following new subsection:

''(g) In any case in which the Secretary determines that a veteran has been prevented from participating in a vocational rehabilitation program under this chapter within the twelve-year period of eligibility prescribed in subsection (a) by reason of an Executive order of the President or due to an emergency situation, such twelve-year period—

''(1) shall not run during the period the individual is so prevented from participating such program; and

''(2) shall again begin running on the first day after the individual is able to resume participation in such program.''.

(2) DURATION OF PROGRAM.—Section 3105(b) of such title is amended—

(A) in paragraph (1), by striking ''paragraph (2)'' and inserting ''paragraphs (2) and (3)''; and

(B) by adding at the end the following new paragraph:

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''(3)(A) In any case in which the Secretary determines that a veteran has been prevented from participating in counseling and placement and postplacement services described in section 3104(a)(2) and (5) of this title by reason of an Executive order of the President or due to an emergency situation, the Secretary shall extend the period during which the Secretary may provide such counseling and placement and postplacement services for the veteran for a period equal to the number of months that the veteran was so prevented from participating in such counseling and services, as determined by the Secretary.

''(B) In any case in which the Secretary determines that a veteran has been prevented from participating in a vocational rehabilitation program under this chapter by reason of an Executive order of the President or due to an emergency situation, the Secretary shall extend the period of the veteran's vocational rehabilitation program for a period equal to the number of months that the veteran was so prevented from participating in the vocational rehabilitation program, as determined by the Secretary.''.

(d) EDUCATIONAL ASSISTANCE FOR MEMBERS OF THE SELECTED RESERVE.—Section 16133(b) of title 10, United States Code, is amended by adding at the end the following new paragraph:

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''(5) In any case in which the Secretary concerned determines that a person entitled to educational assistance under this chapter has been prevented from using such person's entitlement by reason of an Executive order of the President or due to an emergency situation, the Secretary concerned shall extend the period of entitlement prescribed in subsection (a) for a period equal to the number of months that the person was so prevented from using such entitlement, as determined by the Secretary.''.

SEC. 170006. RESTORATION OF ENTITLEMENT TO REHABILITATION PROGRAMS FOR VETERANS AFFECTED BY SCHOOL CLOSURE OR DISAPPROVAL.

(a) ENTITLEMENT.—Section 3699 of title 38, United States Code, is amended by striking ''chapter 30,'' each time it appears and inserting ''chapter 30, 31,''.

(b) PAYMENT OF SUBSISTENCE ALLOWANCES.—Section 3680(a)(2)(B) of title 38, United States Code, is amended—

(1) by inserting ''or a subsistence allowance described in section 3108'' before '', during''; and

(2) by inserting ''or allowance'' after ''such a stipend''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply as if included in the enactment

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of section 109 of the Harry W. Colmery Veterans Educational Assistance Act of 2017 (Public Law 115–48; 131 Stat. 978).

SEC. 170007. EXTENSION OF PAYMENT OF VOCATIONAL REHABILITATION SUBSISTENCE ALLOWANCES.

In the case of any veteran who the Secretary of Veterans Affairs determines is satisfactorily following a program of employment services provided under section 3104(a)(5) of title 38, United States Code, during period beginning on March 1, 2020, and ending on December 21, 2020, the Secretary may pay the veteran a subsistence allowance, as prescribed in section 3108 of such title for full-time training for the type of program that the veteran was pursuing, for two additional months.''.

SEC. 170008. INCREASE OF AMOUNT OF DEPARTMENT OF VETERANS AFFAIRS PAYMENTS FOR AID AND ATTENDANCE DURING EMERGENCY PERIOD RESULTING FROM COVID–19 PANDEMIC.

(a) IN GENERAL.—During the covered period, the Secretary of Veterans Affairs shall apply each of the following provisions of title 38, United States Code, by substituting for the dollar amount in such provision the amount equal to 125 percent of the dollar amount that was in effect under such provision on the date of the enactment of this Act:

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(1) Subsections (l), (m), and (r) of section 1114.

(2) Paragraphs (1) and (2) of subsection (d) of section 1521.

(3) Paragraphs (2) and (4) of subsection (f) of section 1521.

(b) COVERED PERIOD.—In this section, the covered period is the period that begins on the date of the enactment of this Act and ends 60 days after the last day of the emergency period (as defined in section 1135(g)(1) of the Social Security Act (42 U.S.C. 1320b-5(g)(1))) resulting from the COVID–19 pandemic.

SEC. 170009. TREATMENT OF WORK INJURY COMPENSATION CLAIMS FILED BY EMPLOYEES OF THE DEPARTMENT OF VETERANS AFFAIRS FOR COVID–19.

(a) ELIGIBILITY.—Notwithstanding section 7425(b) of title 38, United States Code, or any other provision of law, each employee of the Department of Veterans Affairs (including employees under chapter 74 of such title) shall be treated as an employee under chapter 81 of title 5, United States Code, for purposes of making claims under such chapter relating to coronavirus disease 2019 (COVID–19).

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(b) PRESUMPTION.—If an employee of the Department of Veterans Affairs described in subsection (a) contracts coronavirus disease 2019 (COVID–19), such disease shall be presumed to have been proximately caused by the employment of the employee for purposes of claims made under chapter 81 of title 5, United States Code.

SEC. 170010. DEFERRAL OF CERTAIN DEBTS ARISING FROM LAWS ADMINISTERED BY THE SECRETARY OF VETERANS AFFAIRS.

(a) IN GENERAL.—With regard to a covered debt, the Secretary of Veterans Affairs, during the covered period, may not take any of the following actions:

(1) Collect a payment (including by the offset of any payment by the Secretary).

(2) Record such a debt.

(3) Issue notice of such a debt to an individual or a consumer reporting agency.

(4) Allow any interest to accrue.

(5) Apply any administrative fee.

(b) EXCEPTION.—Notwithstanding subsection (a), the Secretary may collect a payment regarding a covered debt (including interest or any administrative fee) from an individual who elects to make such a payment during the covered period.

(c) DEFINITIONS.—In this section:

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(1) The term ''consumer reporting agency'' has the meaning given that term in section 5701 of title 38, United States Code.

(2) The term ''covered debt'' means a debt owed—

(A) by an individual to the United States; and

(B) arising from a covered law.

(3) The term ''covered law'' means any law administered by the Secretary of Veterans Affairs through—

(A) the Under Secretary for Health; or

(B) the Under Secretary of Benefits.

(4) The term ''covered period'' means—

(A) the COVID–19 emergency period; and

(B) the 60 days immediately following the date of the end of the COVID–19 emergency period.

(5) The term ''COVID–19 emergency period'' means the emergency period described in section 1135(g)(1)(B) of the Social Security Act (42 U.S.C. 1320b-5(g)(1)(B)).

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DIVISION R—AVIATION WORKER RELIEF

SEC. 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the ''Emergency Pension Plan Relief Act of 2020''.

(b) TABLE OF CONTENTS.—The table of contents for this division is as follows:

DIVISION _____—AVIATION WORKER RELIEF

Sec. 1. Short title; table of contents.
Sec. 2. Definitions.

TITLE I—AVIATION WORKER RELIEF

Sec. 101. Pandemic relief for aviation workers.
Sec. 102. Procedures for financial assistance.
Sec. 103. Terms and conditions.
Sec. 104. Reports.
Sec. 105. Coordination.

TITLE II—LABOR PROTECTIONS

Sec. 201. Assistance irrespective of labor costs.
Sec. 202. Collective bargaining and snap-back.
Sec. 203. Protection of organizing activity.
Sec. 204. Working and travel conditions.
Sec. 205. Labor union representation on air carrier boards.
Sec. 206. Furloughed worker protections.
Sec. 207. Healthcare for unprotected workers.
Sec. 208. Employee wages and leave.
Sec. 209. Limitation on rejection of collective bargaining agreements.
Sec. 210. Increased wage priority.
Sec. 211. Rejection of collective bargaining agreements.

TITLE III—AIRLINE INDUSTRY FINANCIAL OVERSIGHT

Sec. 301. Creation of Office of Airline Industry Financial Oversight.
Sec. 302. Responsibilities of Office of Airline Industry Financial Oversight.
Sec. 303. Access to information.
Sec. 304. Reports to Congress.
Sec. 305. Rulemaking authority.
Sec. 306. Authorization of appropriations.

TITLE IV—AIRPORT RELIEF

Sec. 401. Emergency pandemic funding for airports.
Sec. 402. Maintaining pre-crisis airport improvement program levels.
Sec. 403. National aviation preparedness plan.

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TITLE V—SMALL COMMUNITY AIR SERVICE

Sec. 501. Continuation of certain air service.
Sec. 502. Tolling of EAS limitations.
Sec. 503. Sunset.

TITLE VI—CONSUMER PROTECTIONS

Sec. 601. Airline price gouging during disaster or emergency.
Sec. 602. Airline refunds during national disasters or emergencies.
Sec. 603. Conditions on airline ancillary fees.

TITLE VII—ENVIRONMENTAL PROTECTIONS

Sec. 701. Sustainable aviation fuel development program.
Sec. 702. Airline Assistance to Recycle and Save Program.
Sec. 703. Expansion of voluntary airport low emission program.
Sec. 704. Airline carbon emissions offsets and goals.
Sec. 705. Research and development of sustainable aviation fuels.
Sec. 706. Improving consumer information regarding release of greenhouse gases from flights.
Sec. 707. Study on certain climate change mitigation efforts.

TITLE VIII—MISCELLANEOUS

Sec. 801. Separability.
Sec. 802. Application of law.

SEC. 2. DEFINITIONS.

Unless otherwise specified, the terms in section 40102(a) of title 49, United States Code, shall apply to this division, except that—

(1) the term ''contractor'' means a person that performs airport ground support or catering functions under contract with a passenger air carrier; and

(2) the term ''employee'' means an individual, other than a corporate officer, who is employed by an air carrier or contractor.

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TITLE I—AVIATION WORKER RELIEF

SEC. 101. PANDEMIC RELIEF FOR AVIATION WORKERS.

(a) FINANCIAL ASSISTANCE.—Notwithstanding any other provision of law, the President shall take the following actions to preserve aviation jobs and compensate airline industry workers:

(1) Issue grants that shall exclusively be used for the continuation of payment of employee wages, salaries, and benefits to—

(A) specified entities, in an aggregate amount equal to $37,000,000,000; and

(B) contractors of air carriers, in an aggregate amount equal to $3,000,000,000.

(2) Subject to section 102(c), issue unsecured loans and loan guarantees to air carriers in amounts that do not, in the aggregate, exceed $21,000,000,000.

(b) ASSURANCES.—To be eligible for assistance under this section, an air carrier shall enter into an agreement with the Secretary of Transportation, or otherwise certify, as determined appropriate by the President, that such air carrier shall comply with any actions required under this division.

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(c) ADMINISTRATIVE EXPENSES.—Notwithstanding any other provision of law, the Secretary may use $100,000,000 of the funds made available under section 101(a)(2) for costs and administrative expenses associated with the provision of loans or guarantees authorized under such section.

(d) SPECIFIED ENTITY DEFINED.—In this section, the term ''specified entity'' means—

(1) an air carrier that is authorized to conduct operations under part 121 of title 14, Code of Federal Regulations; or

(2) an air carrier that is authorized to conduct operations under part 135 of title 14, Code of Federal Regulations, that—

(A) transports passengers by aircraft on a scheduled basis; or

(B) transports property or mail by aircraft on a scheduled or unscheduled basis.

SEC. 102. PROCEDURES FOR FINANCIAL ASSISTANCE.

(a) AWARDABLE AMOUNTS.—The President shall disburse grants under section 101(a)(1)—

(1) to a specified entity (as such term is defined in section 101(d)), in an amount equal to the salaries and benefits reported by the air carrier to the Department of Transportation pursuant to part 241

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of title 14, Code of Federal Regulations, for the period from April 1, 2019, through September 30, 2019;

(2) to a specified entity (as such term is defined in section 101(d)) that does not transmit reports under such part 241, in an amount that such air carrier certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation that such air carrier paid the employees of such air carrier during the period from April 1, 2019, through September 30, 2019; and

(3) to a contractor, in an amount that the contractor certifies, using sworn financial statements or other appropriate data, as the amount of wages, salaries, benefits, and other compensation that such contractor paid the employees of such contractor during the period from April 1, 2019, through September 30, 2019.

(b) DEADLINES AND PROCEDURES.—

(1) PROCEDURES.—The President shall publish streamlined and expedited procedures—

(A) not later than 5 days after the date of enactment of this Act for air carriers and con-

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tractors to submit requests for compensation under section 101(a)(1); and

(B) not later than 30 days after the date of enactment of this Act for air carriers to submit requests for loans and loan guarantees under section 101(a)(2).

(2) ISSUANCE OF GRANTS.—The President shall award initial grants under section 101(a)(1) not later than 10 days after the date of enactment of this Act.

(3) DISCRETIONARY GRANTS.—For any funds made available under paragraph (1) of section 101(a) that remain available after the issuance of grants pursuant to paragraph (2) of such section, the President shall determine an appropriate method for the timely distribution of the remaining funds in an equitable manner to air carriers for the payment of employee wages, salaries, and benefits.

(c) INTEREST RATES.—A loan issued under section 101(a)(2) shall provide for repayment with no interest for a period of at least 1 year after the loan is issued. The President may otherwise provide for repayment at an interest rate commensurate with the level of risk associated with the loan.

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(d) PRIORITY OF GOVERNMENT CLAIM.—In any proceeding initiated by an air carrier under chapter 7 or 11 of title 11, United States Code, with outstanding debt on a loan provided under section 101(a)(2), any claim by the Government with respect to such debt shall assume the highest status of any other claim against such air carrier, whether secured or unsecured.

(e) AUDITS.—The inspector general of the Department of Transportation may audit certifications under subsection (a)(2).

SEC. 103. TERMS AND CONDITIONS.

(a) SHARE REPURCHASES.—

(1) IN GENERAL.—Notwithstanding any other provision of law, an air carrier receiving assistance under section 101 may not purchase an equity interest of such air carrier on a national securities exchange using such assistance.

(2) NO FORCE OR EFFECT.—Section 240.10b–18 of title 17, Code of Federal Regulations, shall have no force or effect.

(3) RULE OF CONSTRUCTION.—Nothing in this section may be construed to affect tender offers subject to section 240.13e–4 and sections 240.14e–1 through 240.14f–1 of title 17, Code of Federal Regulations.

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(4) DEFINITIONS.—In this subsection:

(A) EXCHANGE.—The term ''exchange'' has the meaning given the terms in section 3 of the Securities Exchange Act of 1934 1(15 U.S.C. 78c).

(B) NATIONAL SECURITIES EXCHANGE.—The term ''national securities exchange'' means an exchange registered under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f).

(b) PROHIBITION ON USE OF FUNDS FOR PAYMENTS TO SHAREHOLDERS OR BONDHOLDERS.—An air carrier receiving financial assistance under section 101 may not use the proceeds of such assistance to make any distribution of funds to shareholders or bondholders, including stock dividends.

(c) EXECUTIVE COMPENSATION.—

(1) IN GENERAL.—The President may provide financial assistance under section 101 to an air carrier only if such air carrier enters into a legally binding agreement with the President that, during the 10-year period following the date of enactment of this Act, the air carrier's chief executive officer will receive, from the air carrier—

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(A) during any 12 consecutive months of such 10-year period, total compensation not in excess of an amount that is 50 times the median compensation earned by all employees of such air carrier in calendar year 2019; and

(B) severance pay or other benefits upon termination of employment with the air carrier not in excess of the maximum total compensation received from the air carrier in calendar year 2019.

(2) TOTAL COMPENSATION DEFINED.—In this subsection, the term ''total compensation'' includes salary, bonuses, awards of stock, and other financial benefits provided by an air carrier to an officer or employee of the air carrier.

(d) FINANCIAL PROTECTION OF GOVERNMENT.—

(1) IN GENERAL.—To the extent to which any participating air carrier accepts financial assistance, in the form of accepting the proceeds of any loans guaranteed by the government under this title, the President is authorized to enter into contracts under which the Government, contingent on the financial success of the participating corporation, participate in the gains of the participating corporation or its security holders through the use of such instruments

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as warrants, stock options, common or preferred stock, or other appropriate equity instruments.

(2) DEPOSITS IN TREASURY.—All amounts collected by the President under this subsection shall be deposited in the Treasury as miscellaneous receipts.

(e) AIR CARRIER MAINTENANCE OUTSOURCING.—

(1) IN GENERAL.—A passenger air carrier receiving assistance under section 101 may not apply the proceeds of such assistance toward a contract for heavy maintenance work at a facility located outside of the United States if such contract would increase the proportion of maintenance work performed outside of the United States to all maintenance work performed by or on behalf of such air carrier at any location.

(2) DEFINITION.—In this section, the term ''heavy maintenance work'' has the meaning given the term in section 44733(g)(1) of title 49, United States Code.

SEC. 104. REPORTS.

(a) REPORT.—Not later than October 1, 2020, the President shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transpor-

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tation of the Senate a report on the financial status of the air carrier industry, including a description of each grant or loan issued under section 101.

(b) UPDATE.—Not later than the last day of the 1-year period following the date of enactment of this Act, the President shall update and submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate the report described in subsection (a).

SEC. 105. COORDINATION.

In implementing this title with respect to air carriers, the Secretary shall coordinate with the Secretary of Transportation.

TITLE II—LABOR PROTECTIONS

SEC. 201. ASSISTANCE IRRESPECTIVE OF LABOR COSTS.

The President, or any department, agency, or actor of the Federal government, may not condition the provision of any financial assistance under section 101(a) of this [division] or section 13 of the Federal Reserve Act (12 U.S.C. 261 et seq.) on an air carrier's implementation of measures to reduce labor costs or to enter into negotiations with the certified bargaining representative of a craft or class of employees of the air carrier under section 2

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of the Railway Labor Act (45 U.S.C. 152) regarding pay or other terms and conditions of employment.

SEC. 202. COLLECTIVE BARGAINING AND SNAP-BACK.

(a) IN GENERAL.—Notwithstanding any other provision of law, any contractual relief or reduction to rates of pay, rules, and working conditions agreed to by the authorized representatives of the employees of an air carrier, or otherwise imposed on such employees, during or as result of the pandemic of the coronavirus COVID–19 by an air carrier that receives financial assistance under section 101 shall be terminated within 6 months, unless the authorized representatives of the employees choose to make an alternative agreement with the air carrier.

(b) DEFINITION OF AUTHORIZED REPRESENTATIVE.—In this section, the term ''authorized representative'' means an exclusive representative of employees within the meaning of section of the Railway Labor Act (45 U.S.C. 152).

SEC. 203. PROTECTION OF ORGANIZING ACTIVITY.

A person receiving financial assistance under section 101 shall remain neutral in any communications with employees with respect to any efforts of an employee to organize, recruit, or assist in the organizing a labor organization.

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SEC. 204. WORKING AND TRAVEL CONDITIONS.

A person receiving financial assistance under section 101 shall adhere to guidance published by the Centers for Disease Control and Prevention and applicable public health authorities for the duration of the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19 for providing safe conditions for employees and passengers, including providing employees with adequate and sufficient personal protective equipment and ensuring all aircraft and facilities owned or operated by such air carrier are clean and sanitary.

SEC. 205. LABOR UNION REPRESENTATION ON AIR CARRIER BOARDS.

An air carrier receiving financial assistance under section 101 shall designate at least one seat on the air carrier's board of directors for an individual who is a member or officer of a labor organization representing air carrier employees, with such individual to be named by such organization.

SEC. 206. FURLOUGHED WORKER PROTECTIONS.

An air carrier receiving financial assistance under section 101 shall take such action as is necessary to ensure that, with respect to the national emergency declared by the President under the National Emergencies Act (50

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U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19—

(1) if an employee of such air carrier was provided health insurance benefits or other welfare benefits described in subparagraph (A) or (B) of section 3(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(1)) from the air carrier prior to such emergency, such employee shall retain such benefits at an equivalent rate for the duration of such emergency;

(2) employees of such air carrier are credited any furlough time taken as a result of the pandemic for years of service for purposes of any employee benefit plan (as defined in section 3(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(3)) with respect to which the employee is a participant; and

(3) an employee of such air carrier who is voluntarily or involuntarily furloughed as a result of the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19 may, upon reemployment or recall to such air carrier, be entitled to the following benefits under an employee pension benefit plan that

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such employee would have received if the employee had remained continuously employed with the air carrier, similar to benefit rights under subchapter II of chapter 43 of title 38, United States Code:

(A) An employee shall be treated as not having incurred a break in service with the employer or employers maintaining the plan by reason of the furlough.

(B) The period of furlough shall be deemed to constitute service with the employer or employers maintaining the plan for purposes of vesting, participation, and determining the employee's benefit accruals.

(C) An employee shall be entitled to make-up missed employee contributions or elective deferrals that could have been made to a qualified defined contribution plan during the period of furlough. Makeup contributions under this paragraph may be made during the period beginning on the date of recall and whose duration is three times the period of the furlough, such payment period not to exceed 5 years.

(D) The employer reemploying or recalling such employee shall contribute all employer contributions that the employer would have made

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on behalf of such employee to qualified defined contribution plans, including plans commonly known as 401(k) plans, if the employee had remained continuously employed.

(E) If employer contributions to a plan are contingent on the employee making an employee contribution or elective deferral, the employer contribution is required only to the extent the employee makes the payment to the plan with respect to such contributions or deferrals. No such payment may exceed the amount the employee would have been permitted or required to contribute had the employee remained continuously employed by the employer throughout the period of service. Any payment to the plan described in this paragraph shall be made during the period beginning on the date of recall and whose duration is three times the period of the person's furlough, such payment period not to exceed 5 years.

SEC. 207. HEALTHCARE FOR UNPROTECTED WORKERS.

(a) IN GENERAL.—The Secretary may not provide any financial assistance under this Act to an air carrier unless the air carrier enters into a legally binding agreement with the Secretary that the air carrier will provide,

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and will require any contractor, subcontractor, or affiliate of the air carrier, including any contractor, subcontractor, or affiliate that performs airline catering services, to provide, to all employees, including airline catering employees, health insurance benefits equal to or greater than the hourly health and welfare fringe benefit rate published by the Department of Labor pursuant to the McNamara-O'Hara Service Contract Act of 1965 (41 U.S.C. 6710–6707) and section 4.52 of title 29, Code of Federal Regulations, for all hours worked by each such employee.

(b) EFFECTIVE PERIOD.—Subsection (a) shall apply to an air carrier receiving assistance under section 101 for the 5-year period beginning on the date on which such assistance was awarded.

(c) DEFINITIONS.—

(1) AIRLINE CATERING EMPLOYEE.—The term ''airline catering employee'' means an employee who performs airline catering services.

(2) AIRLINE CATERING SERVICES.—The term ''airline catering services'' means preparation, assembly, or both, of food, beverages, provisions and related supplies for delivery, and the delivery of such items, directly to aircraft or to a location on or near airport property for subsequent delivery to aircraft.

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SEC. 208. EMPLOYEE WAGES AND LEAVE.

(a) WAGES.—Section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) is amended by adding at the end the following:

''(h) EMPLOYEES IN INDUSTRIES SAVED WITH TAXPAYER DOLLARS.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, subject to the requirements of this subsection, the wage rate in effect under section (a)(1) with respect to an employee of an employer described in paragraph (2), or any individual who provides labor or services for remuneration for such employer, regardless of whether the individual is classified as an independent contractor or otherwise by such employer, shall be not less than $15.00 per hour.

''(2) EMPLOYER.—An employer described in this paragraph is an employer who—

''(A) receives financial assistance under section 101 of the Emergency Pension Plan Relief Act of 2020; or

''(B) who provides goods or services under a contract to an employer who receives financial assistance under such section.

''(3) TREATMENT OF NON-EMPLOYEES.—An individual who provides labor or services for remunera-

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tion to an employer as described in paragraph (1) shall be treated as an employee for the purposes of sections 10 through 17 of this Act.

''(4) PERIOD OF APPLICATION.—This subsection shall apply to an employer described in paragraph (2) for the 10-year period beginning on the date such assistance was awarded.''.

(b) BENEFITS AND LEAVE.— Notwithstanding any other provision of law, an air carrier receiving financial assistance under section 101 shall, for the duration of the national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19—

(1) satisfy all funding obligations under part 3 of title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1081 et seq.) with respect to each plan to which such part applies and to which the air carrier is obligated to contribute for plan years beginning or ending during the duration of such emergency;

(2) provide employees with a guaranteed wage for every workweek that provides each employee continued payments in the amount of 100 percent of the employee's full wages and for the employee's total expected hours per workweek in the event that

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the employee is terminated, furloughed, experiences a reduction in work hours, or otherwise suffers any loss of such wages during such period; and

(3) provide paid medical or sick leave and paid family leave to encourage employees who are diagnosed with or experiencing symptoms of COVID–19 or are under quarantine relating to the coronavirus pandemic, or caring for a dependent or any individual experiencing such symptoms or under such a quarantine.

SEC. 209. LIMITATION ON REJECTION OF COLLECTIVE BARGAINING AGREEMENTS.

(a) DEFINITIONS.—

(1) COVERED AIR CARRIER.—The term ''covered air carrier'' means an air carrier that receives Federal financial assistance.

(2) COVERED PERIOD.—The term ''covered period'', with respect to a covered air carrier, means the period—

(A) beginning on the date on which the covered air carrier first receives Federal financial assistance; and

(B) ending on the date that is 10 years after the date on which the covered air carrier last receives Federal financial assistance.

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(3) DEBTOR IN POSSESSION.—The term ''debtor in possession'' has the meaning given such term in section 1101 of title 11, United States Code.

(4) FEDERAL FINANCIAL ASSISTANCE.—The term ''Federal financial assistance'' means financial assistance or a credit instrument received from the Federal Government under this Act.

(5) TRUSTEE.—The term ''trustee'' means a trustee appointed in a case commenced by, or commenced against, a covered air carrier under title 11, United States Code.

(b) LIMITATION.—If a covered air carrier commences a case or if an involuntary case is commenced against a covered air carrier under title 11, United States Code, during the covered period with respect to the covered air carrier, the covered air carrier, the debtor in possession, or the trustee may not seek a rejection of, or interim relief from, a collective bargaining agreement under—

(1) section 1113 of title 11, United States Code; or

(2) any other provision of law.

SEC. 210. INCREASED WAGE PRIORITY.

Section 507(a) of title 11, United States Code, is amended—

(1) in paragraph (4)—

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(A) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively;

(B) in the matter preceding clause (i), as so redesignated, by inserting ''(A)'' before ''Fourth'';

(C) in subparagraph (A), as so designated, in the matter preceding clause (i), as so redesignated—

(i) by striking ''$10,000'' and inserting ''$20,000'';

(ii) by striking ''within 180 days''; and

(iii) by striking ''or the date of the cessation of the debtor's business, whichever occurs first,''; and

(D) by adding at the end the following:

''(B) Severance pay described in subparagraph(A)(i) shall be deemed earned in full upon the layoff or termination of employment of the individual to whom the severance is owed.'';

(2) in paragraph (5)—

(A) in subparagraph (A)—

(i) by striking ''within 180 days''; and

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(ii) by striking ''or the date of the cessation of the debtor's business, whichever occurs first''; and

(B) by striking subparagraph (B) and inserting the following:

''(B) for each such plan, to the extent of the number of employees covered by each such plan, multiplied by $20,000.''.

SEC. 211. REJECTION OF COLLECTIVE BARGAINING AGREEMENTS.

(a) IN GENERAL.—Section 1113 of title 11, United States Code, is amended by striking subsections (a) through (f) and inserting the following:

''(a) The debtor in possession, or the trustee if one has been appointed under this chapter, other than a trustee in a case covered by subchapter IV of this chapter and by title I of the Railway Labor Act (45 U.S.C. 151 et seq.), may reject a collective bargaining agreement only in accordance with this section. In this section, a reference to the trustee includes the debtor in possession.

''(b) No provision of this title shall be construed to permit the trustee to unilaterally terminate or alter any provision of a collective bargaining agreement before complying with this section. The trustee shall timely pay all monetary obligations arising under the terms of the collec-

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tive bargaining agreement. Any such payment required to be made before a plan confirmed under section 1129 is effective has the status of an allowed administrative expense under section 503.

''(c)(1) If the trustee seeks modification of a collective bargaining agreement, the trustee shall provide notice to the labor organization representing the employees covered by the collective bargaining agreement that modifications are being proposed under this section, and shall promptly provide an initial proposal for modifications to the collective bargaining agreement. Thereafter, the trustee shall confer in good faith with the labor organization, at reasonable times and for a reasonable period in light of the complexity of the case, in attempting to reach mutually acceptable modifications of the collective bargaining agreement.

''(2) The initial proposal and subsequent proposals by the trustee for modification of a collective bargaining agreement shall be based upon a business plan for the reorganization of the debtor, and shall reflect the most complete and reliable information available. The trustee shall provide to the labor organization all information that is relevant for negotiations. The court may enter a protective order to prevent the disclosure of information if disclosure

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could compromise the position of the debtor with respect to the competitors in the industry of the debtor, subject to the needs of the labor organization to evaluate the proposals of the trustee and any application for rejection of the collective bargaining agreement or for interim relief pursuant to this section.

''(3) In consideration of Federal policy encouraging the practice and process of collective bargaining and in recognition of the bargained-for expectations of the employees covered by the collective bargaining agreement, modifications proposed by the trustee—

''(A) shall be proposed only as part of a program of workforce and nonworkforce cost savings devised for the reorganization of the debtor, including savings in management personnel costs;

''(B) shall be limited to modifications designed to achieve a specified aggregate financial contribution for the employees covered by the collective bargaining agreement (taking into consideration any labor cost savings negotiated within the 12-month period before the filing of the petition), and shall be not more than the

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minimum savings essential to permit the debtor to exit bankruptcy, such that confirmation of a plan of reorganization is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor (or any successor to the debtor) in the short term; and

''(C) shall not be disproportionate or overly burden the employees covered by the collective bargaining agreement, either in the amount of the cost savings sought from such employees or the nature of the modifications.

''(d)(1) If, after a period of negotiations, the trustee and the labor organization have not reached an agreement over mutually satisfactory modifications, and further negotiations are not likely to produce mutually satisfactory modifications, the trustee may file a motion seeking rejection of the collective bargaining agreement after notice and a hearing. Absent agreement of the parties, no such hearing shall be held before the expiration of the 21-day period beginning on the date on which notice of the hearing is provided to the labor organization representing the employees covered by the collective bargaining agreement. Only the debtor and the labor organization may appear and be heard at such hearing. An application for rejection

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shall seek rejection effective upon the entry of an order granting the relief.

''(2) In consideration of Federal policy encouraging the practice and process of collective bargaining and in recognition of the bargained-for expectations of the employees covered by the collective bargaining agreement, the court may grant a motion seeking rejection of a collective bargaining agreement only if, based on clear and convincing evidence—

''(A) the court finds that the trustee has complied with the requirements of subsection (c);

''(B) the court has considered alternative proposals by the labor organization and has concluded that such proposals do not meet the requirements of subsection (c)(3)(B);

''(C) the court finds that further negotiations regarding the proposal of the trustee or an alternative proposal by the labor organization are not likely to produce an agreement;

''(D) the court finds that implementation of the proposal of the trustee shall not—

''(i) cause a material diminution in the purchasing power of the employees cov-

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ered by the collective bargaining agreement;

"(ii) adversely affect the ability of the debtor to retain an experienced and qualified workforce; or

"(iii) impair the labor relations of the debtor such that the ability to achieve a feasible reorganization would be compromised; and

"(E) the court concludes that rejection of the collective bargaining agreement and immediate implementation of the proposal of the trustee is essential to permit the debtor to exit bankruptcy, such that confirmation of a plan of reorganization is not likely to be followed by liquidation, or the need for further financial reorganization, of the debtor (or any successor to the debtor) in the short term.

"(3) If the trustee has implemented a program of incentive pay, bonuses, or other financial returns for insiders, senior executive officers, or the twenty next most highly compensated employees or consultants providing services to the debtor during the bankruptcy, or such a program was implemented within 180 days before the date of the filing of the

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petition, the court shall presume that the trustee has failed to satisfy the requirements of subsection (c)(3)(C).

''(4) In no case shall the court enter an order rejecting a collective bargaining agreement that would result in modifications to a level lower than the level proposed by the trustee in the proposal found by the court to have complied with the requirements of this section.

''(5) At any time after the date on which an order rejecting a collective bargaining agreement is entered, or in the case of a collective bargaining agreement entered into between the trustee and the labor organization providing mutually satisfactory modifications, at any time after that collective bargaining agreement has been entered into, the labor organization may apply to the court for an order seeking an increase in the level of wages or benefits, or relief from working conditions, based upon changed circumstances. The court shall grant the request only if the increase or other relief is not inconsistent with the standard set forth in paragraph (2)(E).

''(e) During a period during which a collective bargaining agreement at issue under this section continues

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in effect and a motion for rejection of the collective bargaining agreement has been filed, if essential to the continuation of the business of the debtor or in order to avoid irreparable damage to the estate, the court, after notice and a hearing, may authorize the trustee to implement interim changes in the terms, conditions, wages, benefits, or work rules provided by the collective bargaining agreement. Any hearing under this subsection shall be scheduled in accordance with the needs of the trustee. The implementation of such interim changes shall not render the application for rejection moot and may be authorized for not more than 14 days in total.

''(f)(1) Rejection of a collective bargaining agreement constitutes a breach of the collective bargaining agreement, and shall be effective no earlier than the entry of an order granting such relief.

''(2) Notwithstanding paragraph (1), solely for purposes of determining and allowing a claim arising from the rejection of a collective bargaining agreement, rejection shall be treated as rejection of an executory contract under section 365(g) and shall be allowed or disallowed in accordance with section 502(g)(1). No claim for rejection damages shall be limited by section 502(b)(7). Economic self-help by a labor organization shall be permitted upon a court

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order granting a motion to reject a collective bargaining agreement under subsection (d) or pursuant to subsection (e), and no provision of this title or of any other provision of Federal or State law may be construed to the contrary.

''(g) The trustee shall provide for the reasonable fees and costs incurred by a labor organization under this section, upon request and after notice and a hearing.

''(h) A collective bargaining agreement that is assumed shall be assumed in accordance with section 365.''.

(b) PROHIBITION ON MODIFICATION OF RETIREE BENEFITS.—Section 1114 of title 11, United States Code, is further amended by adding at the end the following:

''(n) Notwithstanding any other provision in this title, the trustee may not modify retiree benefits if the debtor is an air carrier, as such term is defined in section 40102 of title 49, United States Code, or an affiliate of such air carrier, that received assistance under the Emergency Pension Plan Relief Act of 2020.''.

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TITLE III—AIRLINE INDUSTRY FINANCIAL OVERSIGHT

SEC. 301. CREATION OF OFFICE OF AIRLINE INDUSTRY FINANCIAL OVERSIGHT.

(a) IN GENERAL.—There is hereby established, within the Office of the Secretary of Transportation, the Office of Airline Industry Financial Oversight.

(b) DIRECTOR OF OFFICE.—The office established under this section shall be headed by a Director, who shall be a career employee of the Department of Transportation and selected on the basis of such individual's knowledge of financial markets, airline operations, and finance, and such other qualifications as the Secretary considers relevant.

SEC. 302. RESPONSIBILITIES OF OFFICE OF AIRLINE INDUSTRY FINANCIAL OVERSIGHT.

The Director of the Office of Airline Industry Financial Oversight shall—

(1) assess, not less than once every 12 months, the financial fitness of each passenger air carrier conducting operations under part 121 of title 14, Code of Federal Regulations;

(2) determine and prescribe minimum capital and funding requirements for each such air carrier to ensure that no air carrier would be reasonably

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likely to become insolvent as the result of a substantial reduction in demand for air travel following the occurrence of a terror attack, pandemic, or other national or global event that reduces economic activity;

(3) require each such air carrier to conduct an annual stress test to determine the extent of financial stress that the air carrier can withstand before becoming financially insolvent, using at least 3 sets of assumptions regarding the severity of financial stress and to report the results of such test to the Office for analysis;

(4) based on an analysis of the stress tests performed under paragraph (3), annually adjust the minimum capital and funding requirements imposed under paragraph (2); and

(5) impose such other requirements, including through the issuance of regulations, as the director determines necessary to ensure the continued operations of air carriers despite an event described in paragraph (2).

SEC. 303. ACCESS TO INFORMATION.

(a) IN GENERAL.—In discharging the responsibilities enumerated in section 302, the director or employees of the office may inspect such financial records in an air car-

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rier's possession as the director or employees of the office deem appropriate.

(b) PROTECTION OF TRADE SECRETS.—The Director and employees of the Office of Airline Industry Financial Oversight shall protect, from public disclosure, any material containing trade secrets in the Office's custody, in accordance with section 1905 of title 18, United States Code.

SEC. 304. REPORTS TO CONGRESS.

Not later than February 1 of each calendar year, the Director of the office established under section 301 shall submit to the Committee on Transportation and Infrastructure of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a report describing each action taken under section 302 during the preceding calendar year.

SEC. 305. RULEMAKING AUTHORITY.

The Secretary may issue such regulations as the Secretary determines are necessary to implement the requirements of this title.

SEC. 306. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to the Secretary of Transportation $3,000,000 for each of fiscal years 2020 through 2023 to carry out this title to remain available until expended.

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TITLE IV—AIRPORT RELIEF

SEC. 401. EMERGENCY PANDEMIC FUNDING FOR AIRPORTS.

(a) IN GENERAL.—There is authorized to be appropriated, from the General Fund of the Treasury, $10,000,000,000 for the Secretary of Transportation to issue grants to airport sponsors for the purposes of emergency response, cleaning, sanitization, janitorial services, staffing, workforce retention, paid leave, procurement of protective health equipment and training for employees and contractors, debt service payments, infrastructure projects and airport operations.

(b) METHODOLOGY FOR DISBURSEMENT.—Funds shall be apportioned as set forth in clauses (i) and (ii) of section 47114(c)(1)(C) of title 49, United States Code, and there shall be no maximum apportionment limit. Funds provided under this section shall not be subject to reduced apportionment under section 47114(f) of such title. Any remaining funds shall be distributed to sponsors based on each airport's passenger enplanements compared to total passenger enplanements of all airports, for the most recent calendar year the Secretary apportioned funds pursuant to section 47114(c).

(c) HIGH-NEED AIRPORTS.—The Secretary shall set aside 2 percent of the remaining funds described in sub-

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section (b) to provide grants to commercial service airports or general aviation airports that demonstrate the highest financial need.

(d) WORKFORCE RETENTION.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, all airports receiving funds under subsection (a) shall continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed by the airport as of the date of enactment of this Act.

(2) WAIVER.—The Secretary may waive the workforce retention requirement under this subsection 120 days after the date of enactment of this Act if the Secretary determines—

(A) the airport is experiencing economic hardship as a direct result of the requirement; or

(B) the requirement reduces aviation safety or security.

(3) SMALL AIRPORTS.—This subsection shall not apply to nonhub airports or nonprimary airports receiving funds under subsection (c).

(e) RELIEF TO AIRPORT CONCESSIONS.—An airport sponsor must use at least 2 percent of any funds received under subsection (a) to provide financial relief to airport

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concessionaires experiencing economic hardship (in terms of rent, minimum annual guarantees, lease obligations, or other fees). With respect to funds under this subsection, airport sponsors must show good faith efforts to provide relief to small business concerns owned and controlled by socially and economically disadvantaged businesses, as such term is defined under section 47113 of title 49, United States Code.

(f) COST SHARE.—The Federal share payable of the costs for which a grant is made under this section or under the Consolidated Appropriations Act, 2020 (Public Law 116–94) shall be 100 percent.

(g) QUALITY ASSURANCE.—The Secretary shall institute adequate policies, procedures and internal controls to prevent waste, fraud, abuse and program mismanagement for the distribution of funds under this section.

(h) AVAILABILITY.—Sums authorized to be appropriated under this sections shall remain available for 3 fiscal years.

(i) LIMITATIONS.—The funds made available under this section shall not be subject to any limitation on obligations set forth in an appropriations Act as applied to the heading ''Grants-in-Aid for Airports''.

(j) ADMINISTRATIVE COSTS.—The Secretary may retain up to 0.1 percent of the funds provided under this

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section to fund the award and oversight of grants made under this heading.

(k) DEFINITIONS.—In this section:

(1) AIRPORT CONCESSION.—the term ''airport concession'' means a business, other than air carrier, located on an airport that is engaged in the sale of consumer goods or services to the public under an agreement with an airport, another concessionaire, or the owner or lessee of a terminal.

(2) AIRPORT; GENERAL AVIATION AIRPORT; NONHUB AIRPORT; SPONSOR.—The terms ''airport'', ''general aviation airport'', ''nonhub airport'', and ''sponsor'' have the meanings given those terms in section 47102 of title 49, United States Code.

(3) COMMERCIAL SERVICE AIRPORT.—The term ''commercial service airport'' means a public use airport that reported at least 2500 passenger boardings at such airport during fiscal year 2018.

SEC. 402. MAINTAINING PRE-CRISIS AIRPORT IMPROVEMENT PROGRAM LEVELS.

Section 47114(c)(1) of title 49, United States Code, is amended by adding at the end the following:

''(J) SPECIAL RULE FOR FISCAL YEARS 2021 THROUGH 2023.—Notwithstanding subparagraph (A), the Secretary shall apportion to

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a sponsor of an airport under that subparagraph for each of fiscal years 2021 through 2023 an amount based on the number of passenger boardings at the airport during calendar year 2018 if the number of passenger boardings at the airport during calendar year 2018 are higher than the number of passenger boardings that would be otherwise calculated under subparagraph (A).''.

SEC. 403. NATIONAL AVIATION PREPAREDNESS PLAN.

(a) IN GENERAL.—The Secretary of Transportation, in coordination with the Secretary of Health and Human Services, the Secretary of Homeland Security and other appropriate stakeholders, shall develop a national aviation preparedness plan for communicable disease outbreaks.

(b) CONTENTS OF PLAN.—A plan developed under subsection (a) shall, at a minimum—

(1) require involvement from multiple airports on a national level;

(2) provide airports and air carriers with an adaptable and scalable framework with which to align their individual plans;

(3) improve coordination among airports, air carriers, Customs and Border Patrol, the Centers for Disease Control and Prevention, and other ap-

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propriate Federal stakeholders on developing policies that increase the effectiveness of screening, quarantining, and contact-tracing with respect to inbound passengers; and

(4) fully incorporate elements referenced in the recommendation of the Comptroller General of the United States to the Secretary of Transportation contained in Report No. GAO 16–127.

TITLE V—SMALL COMMUNITY AIR SERVICE

SEC. 501. CONTINUATION OF CERTAIN AIR SERVICE.

(a) ACTION OF SECRETARY.—The Secretary of Transportation shall take appropriate action to ensure that all communities that receive scheduled air service before March 1, 2020, continue to receive adequate air transportation service and that essential air service to small communities continues without interruption and in a manner that maintains well-functioning heath care supply chains, including medical device, medical supplies, and pharmaceutical supply chains.

(b) ANTITRUST IMMUNITY.—The Secretary may grant an exemption under section 41308 of title 49, United States Code, to 2 air carriers for the limited purpose of such cooperation as is necessary to ensure that

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small communities continue to receive an adequate level of air transportation service.

SEC. 502. TOLLING OF EAS LIMITATIONS.

The Secretary may not order the termination of essential air service on the basis of the applicable place failing to meet the definition of an eligible place under subparagraph (B) or (C) of section 41731(a)(1) of title 49, United States Code, if such community was otherwise an eligible place as defined under section 41731 of such title on March 1, 2020.

SEC. 503. SUNSET.

The requirements of this title, and any order issued by the Secretary under this title, shall sunset on the day that is 6 months after the last effective date of a national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) related to the pandemic of the coronavirus COVID–19.

TITLE VI—CONSUMER PROTECTIONS

SEC. 601. AIRLINE PRICE GOUGING DURING DISASTER OR EMERGENCY.

(a) IN GENERAL.—Section 41712 of title 49, United States Code, is amended by adding at the end the following:

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''(d) AIRFARE PRICING AND FEES DURING DISASTER OR OTHER EMERGENCY.—

''(1) IN GENERAL.—It shall be an unfair or deceptive practice under subsection (a) for any ticket agent, air carrier, foreign air carrier, or other person selling or offering to sell a ticket for air transportation on a covered flight to—

''(A) impose any unreasonable increase in the price of such ticket, as compared to the ticket price in effect on the day on which a flight becomes a covered flight; and

''(B) charge any fee for a change to, or cancellation of, such ticket, or for any difference in fare for an itinerary change.

''(2) COVERED FLIGHT DEFINED.—In this subsection, the term 'covered flight' means a flight of an air carrier or foreign air carrier departing from, or arriving at, an airport located in an area with respect to which—

''(A) a major disaster or emergency declared by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.) is in effect and State or local authorities have ordered a mandatory evacuation;

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"(B) a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) is in effect;

"(C) a national emergency declared by the President under the National Emergencies Act (50 U.S.C. 1601 et seq.) is in effect; or

"(D) a restriction on air travel is in effect, including restrictions on non-essential air transportation or nationwide bans imposed on air transportation during a disaster, emergency, or pandemic.

"(3) SAVINGS PROVISION.—Nothing in this subsection, or the amendment made by this subsection, may be construed to limit or otherwise affect any responsibility of any ticket agent, air carrier, or foreign air carrier or other person offering to sell a ticket for air transportation during a major disaster or emergency.".

SEC. 602. AIRLINE REFUNDS DURING NATIONAL DISASTERS OR EMERGENCIES.

(a) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, the Secretary of Transportation shall require that any covered seller who sells a ticket for a passenger to take a covered flight, and either such flight is cancelled by the air carrier or such ticket is can-

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celed by the passenger, such covered seller shall promptly offer the passenger a choice of—

(1) a full monetary refund for such ticket, including any ancillary fees paid; and

(2) an alternative compensation method determined appropriate by the covered seller, including credit, voucher, or other mechanism to compensate a passenger.

(b) CREDIT OR VOUCHER.—An alternative compensation method provided pursuant to subsection (a)(2) may not expire for at least 1 year date of the covered flight.

(c) DEFINITIONS.—In this section, the following definitions apply:

(1) COVERED FLIGHT.—The term ''covered flight'' has the meaning given to such term in section 41712(d) of title 49, United States Code.

(2) COVERED SELLER.—The term ''covered seller'' means a ticket agent, air carrier, foreign air carrier, or other person offering to sell a ticket for air transportation.

SEC. 603. CONDITIONS ON AIRLINE ANCILLARY FEES.

(a) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Secretary of Transportation shall require covered air carriers to report to the Secretary of Transportation, not less than quarterly, all

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ancillary revenues collected by the air carrier during the quarter for which the report is provided.

(b) CONTENTS.—In implementing the requirement under paragraph (1), the Secretary shall require reporting of ancillary revenues from, at a minimum, the following optional fees or charges:

(1) Booking fees, including fees for telephone reservations.

(2) Fees for priority check-in and security screening.

(3) Fees for the transportation of carry-on, first checked, second checked, excess, and oversized or overweight baggage.

(4) Fees for transportation of in-flight medical equipment.

(5) Fees for in-flight entertainment, beverages, and food.

(6) Fees for internet access.

(7) Fees for seating assignments.

(8) Fees for reservation cancellation and change.

(9) Charges for lost tickets.

(10) Revenue from the sale of travel insurance

(11) Fees for unaccompanied minor and passenger assistance.

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(12) Fees for pets.

(c) DEFINITIONS.—In this section, the following definitions apply:

(1) ANCILLARY REVENUES.—The term ''ancillary revenues'' means charges paid by airline passengers that are not included in the standard ticket fare.

(2) COVERED AIR CARRIER.—

(A) IN GENERAL.—The term ''covered air carrier'' means an air carrier covered under part 241 of title 14, Code of Federal Regulations.

(B) EXCLUSION.—The term ''covered air carrier'' excludes air carriers with annual revenues of less than $20,000,000.

TITLE VII—ENVIRONMENTAL PROTECTIONS

SEC. 701. SUSTAINABLE AVIATION FUEL DEVELOPMENT PROGRAM.

(a) IN GENERAL.—The Secretary of Transportation, in consultation with the Department of Agriculture and the Environmental Protection Agency, may make competitive grants to eligible entities to offset the cost of a project to develop, transport, or store sustainable aviation fuels

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that would reduce United States greenhouse gas emissions.

(b) SELECTION.—In making grants under subsection (a), the Secretary shall consider—

(1) the anticipated public benefits of the project;

(2) the potential to increase the commercial application of sustainable aviation fuels among the United States commercial aviation and aerospace industry;

(3) the potential greenhouse gases emitted from the project;

(4) the potential for new job creation; and

(5) the potential the project has in reducing United States greenhouse gas emissions associated with air travel.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated $200,000,000 for each of the fiscal years 2021 through 2026 to carry out this section.

(d) REPORT.—Not later than October 1, 2024, the Secretary shall submit to the Committee on Commerce, Science, and Transportation, the Committee on Environment and Public Works, and the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the

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Committee on Transportation and Infrastructure, the Committee on Energy and Commerce, and the Committee on Agriculture of the House of Representatives, a report describing the results of the grant program authorized by this section. The report shall include the following:

(1) A description of the entities and projects that received grants under this section.

(2) Description of whether the program is leading to an increase in commercial application of sustainable aviation fuels by United States aviation and aerospace industry stakeholders.

(3) The economic impacts resulting from the grants to and operation of the project.

(e) ELIGIBILITY.—Entities eligible to receive a grant under this section shall include State and local governments, nongovernmental entities, air carriers, airports, and businesses engaged in the development, transportation, or storage of sustainable aviation fuels.

(f) DEFINITION OF SUSTAINABLE AVIATION FUEL.—The term ''sustainable aviation fuel'' means liquid fuel consisting of synthesized hydrocarbons which meets the requirements of ASTM International Standard D7566 or ASTM International Standard D1655, Annex A1, subsection A.1.2.2, and is derived from biomass (as defined in section 45K(c)(3) of the Internal Revenue Code of

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1986), waste streams, or gaseous carbon oxides, conforms to the standards, recommended practices and guidance agreed to by the United States pursuant to the European Union Emissions Trading Scheme Prohibition Act of 2011 (Public Law 112–200) for addressing aircraft emissions, and achieves at least a 30 percent reduction in greenhouse gas emissions on a lifecycle basis compared to conventional jet fuel.

SEC. 702. AIRLINE ASSISTANCE TO RECYCLE AND SAVE PROGRAM.

(a) ESTABLISHMENT.—Not later than 90 days after the date of enactment of this Act, the Secretary shall establish and carry out a program, to be known as the ''Airline Assistance to Recycle and Save Program'', under which the Secretary shall purchase high-polluting aircraft from air carriers in exchange for commitments from such air carriers to purchase fuel-efficient aircraft.

(b) APPLICATION.—To be eligible for the program established under subsection (a), an air carrier shall submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require, including a description of an high-polluting aircraft of the air carrier.

(c) PROGRAM REQUIREMENTS.—

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(1) LIST OF ELIGIBLE AIRCRAFT.—In carrying out the program established under subsection (a), the Secretary, in consultation with the Administrator, shall prepare, maintain, publicize, and make available through a publicly available website, lists of aircraft that are—

(A) high-polluting aircraft; and

(B) fuel-efficient aircraft that are on the market or in production.

(2) COMMITMENT REQUIREMENT.—In carrying out the program established under subsection (a), the Secretary shall issue such regulations as are necessary to set requirements for the commitment to purchase a fuel-efficient aircraft described in subsection (a), including a timing requirement for the purchase of a fuel-efficient aircraft.

(d) USE OF PURCHASED AIRCRAFT.—Notwithstanding any other provision of law, the Secretary may sell, to an air carrier or eligible foreign air carrier, parts or components of aircraft purchased under this division.

(e) REGULATIONS.—Not later than 30 days after the date of enactment of this Act, the Secretary shall issue such regulations as are necessary to carry out this section.

(f) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to carry out the program established under this

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section $1,000,000,000 and such sums shall remain available until expended.

(g) DEFINITIONS.—In this section:

(1) ADMINISTRATOR.—The term ''Administrator'' means the Administrator of the Environmental Protection Agency.

(2) AIRCRAFT MANUFACTURER.—The term ''aircraft manufacturer'' has the meaning given such term in section 44301 of title 49, United States Code.

(3) ELIGIBLE FOREIGN AIR CARRIER.—

(A) IN GENERAL.—The term ''eligible foreign air carrier'' means a foreign air carrier as such term is defined in section 40102 of title 49, United States Code.

(B) EXCLUSION.—The term ''eligible foreign air carrier'' does not include a foreign air carrier that—

(i) is domiciled in a country that is a state sponsor of terrorism; or

(ii) has a majority ownership interest of individuals or entities domiciled in a country that is a state sponsor of terrorism.

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(4) SECRETARY.—The term ''Secretary'' means the Secretary of Transportation.

(5) STATE SPONSOR OF TERRORISM.—The term ''state sponsor of terrorism'' means a country the government of which the Secretary of State determines has repeatedly provided support for international terrorism pursuant to—

(A) section 1754(c)(1)(A) of the Export Control Reform Act of 2018 (50 U.S.C. 4318(c)(1)(A));

(B) section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371);

(C) section 40 of the Arms Export Control Act (22 U.S.C. 2780); or

(D) any other provision of law.

SEC. 703. EXPANSION OF VOLUNTARY AIRPORT LOW EMISSION PROGRAM.

Section 40117 of title 49, United States Code, is amended—

(1) in subsection (a)(3)(G) by striking ''if the airport is located in an air quality nonattainment area (as defined in section 171(2) of the Clean Air Act (42 U.S.C. 7501(2)) or a maintenance area referred to in section 175A of such act (42 U.S.C. 7505a)''; and

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(2) in subsection (b) by adding at the end the following:

"(8) PRIORITY OF PROJECTS.—In carrying out this section, the Secretary shall prioritize funding for airports in areas located in an air quality non-attainment area (as defined in section 171(2) of the Clean Air Act (42 U.S.C. 7501(2)) or a maintenance area referred to in section 175A of such act (42 U.S.C. 7505a).".

SEC. 704. AIRLINE CARBON EMISSIONS OFFSETS AND GOALS.

(a) CARBON OFFSETTING PROGRAM.—

(1) IN GENERAL.—Not later than 90 days after the enactment of this Act, the Administrator of the Federal Aviation Administration shall require each air carrier receiving assistance under section 101, to fully offset the annual carbon emissions of such air carriers for domestic flights beginning in 2025.

(2) VERIFICATION.—In issuing regulations and guidance to carry out to paragraph (1), the Administrator shall develop standards and practices to ensure the use of carbon offsets by air carriers are real, additional, permanent, verifiable, and not double counted and align with standards, recommended practices, assessment tools, and guidance agreed to

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by the United States pursuant to the European Union Emissions Trading Scheme Prohibition Act of 2011 (Public Law 112–200) for addressing aircraft emissions.

(3) AUDITING.—An air carrier covered under this subsection shall take reasonable and continuous measures to ensure any carbon offsets credited to, or purchased by, such carrier continue to be accurate.

(4) CERTIFICATION.—The Administrator shall annually certify that an air carrier's carbon offsetting program aligns with the standards developed pursuant to paragraph (2).

(b) CARBON EMISSIONS GOAL.—

(1) IN GENERAL.—The Administrator of the Federal Aviation Administration shall require each air carrier receiving assistance under section 101 to—

(A) make and achieve a binding commitment to reduce the greenhouse gas emissions attributable to the domestic flights of such air carrier in every calendar year, beginning with 2021, on a path consistent with a 25 percent reduction in the aviation sector's emissions from 2005 levels by 2035, and a 50 percent reduction in the sector's emissions from 2005 lev-

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els by 2050, applying the standards, recommended practices, and guidance agreed to by the United States pursuant to the European Union Emissions Trading Scheme Prohibition Act of 2011 (Public Law 112–200) for addressing aircraft emissions; and

(B) submit to the Administrator, annually, a report containing a plan for meeting the commitment described in subparagraph (A) and evidence of compliance with such commitment, including the annual emissions of the air carrier, use of alternative fuels, and any other means of implementing such commitment.

(2) CERTIFICATION.—

(A) IN GENERAL.—Not later than 5 years after the date of enactment of this Act, and not less frequently than every 5 years thereafter, the Administrator shall certify each air carrier covered under this subsection that is taking such actions as are necessary to meet the requirements established pursuant to paragraph (1).

(B) REMEDIATION.—With respect to any air carrier covered under this subsection that the Administrator does not certify under sub-

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paragraph (A), the Administrator, in consultation with such air carrier, shall, not later than 180 days after the last date on which a certification could have been made under such subparagraph, develop a plan to ensure such air carrier meets the requirements established pursuant to paragraph (1).

(3) PUBLIC INFORMATION.—The Secretary shall make publicly available the reports described in paragraph (1).

(4) LIMITATION.—Nothing in this subsection shall affect or alter the authorities and responsibilities to address greenhouse gases under any other provision of law.

(c) INTERNATIONAL COMPETITIVENESS.—In issuing regulations to carry out to subsection (b) and (c), the Administrator shall create a mechanism that ensures foreign air carriers that enter the national airspace system have an equivalent emissions reductions target or programs such that the United States airline industry is not at a competitive disadvantage.

SEC. 705. RESEARCH AND DEVELOPMENT OF SUSTAINABLE AVIATION FUELS.

There is authorized to be appropriated to the Federal Aviation Administration $100,000,000 for each of fiscal

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years 2021 through 2026 for research and development of sustainable aviation fuels.

SEC. 706. IMPROVING CONSUMER INFORMATION REGARDING RELEASE OF GREENHOUSE GASES FROM FLIGHTS.

(a) IN GENERAL.—Not later than January 1, 2023, the Secretary of Transportation shall develop and implement, by regulation, a program to require air carriers that receive assistance under section 101 provide passengers with information regarding greenhouse gas emissions resulting from each individual flight that is—

(1) customized to account for such emissions associated with each aircraft and the flight route of such aircraft; and

(2) made available on the first display of any website selling any ticket for such flight, following a search of a requested itinerary in a format that is easily visible to the purchaser.

(b) PUBLIC REPORTING.—The Secretary shall publish monthly data and information that anonymously aggregates and analyzes the information provided to individual passengers under to subsection (a). Such information and data shall—

(1) be accessible to the public on the internet; and

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(2) identify and quantify the greenhouse gas emissions and relative climate change impact of each passenger air carrier that receives assistance under section 101.

SEC. 707. STUDY ON CERTAIN CLIMATE CHANGE MITIGATION EFFORTS.

(a) IN GENERAL.—Not later than 90 days after the date of enactment of this Act, the Secretary of Transportation shall seek to enter into an agreement with the National Academies of Sciences, Engineering, and Medicine (referred to in this section as the ''National Academies'') to conduct a study on climate change mitigation efforts with respect to the civil aviation and aerospace industries.

(b) STUDY CONTENTS.—In conducting the study under subsection (a), the National Academies shall—

(1) identify climate change mitigation efforts, including efforts relating to emerging technologies, in the civil aviation and aerospace industries;

(2) develop and apply an appropriate indicator for assessing the effectiveness of such efforts;

(3) identify gaps in such efforts;

(4) identify barriers preventing expansion of such efforts; and

(5) develop recommendations with respect to such efforts.

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(c) REPORTS.—

(1) FINDINGS OF STUDY.—Not later than 1 year after the date on which the Secretary enters into an agreement for a study pursuant to subsection (a), the Secretary shall submit to the appropriate congressional committees the findings of the study.

(2) ASSESSMENT.—Not later than 180 days after the date on which the Secretary submits the findings pursuant to paragraph (1), the Secretary, acting through the Administrator of the Federal Aviation Administration, shall submit to the appropriate congressional committees a report that contains an assessment of the findings.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Secretary to carry out this section $1,500,000.

(e) DEFINITIONS.—In this section:

(1) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term ''appropriate congressional committees'' means the Committee on Transportation and Infrastructure of the House of Representatives, the Committee on Commerce, Science, and Transportation of the Senate, and other congressional committees determined appropriate by the Secretary.

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(2) CLIMATE CHANGE MITIGATION EFFORTS.—The term ''climate change mitigation efforts'' means efforts, including the use of technologies, materials, processes, or practices, that contribute to the reduction of greenhouse gas emissions.

TITLE VIII—MISCELLANEOUS

SEC. 801. SEPARABILITY.

If any provision of this division (including any amendment made by this division) or the application thereof to any person or circumstance is held invalid, the remainder of this division (including any amendment made by this division) and the application thereof to other persons or circumstances shall not be affected thereby.

SEC. 802. APPLICATION OF LAW.

Chapter 83 of title 41, United States Code, shall not apply with respect to purchases made in response to—

(1) the public health emergency declared on January 31, 2020 under section 319 of the Public Health Service Act (42 U.S.C. 247d); or

(2) the emergency declared by the President on March 13, 2020, under section 501 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191) and under any subsequent major disaster declaration under section 401 of such Act that supersedes such emergency declaration.

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DIVISION S—SBC PROVISIONS
DIVISION T—REVENUE PROVISIONS

SEC. 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This division may be cited as the ''Emergency Pension Plan Relief Act of 2020''.

(b) TABLE OF CONTENTS.—The table of contents of this division is as follows:

Sec. 1. Short title; table of contents.

TITLE I—HEALTH-RELATED TAX RELIEF

Sec. 101. Payroll credit for COVID–19 charity care provided by hospitals.
Sec. 102. Payroll credit for COVID–19 hospital facility expenditures.
Sec. 103. Restoration of limitations on reconciliation of tax credits for coverage under a qualified health plan with advance payments of such credit.
Sec. 104. Improving affordability by reducing premium costs for consumers.

TITLE II—ECONOMIC STIMULUS

Subtitle A—Economic Assistance Payments

Sec. 201. 2020 economic assistance payments to individuals.
Sec. 202. Economic assistance payments to certain Federal beneficiaries.

Subtitle B—Earned Income Tax Credit

Sec. 211. Strengthening the earned income tax credit for individuals with no qualifying children.
Sec. 212. Taxpayer eligible for childless earned income credit in case of qualifying children who fail to meet certain identification requirements.
Sec. 213. Credit allowed in case of certain separated spouses.
Sec. 214. Elimination of disqualified investment income test.
Sec. 215. Application of earned income tax credit in possessions of the United States.

Subtitle C—Child Tax Credit

Sec. 221. Child tax credit fully refundable for 2020 through 2025.
Sec. 222. Application of child tax credit in possessions.
Sec. 223. Increased child tax credit for children who have not attained age 6.

Subtitle D—Dependent Care Assistance

Sec. 231. Refundability and enhancement of child and dependent care tax credit.

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Sec. 232. Increase in exclusion for employer-provided dependent care assistance.

Subtitle E—Net Operating Losses

Sec. 241. Five-year carryback of net operating losses and temporary suspension of taxable income limitation.

Subtitle F—Employee Retention Credit

Sec. 251. Payroll credit for certain employers affected by COVID–19.

Subtitle G—Credits for Paid Sick and Family Leave

Sec. 261. Extension of credits.
Sec. 262. Repeal of reduced rate of credit for certain leave.
Sec. 263. Federal, State, and local governments allowed tax credits for paid sick and paid family and medical leave.
Sec. 264. Credits not allowed to certain large employers.
Sec. 265. Effective date.

TITLE III—ADMINISTRATIVE

Sec. 301. Delay of certain deadlines.

TITLE IV—RETIREMENT PROVISIONS

Sec. 401. Special rules for use of retirement funds.
Sec. 402. Single-employer plan funding rules.
Sec. 403. Temporary waiver of required minimum distribution rules for certain retirement plans and accounts.
Sec. 404. Modification of special rules for minimum funding standards for community newspaper plans.
Sec. 405. Application of cooperative and small employer charity pension plan rules to certain charitable employers whose primary exempt purpose is providing services with respect to mothers and children.
Sec. 406. Extended amortization for single employer plans.
Sec. 407. Extension of pension funding stabilization percentages for single employer plans.

TITLE V—REHABILITATION FOR MULTIEMPLOYER PENSIONS

Sec. 501. Short title.
Sec. 502. Pension Rehabilitation Administration; establishment; powers.
Sec. 503. Pension Rehabilitation Trust Fund.
Sec. 504. Loan program for multiemployer defined benefit plans.
Sec. 505. Coordination with withdrawal liability and funding rules.
Sec. 506. Issuance of Treasury bonds.
Sec. 507. Reports of plans receiving pension rehabilitation loans.
Sec. 508. PBGC financial assistance.

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TITLE I—HEALTH-RELATED TAX RELIEF

SEC. 101. PAYROLL CREDIT FOR COVID–19 CHARITY CARE PROVIDED BY HOSPITALS.

(a) IN GENERAL.—In the case of an employer which is an eligible hospital, there shall be allowed as a credit against the tax imposed by section 3111(a) of the Internal Revenue Code of 1986 for each calendar quarter an amount equal to 90 percent of the COVID-related charity care furnished by such hospital during such calendar quarter.

(b) LIMITATIONS AND REFUNDABILITY.—

(1) CREDIT LIMITED TO CERTAIN EMPLOYMENT TAXES.—The credit allowed by subsection (a) with respect to any calendar quarter shall not exceed the tax imposed by section 3111(a) of such Code for such calendar quarter (reduced by any credits allowed under subsection (e) or (f) of section 3111 of such Code, or under section 7001 or 7003 of the Families First Coronavirus Response Act, for such quarter) on the wages paid with respect to the employment of all employees of the employer.

(2) REFUNDABILITY OF EXCESS CREDIT.—

(A) IN GENERAL.—If the amount of the credit under subsection (a) exceeds the limita-

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tion of paragraph (1) for any calendar quarter, such excess shall be treated as an overpayment that shall be refunded under sections 6402(a) and 6413(b) of such Code.

(B) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any amounts due to an employer under this paragraph shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

(c) ELIGIBLE HOSPITAL.—For purposes of this section, the term ''eligible hospital'' means a subsection (d) hospital as defined in section 1886(d)(1)(B) of the Social Security Act (42 U.S.C. 1395ww(d)(1)(B)) or a critical access hospital (as defined in section 1861(mm)(1) of such Act (42 U.S.C. 1395x(mm)(1)).

(d) COVID-RELATED CHARITY CARE.—For purposes of this section—

(1) IN GENERAL.—The term ''COVID-related charity care'' means, with respect to any eligible hospital, so much of the specified charity care furnished by such hospital as relates to items and services furnished in the United States for the treatment of COVID–19 or a related condition.

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(2) SPECIFIED CHARITY CARE.—The term ''specified charity care'' means, with respect to an eligible hospital, the cost of charity care of such hospital as defined for purposes of the Medicare Cost Report Worksheet S–10.

(e) SPECIAL RULES.—

(1) DENIAL OF DOUBLE BENEFIT.—For purposes of chapter 1 of the Internal Revenue Code of 1986, any deduction otherwise allowable under such chapter for any COVID-related charity care shall be reduced by the amount of the credit allowed under this section with respect to such care.

(2) DOCUMENTATION.—No credit shall be allowed under this section unless the employer maintains such documentation as the Secretary of the Treasury (or the Secretary's delegate) may prescribe to establish such employer's eligibility for the credit allowed under this section (and the amount thereof).

(3) ELECTION NOT TO HAVE SECTION APPLY.—This section shall not apply with respect to any employer for any calendar quarter if such employer elects (at such time and in such manner as the Secretary of the Treasury (or the Secretary's delegate) may prescribe) not to have this section apply.

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(4) CERTAIN TERMS.—Any term used in this section which is also used in chapter 21 of such Code shall have the same meaning as when used in such chapter.

(f) REGULATIONS.—The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section, including—

(1) regulations or other guidance (prescribed after consultation with the Secretary of Health and Human Services) which identify specific items and services which are considered for purposes of subsection (d)(1) to be for the treatment of COVID–19 or a related condition,

(2) regulations or other guidance to effectuate the purposes of the limitations under this section,

(3) regulations or other guidance to minimize compliance and record-keeping burdens under this section,

(4) regulations or other guidance providing for a waiver of penalties for the failure to deposit taxes imposed under section 3111(a) of such Code in anticipation of the allowance of the credit allowed under this section,

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(5) regulations or other guidance for recapturing the benefit of credits determined under this section in cases where there is a subsequent adjustment to the credit determined under subsection (a), and

(6) regulations or other guidance regarding the treatment of certified professional employer organizations, as described in section 3511 of such Code.

(g) APPLICATION OF SECTION.—

(1) IN GENERAL.—This section shall apply only to COVID-related charity care which is furnished during the period beginning on February 1, 2020, and ending on December 31, 2020.

(2) TREATMENT OF CERTAIN CARE FURNISHED BEFORE DATE OF ENACTMENT.—For purposes of this section, any COVID-related charity care which is furnished after January 31, 2020, and before the calendar quarter which includes the date of the enactment of this Act shall be treated as having been furnished in such calendar quarter.

(h) TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—There are hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social

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Security Act (42 U.S.C. 401) amounts equal to the reduction in revenues to the Treasury by reason of this section (without regard to this subsection). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had this section not been enacted.

(i) COORDINATION WITH DSH PAYMENTS.—Section 1886(r) of the Social Security Act (42 U.S.C. 1395ww(r)) is amended—

(1) n paragraph (2), by inserting ''subject to paragraph (4),'' before ''for fiscal year 2014''; and

(2) by adding at the end the following new paragraph:

''(4) SPECIAL RULE FOR COVID-RELATED CHARITY CARE.—The Secretary shall, beginning in the first fiscal year in which the factor described in paragraph (2)(C) is calculated based on a cost reporting period that includes any portion of calendar year 2020, exclude the amount of the payroll credit for COVID–19 charity care allowed under section 101(a) of the Emergency Pension Plan Relief Act of 2020 provided to a subsection (d) hospital, from the calculation of such factor.''.

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SEC. 102. PAYROLL CREDIT FOR COVID–19 HOSPITAL FACILITY EXPENDITURES.

(a) IN GENERAL.—In the case of an employer which is an eligible hospital, there shall be allowed as a credit against the tax imposed by section 3111(a) of the Internal Revenue Code of 1986 for each calendar quarter an amount equal to 90 percent of the COVID–19 hospital facility expenditures paid or incurred by such hospital during such calendar quarter.

(b) LIMITATIONS AND REFUNDABILITY.—

(1) CREDIT LIMITED TO CERTAIN EMPLOYMENT TAXES.—The credit allowed by subsection (a) with respect to any calendar quarter shall not exceed the tax imposed by section 3111(a) of such Code for such calendar quarter (reduced by any credits allowed under subsection (e) or (f) of section 3111 of such Code, under section 7001 or 7003 of the Families First Coronavirus Response Act, or under the preceding section of this Act, for such quarter) on the wages paid with respect to the employment of all employees of the employer.

(2) REFUNDABILITY OF EXCESS CREDIT.—

(A) IN GENERAL.—If the amount of the credit under subsection (a) exceeds the limitation of paragraph (1) for any calendar quarter, such excess shall be treated as an overpayment

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that shall be refunded under sections 6402(a) and 6413(b) of such Code.

(B) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any amounts due to an employer under this paragraph shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

(c) ELIGIBLE HOSPITAL.—For purposes of this section, the term ''eligible hospital'' means a subsection (d) hospital as defined in section 1886(d)(1)(B) of the Social Security Act (42 U.S.C. 1395ww(d)(1)(B)) or a critical access hospital (as defined in section 1861(mm)(1) of such Act (42 U.S.C. 1395x(mm)(1)).

(d) COVID–19 HOSPITAL FACILITY EXPENDITURES.—For purposes of this section—

(1) IN GENERAL.—The term ''COVID–19 hospital facility expenditures'' means amounts paid or incurred by an eligible hospital for—

(A) the purchase or construction of a temporary structure in the United States for specified COVID-related purposes,

(B) the lease of any structure in the United States for specified COVID-related pur-

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poses if the term of such lease is not greater than 2 years,

(C) the retrofitting of any existing permanent structure in the United States for specified COVID-related purposes, and

(D) any property for use in a structure described in subparagraph (A), (B), or (C) for specified COVID-related purposes if such property is of a character which is subject to the allowance for depreciation provided in section 167 of the Internal Revenue Code of 1986.

(2) SPECIFIED COVID-RELATED PURPOSES.—The term ''specified COVID-related purposes'' means the diagnosis, prevention, or treatment of COVID–19 or a related condition.

(3) TEMPORARY STRUCTURE.—The term ''temporary structure'' means a tent or such other structure which by its design or nature is not suitable to serve as a permanent structure.

(4) COORDINATION WITH GOVERNMENT GRANTS.—The COVID–19 hospital facility expenditures taken into account under this section by any eligible hospital shall be reduced by any amounts provided by any Federal, State, or local government

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for purposes of making or reimbursing such expenditures.

(e) SPECIAL RULES.—

(1) DENIAL OF DOUBLE BENEFIT.—For purposes of the Internal Revenue Code of 1986—

(A) the basis of any property with respect to which a credit is allowed under this section shall be reduced by the amount of such credit, and

(B) such reduction shall be taken into account before determining the amount of any deduction, or allowance for depreciation or amortization, with respect to such property for purposes of such Code.

(2) RECAPTURE OF GAIN.—If an eligible hospital disposes of any property with respect to which a credit was allowed under this section and any gain is determined on such disposition under section 1001 of such Code, the tax imposed under chapter 1 of such Code on such hospital shall be increased by the amount of such gain. The preceding sentence shall apply without regard to whether such eligible hospital is otherwise exempt from, or not subject to, the taxes otherwise imposed under such chapter.

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(3) DOCUMENTATION.—No credit shall be allowed under this section unless the employer maintains such documentation as the Secretary of the Treasury (or the Secretary's delegate) may prescribe to establish such employer's eligibility for the credit allowed under this section (and the amount thereof).

(4) ELECTION NOT TO HAVE SECTION APPLY.—This section shall not apply with respect to any employer for any calendar quarter if such employer elects (at such time and in such manner as the Secretary of the Treasury (or the Secretary's delegate) may prescribe) not to have this section apply.

(5) CERTAIN TERMS.—Any term used in this section which is also used in chapter 21 of such Code shall have the same meaning as when used in such chapter.

(f) REGULATIONS.—The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section, including—

(1) regulations or other guidance to effectuate the purposes of the limitations under this section,

(2) regulations or other guidance to minimize compliance and record-keeping burdens under this section,

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(3) regulations or other guidance providing for a waiver of penalties for the failure to deposit taxes imposed under section 3111(a) in anticipation of the allowance of the credit allowed under this section,

(4) regulations or other guidance for recapturing the benefit of credits determined under this section in cases where there is a subsequent adjustment to the credit determined under subsection (a),

(5) regulations or other guidance (prescribed after consultation with the Secretary of Health and Human Services) which identify specific items and services which are considered for purposes of subsection (d)(2) to be for specified COVID-related purposes, and

(6) regulations or other guidance regarding the treatment of certified professional employer organizations, as described in section 3511 of such Code.

(g) APPLICATION OF SECTION.—

(1) IN GENERAL.—This section shall apply only to COVID–19 hospital facility expenditures which are paid or incurred during the period beginning on February 1, 2020, and ending on December 31, 2020.

(2) TREATMENT OF CERTAIN EXPENDITURES MADE BEFORE DATE OF ENACTMENT.—For pur-

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poses of this section, any COVID–19 hospital facility expenditures which are paid or incurred after January 31, 2020, and before the calendar quarter which includes the date of the enactment of this Act shall be treated as having been furnished in such calendar quarter.

(h) TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—There are hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) amounts equal to the reduction in revenues to the Treasury by reason of this section (without regard to this subsection). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund had this section not been enacted.

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SEC. 103. RESTORATION OF LIMITATIONS ON RECONCILIATION OF TAX CREDITS FOR COVERAGE UNDER A QUALIFIED HEALTH PLAN WITH ADVANCE PAYMENTS OF SUCH CREDIT.

(a) IN GENERAL.—Section 36B(f)(2)(B)(i) of the Internal Revenue Code of 1986 is amended to read as follows:

"(i) IN GENERAL.—In the case of a taxpayer whose household income is less than 500 percent of the poverty line for the size of the family involved for the taxable year, the amount of the increase under subparagraph (A) shall in no event exceed the applicable dollar amount determined in accordance with the following table (one-half of such amount in the case of a taxpayer whose tax is determined under section 1(c) for the taxable year):

"If the household income (expressed as a percent of poverty line) is:	The applicable dollar amount is:
Less than 200%	$600
At least 200% but less than 250%	$1,000
At least 250% but less than 300%	$1,500
At least 300% but less than 350%	$2,000
At least 350% but less than 400%	$2,500
At least 400% but less than 450%	$3,000
At least 450% but less than 500%	$3,500.".

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(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 104. IMPROVING AFFORDABILITY BY REDUCING PREMIUM COSTS FOR CONSUMERS.

(a) IN GENERAL.—Section 36B(b)(3)(A) of the Internal Revenue Code of 1986 is amended to read as follows:

"(A) APPLICABLE PERCENTAGE.—The applicable percentage for any taxable year shall be the percentage such that the applicable percentage for any taxpayer whose household income is within an income tier specified in the following table shall increase, on a sliding scale in a linear manner, from the initial premium percentage to the final premium percentage specified in such table for such income tier:

"In the case of household income (expressed as a percent of poverty line) within the following income tier:	The initial premium percentage is—	The final premium percentage is—
Over 100.0 percent up to 150.0 percent	0.0	0.0
150.0 percent up to 200.0 percent	0.0	3.0
200.0 percent up to 250.0 percent	3.0	4.0
250.0 percent up to 300.0 percent	4.0	6.0
300.0 percent up to 400.0 percent	6.0	8.5
400.0 percent and higher	8.5	8.5".

(b) CONFORMING AMENDMENT.—Section 36B(c)(1)(A) of the Internal Revenue Code of 1986 is amended by striking "but does not exceed 400 percent".

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(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2020.

TITLE II—ECONOMIC STIMULUS

Subtitle A—Economic Assistance Payments

SEC. 201. 2020 ECONOMIC ASSISTANCE PAYMENTS TO INDIVIDUALS.

(a) IN GENERAL.—Subchapter B of chapter 65 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 6431. 2020 ECONOMIC ASSISTANCE PAYMENTS TO INDIVIDUALS.

"(a) IN GENERAL.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by subtitle A for the first taxable year beginning in 2020 an amount equal to the sum of—

"(1) the base amount, and

"(2) the income supplement amount.

"(b) BASE AMOUNT.—For purposes of this section, the term 'base amount' means, with respect to any taxpayer, the sum of—

"(1) $1,500 ($3,000 in the case of a joint return), plus

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"(2) $1,500 multiplied by the number of qualifying children (within the meaning of section 24(c)) of the taxpayer (not in excess of 3 such children) for the taxpayer's first taxable year beginning in 2020.

"(c) INCOME SUPPLEMENT AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'income supplement amount' means—

"(A) in the case of any taxpayer not described in subparagraph (B), the excess (if any) of—

"(i) adjusted gross income for the taxable year immediately preceding such taxpayer's first taxable year beginning in 2020, over

"(ii) adjusted gross income for such taxpayer's first taxable year beginning in 2020, and

"(B) in the case of any taxpayer whose household income for such taxpayer's first taxable year beginning in 2020 does not exceed the applicable phaseout amount, the greater of—

"(i) the excess (if any) described in subparagraph (A), or

"(ii) the sum of—

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"(I) base amount multiplied by 5,

plus

"(II) $5,000.

"(2) MAXIMUM INCOME SUPPLEMENT AMOUNT.—The income supplement amount determined under this subsection shall not exceed the sum described in paragraph (1)(B)(ii) (determined without regard to paragraph (3)).

"(3) PHASEOUT OF THE MINIMUM INCOME SUPPLEMENT AMOUNT.—The sum described in paragraph (1)(B)(ii) shall be reduced (but not below zero) by the amount which bears the same ratio to such sum as—

"(A) the excess (if any) of the household income for the taxpayer's first taxable year beginning in 2020 over 200 percent of the poverty line for a family of the size involved, bears to

"(B) the excess of the applicable phaseout amount over 200 percent of the poverty line for a family of the size involved.

"(4) DEFINITIONS RELATING TO THE POVERTY LINE.—For purposes of this subsection—

"(A) IN GENERAL.—The terms 'family size' and 'poverty line' have the respective

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meaning given such terms under section 36B(d).

"(B) HOUSEHOLD INCOME.—The term 'household income' has the meaning given such term by section 36B(d)(2)(A) applied by using adjusted gross income (within the meaning of this section) in lieu of modified adjusted gross income (within the meaning of section 36B).

"(d) OVERALL PHASEOUT BASED ON ADJUSTED GROSS INCOME.—

"(1) IN GENERAL.—The amount of the credit allowed by subsection (a) (determined without regard to this subsection and subsection (g)) shall be reduced (but not below zero) by the amount which bears the same ratio to such amount as—

"(A) the excess (if any) of the adjusted gross income for the taxpayer's first taxable year beginning in 2020 over the applicable phaseout amount, bears to

"(B) 50 percent of the applicable phaseout amount.

"(2) APPLICABLE PHASEOUT AMOUNT.—The term 'applicable phaseout amount' means—

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"(A) $150,000 in the case of a joint return or a surviving spouse (as defined in section 2(a)),

"(B) $112,500 in the case of a head of household (as defined in section 2(b)), and

"(C) $75,000 in any other case.

"(e) OTHER DEFINITIONS.—For purposes of this section—

"(1) ELIGIBLE INDIVIDUAL.—The term 'eligible individual' means any individual other than—

"(A) any nonresident alien individual,

"(B) any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, and

"(C) an estate or trust.

"(2) ADJUSTED GROSS INCOME.—The term 'adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.

"(f) SPECIAL RULES.—

"(1) CREDIT TREATED AS REFUNDABLE.—The credit allowed by subsection (a) shall be treated as

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allowed by subpart C of part IV of subchapter A of chapter 1.

"(2) TREATMENT OF CREDIT AND ADVANCE PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any credit under subsection (a) and any credit or refund under subsection (h) shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

"(3) IDENTIFICATION NUMBER REQUIREMENT.—An individual shall not be taken into account in determining the amount of the credit allowed under subsection (a) unless the taxpayer identification number of such individual is included on the return of tax for the taxable year.

"(g) COORDINATION WITH ADVANCE REFUNDS OF CREDIT.—

"(1) REDUCTION OF REFUNDABLE CREDIT.—The amount of the credit which would (but for this paragraph) be allowable under subsection (a) shall be reduced (but not below zero) by the aggregate refunds and credits made or allowed to the taxpayer under subsection (h) and the aggregate payments to which the taxpayer is entitled under section 202 of the Emergency Pension Plan Relief Act of 2020.

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Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

''(2) RECAPTURE OF PAYMENTS IN EXCESS OF REFUNDABLE CREDIT.—

''(A) IN GENERAL.—If the sum of the aggregate refunds and credits made or allowed to the taxpayer under subsection (h) and the aggregate payments to which the taxpayer is entitled under section 202 of the Emergency Pension Plan Relief Act of 2020 exceeds the credit allowed under subsection (a) (determined without regard to paragraph (1)), the tax imposed under chapter 1 for the taxpayer's first taxable year beginning in 2020 shall be increased by the amount of such excess.

''(B) ELECTION TO SPREAD RECAPTURE OVER 3 YEARS.—In the case of a taxpayer who elects (at such time and in such manner as the Secretary may provide) the application of this subparagraph, subparagraph (A) shall not apply and the tax imposed under chapter 1 shall be increased by ⅓ of the excess described in subparagraph (A) in the taxpayer's first taxable

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year beginning in 2020 and in each of the 2 immediately following taxable years.

''(3) JOINT RETURNS.—In the case of a refund or credit made or allowed under subsection (h) with respect to a joint return, half of such refund or credit shall be treated as having been made or allowed to each individual filing such return.

''(h) ADVANCE REFUNDS AND CREDITS.—

''(1) IN GENERAL.—Each taxpayer who was an eligible individual for such taxpayer's first taxable year beginning in 2019 shall be treated as having made a payment against the tax imposed by chapter 1 for such first taxable year in an amount equal to the advance refund amount.

''(2) ADVANCE REFUND AMOUNT.—For purposes of this subsection, the term 'advance refund amount' means the sum of—

''(A) the product of the prior-year base amount multiplied by 6, plus

''(B) $5,000.

''(3) TIMING OF PAYMENTS.—

''(A) BASE AMOUNT.—The Secretary shall, subject to the provisions of this title, refund or credit so much of any overpayment attributable

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to paragraph (1) as is not less than the prior-year base amount as rapidly as possible.

"(B) PERIODIC ADDITIONAL PAYMENTS.—To the extent that the Secretary determines feasible, the Secretary shall, subject to the provisions of this title, refund or credit any remaining overpayment in periodic additional amounts. The Secretary, to the maximum extent practicable, shall ensure that the entire overpayment attributable to paragraph (1) is refunded or credited under this paragraph not later than December 31, 2020. For purposes of the preceding sentence, the term 'remaining overpayment' means so much of the overpayment attributable to paragraph (1) as is not refunded or credited under subparagraph (A).

"(C) TERMINATION OF PAYMENT AUTHORITY.—No refund or credit shall be made or allowed under this subsection after December 31, 2020.

"(4) PRIOR-YEAR BASE AMOUNT.—For purposes of this subsection, the term 'prior-year base amount' means the base amount determined under subsection (b) with respect to—

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"(A) the taxpayer's first taxable year beginning in 2019, or

"(B) if information regarding such taxable year is not available to the Secretary, the taxpayer's first taxable year beginning in 2018.

"(5) COORDINATION WITH PAYMENTS TO SOCIAL SECURITY ADMINISTRATION RECIPIENTS.—This subsection shall not apply with respect to any taxpayer entitled to a payment under section 202 of the Emergency Pension Plan Relief Act of 2020.

"(6) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this section.

"(7) INFORMATION PROVIDED TO TAXPAYERS.—As soon as practicable, the Secretary shall—

"(A) make best efforts to inform every taxpayer that amounts received pursuant to this subsection may be subject to recapture under subsection (g)(2), and

"(B) develop an Internet tool allowing taxpayer's to determine the amount of such recapture using input from the taxpayer.

"(i) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary

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or appropriate to carry out the purposes of this section, including—

''(1) regulations or other guidance providing for proper determination of adjusted gross income in the case of an individual whose filing status changes between the taxable years taken into account under this section and in the case of any taxable year which is less than 12 months,

''(2) regulations or other guidance providing taxpayers with respect to whom information for neither taxable year described in subsection (h)(4) is available to the Secretary the opportunity to provide the Secretary information sufficient to allow the Secretary to determine the amount of the credit or refund for such taxpayer under subsection (h), and

''(3) regulations or other guidance providing for proper determination of the treatment of households that include an eligible individual (as defined in section 202(b) of the Emergency Pension Plan Relief Act of 2020).

''(j) OUTREACH.—The Secretary shall carry out a robust and comprehensive outreach program to ensure that all taxpayers described in subsection (i)(2) learn of their eligibility for the advance refunds and credits under subsection (h); are advised of the opportunity to receive such

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advance refunds and credits as provided under subsection (i)(2), and provided assistance in applying for such credits. In conducting this outreach, the Secretary shall coordinate with other government, state, and local agencies; federal partners; and community-based nonprofit organizations that regularly interface with those taxpayers so described.''.

(b) TREATMENT OF CERTAIN POSSESSIONS.—

(1) PAYMENTS TO POSSESSIONS WITH MIRROR CODE TAX SYSTEMS.—The Secretary of the Treasury shall pay to each possession of the United States which has a mirror code tax system amounts equal to the loss (if any) to that possession by reason of the amendments made by this section. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

(2) PAYMENTS TO OTHER POSSESSIONS.—The Secretary of the Treasury shall pay to each possession of the United States which does not have a mirror code tax system amounts estimated by the Secretary of the Treasury as being equal to the aggregate benefits (if any) that would have been provided to residents of such possession by reason of the amendments made by this section if a mirror code

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tax system had been in effect in such possession. The preceding sentence shall not apply unless the respective possession has a plan, which has been approved by the Secretary of the Treasury, under which such possession will promptly distribute such payments to its residents.

(3) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—No credit shall be allowed against United States income taxes under section 6431 of the Internal Revenue Code of 1986 (as amended by this section), nor shall any credit or refund be made or allowed under subsection (h) of such section, to any person—

(A) to whom a credit is allowed against taxes imposed by the possession by reason of the amendments made by this section, or

(B) who is eligible for a payment under a plan described in paragraph (2).

(4) MIRROR CODE TAX SYSTEM.—For purposes of this subsection, the term ''mirror code tax system'' means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by

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reference to the income tax laws of the United States as if such possession were the United States.

(c) ADMINISTRATIVE PROVISIONS.—

(1) DEFINITION OF DEFICIENCY.—Section 6211(b)(4)(A) of the Internal Revenue Code of 1986 is amended by striking ''168(k)(4)'' and inserting ''168(k)(4), and 6431''.

(2) MATHEMATICAL OR CLERICAL ERROR AUTHORITY.—Section 6213(g)(2) of such Code is amended—

(A) by inserting ''or section 6431 (relating to economic assistance payments to individuals)'' before the comma at the end of subparagraph (H), and

(B) by striking ''or 32'' in subparagraph (L) and inserting ''32, or 6431''.

(3) EXEMPTION FROM OFFSETS.—So much of any overpayment, credit, refund, or payment as is attributable to the application of section 6431 of the Internal Revenue Code of 1986 shall not be subject to reduction, offset, or levy under section 6331 or subsections (c), (d), (e), or (f) of section 6402 of such Code or under section 3716 or 3720A of title 31, United States Code.

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(4) TREATMENT OF CREDIT AND ADVANCE PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any credit under section 6431(a) of the Internal Revenue Code of 1986, any credit or refund under section 6431(h) of such Code, and any payment under subsection (b) of this Act, shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section 1324.

(d) APPROPRIATIONS TO CARRY OUT THIS SECTION.—

(1) IN GENERAL.—Immediately upon the enactment of this Act, the following sums are appropriated, out of any money in the Treasury not otherwise appropriated, for the fiscal year ending September 30, 2020—

(A) For an additional amount for ''Department of the Treasury—Bureau of Fiscal Services—Salaries and Expenses'', $78,600,000, to remain available until December 31, 2020.

(B) For an additional amount for ''Department of the Treasury—Internal Revenue Service—Taxpayer Services'', $301,000,000, to remain available until December 31, 2020.

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(C) For an additional amount for ''Department of the Treasury—Internal Revenue Service—Enforcement'', $37,200,000, to remain available until December 31, 2020.

(D) For an additional amount for ''Department of the Treasury—Internal Revenue Service—Operations Support'', $8,000,000, to remain available until December 31, 2020.

(2) REPORTS.—No later than 15 days after enactment of this Act, the Secretary of the Treasury shall submit a plan to the Committees on Appropriations of the House of Representatives and the Senate detailing the expected use of the funds provided by paragraph (1)(A). Beginning 90 days after enactment of this Act, the Secretary of the Treasury shall submit a quarterly report to the Committees on Appropriations of the House of Representatives and the Senate detailing the actual expenditure of funds provided by paragraph (1)(A) and the expected expenditure of such funds in the subsequent quarter.

SEC. 202. ECONOMIC ASSISTANCE PAYMENTS TO CERTAIN FEDERAL BENEFICIARIES.

(a) PAYMENT AUTHORITIES AND AMOUNTS.—

(1) BASE AMOUNT PAYMENTS.—Subject to subsection (c), the Secretary of the Treasury shall dis-

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burse a base amount payment to each individual who, as of the date of the enactment of this Act, is an eligible individual. Such payment shall be in the amount that would be paid under section 6431(b) of the Internal Revenue Code of 1986 for a single taxpayer with no qualifying children.

(2) INCOME SUPPLEMENT AMOUNT PAYMENTS.—Subject to subsection (c), the Secretary of the Treasury shall disburse income supplement amount payments to each individual who, as of the date of the enactment of this Act, is an eligible individual. The total of such payments to each such individual shall equal the amount defined in 6431(c)(1)(B)(ii) for a single taxpayer with no qualifying children.

(b) ELIGIBLE INDIVIDUAL.—

(1) IN GENERAL.—For purposes of subsection (a), an ''eligible individual'' is an individual who, for the last month that ends prior to the date of enactment of this Act—

(A) is entitled to a social security insurance benefit described in paragraph (2); or

(B) is eligible for a supplemental security income benefit described in paragraph (3).

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(2) SOCIAL SECURITY BENEFIT DESCRIBED.—For purposes of paragraph (1), a social security insurance benefit described in this paragraph is any monthly insurance benefit payable under title II of the Social Security Act (42 U.S.C. 401 et seq.) (other than child's insurance benefits payable under section 202(d)(1)(B)(i) of such Act (42 U.S.C. 402(d)(1)(B)(i)), including payments made pursuant to subsections (g) or (i)(7) of section 223 of such Act (42 U.S.C. 423).

(3) SUPPLEMENTAL SECURITY INCOME BENEFIT DESCRIBED.—For purposes of paragraph (1), a supplemental security income benefit described in this paragraph is a monthly benefit payable under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.) (other than a benefit to an individual described in section 1611(e)(1)(B) or section 1614(a)(3)(C) of such Act (42 U.S.C. 1382(e)(1)(B); 1382c(a)(3)(C)), including—

(A) payments made pursuant to section 1619(a) (42 U.S.C. 1382h) or subsections (a)(4), (a)(7), or (p)(7) of section 1631 (42 U.S.C. 1383) of such Act; and

(B) State supplementary payments of the type referred to in section 1616(a) of such Act

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(42 U.S.C. 1382e(a)) (or payments of the type described in section 212(a) of Public Law 93–66) which are paid by the Commissioner under an agreement referred to in such section 1616(a) (or section 212(a) of Public Law 93–66).

(4) LIMITATION.—Notwithstanding paragraph (1), no individual shall be considered an eligible individual for purposes of subsection (a) if, for the last month that ends prior to the date of enactment of this Act—

(A) the individual is entitled to a social security insurance benefit described in paragraph (2) that was not payable for such month by reason of subsection (x) or (y) of section 202 the Social Security Act (42 U.S.C. 402) or section 1129A of such Act (42 U.S.C. 1320a–8a); or

(B) the individual is eligible for a supplemental security income benefit described in paragraph (3) that was not payable for such month by reason of subsection (e)(1)(A) or (e)(4) of section 1611 (42 U.S.C. 1382) or section 1129A of such Act (42 U.S.C. 1320a–8a).

(c) LIMITATIONS ON PAYMENTS.—

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(1) RESIDENCY REQUIREMENT.—A payment under this section shall be made only to individuals who reside in 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, the United States Virgin Islands, American Samoa, or the Northern Mariana Islands, or who are utilizing a foreign or domestic Army Post Office or Fleet Post Office address. For purposes of the preceding sentence, the determination of the individual's residence shall be based on the address of record, as of the date of certification under subsection (d) for a payment under this section, under a program specified in paragraph (b).

(2) TIMING AND MANNER OF PAYMENTS.—

(A) TIMING OF BASE AMOUNT PAYMENT.—The Secretary of the Treasury shall commence disbursing payments under subsection (a)(1) at the earliest practicable date but in no event later than 90 days after the date of enactment of this Act.

(B) TIMING OF INCOME SUPPLEMENT AMOUNT PAYMENTS.—The Secretary of the Treasury shall disburse payments under subsection (a)(2) on a periodic basis in coordination with the timing of refunds and credits

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made under section 6431(h)(3)(B) of the Internal Revenue Code of 1986.

(C) ELECTRONIC DISBURSEMENT.—The Secretary of the Treasury may disburse any payment electronically to an individual in such manner as if such payment were a benefit payment made to such individual under the applicable program described in paragraph (2) or (3) of subsection (b).

(D) NOTICES.—The Commissioner of Social Security shall send one or more notices, as appropriate, in connection with such payments. Such notices shall include the information described in section 6431(h)(7)(A) of the Internal Revenue Code of 1986 relating to such payments being subject to recapture.

(d) IDENTIFICATION OF RECIPIENTS.—The Commissioner of Social Security shall certify the individuals entitled to receive payments under this section and provide the Secretary of the Treasury with the information needed to disburse such payments. A certification of an individual for payment shall be unaffected by any subsequent determination or redetermination of the individual's entitlement to, or eligibility for, a benefit specified in paragraph (2) or (3) of subsection (b).

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(e) TREATMENT OF PAYMENTS.—

(1) PAYMENT DISREGARDED FOR PURPOSES OF ALL FEDERAL AND FEDERALLY ASSISTED PROGRAMS.—A payment under subsection (a) shall not be regarded as income or as a resource for any month for purposes of determining the eligibility of the recipient (or the recipient's spouse or family) for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

(2) PAYMENT NOT CONSIDERED INCOME FOR PURPOSES OF TAXATION.—A payment under subsection (a) shall not be considered as gross income for purposes of the Internal Revenue Code of 1986.

(3) PAYMENTS PROTECTED FROM ASSIGNMENT.—The provisions of sections 207 and 1631(d)(1) of the Social Security Act (42 U.S.C. 407, 1383(d)(1)) shall apply to any payment made under subsection (a) as if such payment was a benefit payment made to such individual under the applicable program described in paragraph (2) or (3) of subsection (b).

(4) PAYMENTS PROTECTED FROM OFFSET AND RECLAMATION.—Notwithstanding paragraph (3), a

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payment under subsection (a) shall not be subject to any reduction, offset, or levy pursuant to—

(A) section 3716 or 3720A of title 31, United States Code;

(B) section 6331 of the Internal Revenue Code of 1986; or

(C) subsection (c), (d), (e), or (f) of section 6402 of the Internal Revenue Code of 1986.

(f) PAYMENT TO REPRESENTATIVE PAYEES.—

(1) IN GENERAL.—In any case in which an individual who is entitled to a payment under subsection (a) and whose benefit described in subsection (b) is paid to a representative payee, the payment under subsection (a) shall be made to the individual's representative payee and the entire payment shall be used only for the benefit of the individual who is entitled to the payment.

(2) ENFORCEMENT.—Section 1129(a)(3) of the Social Security Act (42 U.S.C. 1320a-8(a)(3)) shall apply to any payment under subsection (a) in the same manner as such section applies to a payment under title II or XVI of such Act.

(g) COORDINATION.—The Secretary of the Treasury and the Commissioner of Social Security shall coordinate

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with respect to any payments made under this section or section 6431(h) of the Internal Revenue Code of 1986.

(h) APPROPRIATION.—Out of any money in the Treasury not otherwise appropriated, there is appropriated to the Commissioner of Social Security such sums as may be necessary for payments to individuals certified by the Commissioner of Social Security as entitled to receive a payment under this section, to remain available until expended.

Subtitle B—Earned Income Tax Credit

SEC. 211. STRENGTHENING THE EARNED INCOME TAX CREDIT FOR INDIVIDUALS WITH NO QUALIFYING CHILDREN.

(a) SPECIAL RULES FOR 2020 AND 2021.—Section 32 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

"(n) SPECIAL RULES FOR INDIVIDUALS WITHOUT QUALIFYING CHILDREN.—In the case of any taxable year beginning in 2020 or 2021—

"(1) DECREASE IN MINIMUM AGE FOR CREDIT.—

"(A) IN GENERAL.—Subsection (c)(1)(A)(ii)(II) shall be applied by substituting 'the applicable minimum age' for 'age 25'.

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"(B) APPLICABLE MINIMUM AGE.—For purposes of this paragraph, the term 'applicable minimum age' means—

"(i) except as otherwise provided in this subparagraph, age 19,

"(ii) in the case of a full-time student (other than a qualified former foster youth or a qualified homeless youth), age 25, and

"(iii) in the case of a qualified former foster youth or qualified homeless youth, age 18.

"(C) FULL-TIME STUDENT.—For purposes of this paragraph, the term 'full-time student' means, with respect to any taxable year, an individual who is an eligible student (as defined in section 25A(b)(3)) during at least 5 calendar months during the taxable year.

"(D) QUALIFIED FORMER FOSTER YOUTH.—For purposes of this paragraph, the term 'qualified former foster youth' means an individual who—

"(i) on or after the date that such individual attained age 14, was in foster care provided under the supervision or administration of a State or tribal agency admin-

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istering (or eligible to administer) a plan under part B or part E of the Social Security Act (without regard to whether Federal assistance was provided with respect to such child under such part E), and

''(ii) provides (in such manner as the Secretary may provide) consent for State and tribal agencies which administer a plan under part B or part E of the Social Security Act to disclose to the Secretary information related to the status of such individual as a qualified former foster youth.

''(E) QUALIFIED HOMELESS YOUTH.—For purposes of this paragraph, the term 'qualified homeless youth' means, with respect to any taxable year, an individual who—

''(i) is certified by a local educational agency or a financial aid administrator during such taxable year as being either an unaccompanied youth who is a homeless child or youth, or as unaccompanied, at risk of homelessness, and self-supporting. Terms used in the preceding sentence which are also used in section 480(d)(1) of

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the Higher Education Act of 1965 shall have the same meaning as when used in such section, and

"(ii) provides (in such manner as the Secretary may provide) consent for local educational agencies and financial aid administrators to disclose to the Secretary information related to the status of such individual as a qualified homeless youth.

"(2) INCREASE IN MAXIMUM AGE FOR CREDIT.—Subsection (c)(1)(A)(ii)(II) shall be applied by substituting 'age 66' for 'age 65'.

"(3) INCREASE IN CREDIT AND PHASEOUT PERCENTAGES.—The table contained in subsection (b)(1) shall be applied by substituting '15.3' for '7.65' each place it appears therein.

"(4) INCREASE IN EARNED INCOME AND PHASEOUT AMOUNTS.—

"(A) IN GENERAL.—The table contained in subsection (b)(2)(A) shall be applied—

"(i) by substituting '$9,570' for '$4,220', and

"(ii) by substituting '$11,310' for '$5,280'.

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"(B) COORDINATION WITH INFLATION ADJUSTMENT.—

"(i) IN GENERAL.—In the case of any taxable year beginning after 2019, the $9,570 and $11,310 amounts in subparagraph (A) shall each be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2018' for '2016' in subparagraph (A)(ii) thereof.

"(ii) ROUNDING.—If any increase under clause (i) is not a multiple of $10, such increase shall be rounded to the nearest multiple of $10.

"(iii) COORDINATION WITH OTHER INFLATION ADJUSTMENT.—Subsection (j) shall not apply to any dollar amount specified in this paragraph.".

(b) INFORMATION RETURN MATCHING.—As soon as practicable, the Secretary of the Treasury (or the Sec-

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retary's delegate) shall develop and implement procedures for checking an individual's claim for a credit under section 32 of the Internal Revenue Code of 1986, by reason of subsection (n)(1) thereof, against any information return made with respect to such individual under section 6050S (relating to returns relating to higher education tuition and related expenses).

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 212. TAXPAYER ELIGIBLE FOR CHILDLESS EARNED INCOME CREDIT IN CASE OF QUALIFYING CHILDREN WHO FAIL TO MEET CERTAIN IDENTIFICATION REQUIREMENTS.

(a) IN GENERAL.—Section 32(c)(1) of the Internal Revenue Code of 1986 is amended by striking subparagraph (F).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 213. CREDIT ALLOWED IN CASE OF CERTAIN SEPARATED SPOUSES.

(a) IN GENERAL.—Section 32(d) of the Internal Revenue Code of 1986 is amended—

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(1) by striking ''MARRIED INDIVIDUALS.—In the case of'' and inserting the following: ''MARRIED INDIVIDUALS.—

''(1) IN GENERAL.—In the case of'', and

(2) by adding at the end the following new paragraph:

''(2) DETERMINATION OF MARITAL STATUS.—For purposes of this section—

''(A) IN GENERAL.—Except as provided in subparagraph (B), marital status shall be determined under section 7703(a).

''(B) SPECIAL RULE FOR SEPARATED SPOUSE.—An individual shall not be treated as married if such individual—

''(i) is married (as determined under section 7703(a)) and does not file a joint return for the taxable year,

''(ii) lives with a qualifying child of the individual for more than one-half of such taxable year, and

''(iii)(I) during the last 6 months of such taxable year, does not have the same principal place of abode as the individual's spouse, or

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"(II) has a decree, instrument, or agreement (other than a decree of divorce) described in section 121(d)(3)(C) with respect to the individual's spouse and is not a member of the same household with the individual's spouse by the end of the taxable year.".

(b) CONFORMING AMENDMENTS.—

(1) Section 32(c)(1)(A) of such Code is amended by striking the last sentence.

(2) Section 32(c)(1)(E)(ii) of such Code is amended by striking "(within the meaning of section 7703)".

(3) Section 32(d)(1) of such Code, as amended by subsection (a), is amended by striking "(within the meaning of section 7703)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 214. ELIMINATION OF DISQUALIFIED INVESTMENT INCOME TEST.

(a) IN GENERAL.—Section 32 of the Internal Revenue Code of 1986 is amended by striking subsection (i).

(b) CONFORMING AMENDMENTS.—

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(1) Section 32(j)(1) of such Code is amended by striking ''subsections (b)(2) and (i)(1)'' and inserting ''subsection (b)(2)''.

(2) Section 32(j)(1)(B)(i) of such Code is amended by striking ''subsections (b)(2)(A) and (i)(1)'' and inserting ''subsection (b)(2)(A)''.

(3) Section 32(j)(2) of such Code is amended—

(A) by striking subparagraph (B), and

(B) by striking ''ROUNDING.—'' and all that follows through ''If any dollar amount'' and inserting the following: ''ROUNDING.—If any dollar amount''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 215. APPLICATION OF EARNED INCOME TAX CREDIT IN POSSESSIONS OF THE UNITED STATES.

(a) IN GENERAL.—Chapter 77 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

''SEC. 7530. APPLICATION OF EARNED INCOME TAX CREDIT TO POSSESSIONS OF THE UNITED STATES.

''(a) PUERTO RICO.—

''(1) IN GENERAL.—With respect to calendar year 2021 and each calendar year thereafter, the

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Secretary shall, except as otherwise provided in this subsection, make payments to Puerto Rico equal to—

"(A) the specified matching amount for such calendar year, plus

"(B) in the case of calendar years 2021 through 2025, the lesser of—

"(i) the expenditures made by Puerto Rico during such calendar year for education efforts with respect to individual taxpayers and tax return preparers relating to the earned income tax credit, or

"(ii) $1,000,000.

"(2) REQUIREMENT TO REFORM EARNED INCOME TAX CREDIT.—The Secretary shall not make any payments under paragraph (1) with respect to any calendar year unless Puerto Rico has in effect an earned income tax credit for taxable years beginning in or with such calendar year which (relative to the earned income tax credit which was in effect for taxable years beginning in or with calendar year 2019) increases the percentage of earned income which is allowed as a credit for each group of individuals with respect to which such percentage is sep-

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arately stated or determined in a manner designed to substantially increase workforce participation.

"(3) SPECIFIED MATCHING AMOUNT.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'specified matching amount' means, with respect to any calendar year, the lesser of—

"(i) the excess (if any) of—

"(I) the cost to Puerto Rico of the earned income tax credit for taxable years beginning in or with such calendar year, over

"(II) the base amount for such calendar year, or

"(ii) the product of 3, multiplied by the base amount for such calendar year.

"(B) BASE AMOUNT.—

"(i) BASE AMOUNT FOR 2021.—In the case of calendar year 2021, the term 'base amount' means the greater of—

"(I) the cost to Puerto Rico of the earned income tax credit for taxable years beginning in or with calendar year 2019 (rounded to the nearest multiple of $1,000,000), or

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"(II) $200,000,000.

"(ii) INFLATION ADJUSTMENT.—In the case of any calendar year after 2021, the term 'base amount' means the dollar amount determined under clause (i) increased by an amount equal to—

"(I) such dollar amount, multiplied by—

"(II) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2020' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any amount determined under this clause shall be rounded to the nearest multiple of $1,000,000.

"(4) RULES RELATED TO PAYMENTS AND REPORTS.—

"(A) TIMING OF PAYMENTS.—The Secretary shall make payments under paragraph (1) for any calendar year—

"(i) after receipt of the report described in subparagraph (B) for such calendar year, and

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"(ii) except as provided in clause (i), within a reasonable period of time before the due date for individual income tax returns (as determined under the laws of Puerto Rico) for taxable years which began on the first day of such calendar year.

"(B) ANNUAL REPORTS.—With respect to calendar year 2021 and each calendar year thereafter, Puerto Rico shall provide to the Secretary a report which shall include—

"(i) an estimate of the costs described in paragraphs (1)(B)(i) and (3)(A)(i)(I) with respect to such calendar year, and

"(ii) a statement of such costs with respect to the preceding calendar year.

"(C) ADJUSTMENTS.—

"(i) IN GENERAL.—In the event that any estimate of an amount is more or less than the actual amount as later determined and any payment under paragraph (1) was determined on the basis of such estimate, proper payment shall be made by, or to, the Secretary (as the case may be) as soon as practicable after the determination that such estimate was inac-

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curate. Proper adjustment shall be made in the amount of any subsequent payments made under paragraph (1) to the extent that proper payment is not made under the preceding sentence before such subsequent payments.

''(ii) ADDITIONAL REPORTS.—The Secretary may require such additional periodic reports of the information described in subparagraph (B) as the Secretary determines appropriate to facilitate timely adjustments under clause (i).

''(D) DETERMINATION OF COST OF EARNED INCOME TAX CREDIT.—For purposes of this subsection, the cost to Puerto Rico of the earned income tax credit shall be determined by the Secretary on the basis of the laws of Puerto Rico and shall include reductions in revenues received by Puerto Rico by reason of such credit and refunds attributable to such credit, but shall not include any administrative costs with respect to such credit.

''(E) PREVENTION OF MANIPULATION OF BASE AMOUNT.—No payments shall be made under paragraph (1) if the earned income tax

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credit as in effect in Puerto Rico for taxable years beginning in or with calendar year 2019 is modified after the date of the enactment of this subsection.

''(b) POSSESSIONS WITH MIRROR CODE TAX SYSTEMS.—

''(1) IN GENERAL.—With respect to calendar year 2021 and each calendar year thereafter, the Secretary shall, except as otherwise provided in this subsection, make payments to the Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands equal to—

''(A) 75 percent of the cost to such possession of the earned income tax credit for taxable years beginning in or with such calendar year, plus

''(B) in the case of calendar years 2021 through 2025, the lesser of—

''(i) the expenditures made by such possession during such calendar year for education efforts with respect to individual taxpayers and tax return preparers relating to such earned income tax credit, or

''(ii) $50,000.

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"(2) APPLICATION OF CERTAIN RULES.—Rules similar to the rules of subparagraphs (A), (B), (C), and (D) of subsection (a)(4) shall apply for purposes of this subsection.

"(c) AMERICAN SAMOA.—

"(1) IN GENERAL.—With respect to calendar year 2021 and each calendar year thereafter, the Secretary shall, except as otherwise provided in this subsection, make payments to American Samoa equal to—

"(A) the lesser of—

"(i) 75 percent of the cost to American Samoa of the earned income tax credit for taxable years beginning in or with such calendar year, or

"(ii) $12,000,000, plus

"(B) in the case of calendar years 2021 through 2025, the lesser of—

"(i) the expenditures made by American Samoa during such calendar year for education efforts with respect to individual taxpayers and tax return preparers relating to such earned income tax credit, or

"(ii) $50,000.

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''(2) REQUIREMENT TO ENACT AND MAINTAIN AN EARNED INCOME TAX CREDIT.—The Secretary shall not make any payments under paragraph (1) with respect to any calendar year unless American Samoa has in effect an earned income tax credit for taxable years beginning in or with such calendar year which allows a refundable tax credit to individuals on the basis of the taxpayer's earned income which is designed to substantially increase workforce participation.

''(3) INFLATION ADJUSTMENT.—In the case of any calendar year after 2021, the $12,000,000 amount in paragraph (1)(A)(ii) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by—

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2020' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any increase determined under this clause shall be rounded to the nearest multiple of $100,000.

''(4) APPLICATION OF CERTAIN RULES.—Rules similar to the rules of subparagraphs (A), (B), (C),

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and (D) of subsection (a)(4) shall apply for purposes of this subsection.

''(d) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, the payments under this section shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.''.

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 of such Code is amended by adding at the end the following new item:

''Sec. 7529. Application of earned income tax credit to possessions of the United States.''.

Subtitle C—Child Tax Credit

SEC. 221. CHILD TAX CREDIT FULLY REFUNDABLE FOR 2020 THROUGH 2025.

(a) IN GENERAL.—Section 24(h)(5) of the Internal Revenue Code of 1986 is amended to read as follows:

''(5) REFUNDABLE CREDIT.—The increase determined under the first sentence of subsection (d)(1) shall be the amount determined under subparagraph (A) of such subsection (determined without regard to paragraph (4) of this subsection).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

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SEC. 222. APPLICATION OF CHILD TAX CREDIT IN POSSESSIONS.

(a) IN GENERAL.—Section 24 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(i) APPLICATION OF CREDIT IN POSSESSIONS.—

''(1) MIRROR CODE POSSESSIONS.—

''(A) IN GENERAL.—The Secretary shall pay to each possession of the United States with a mirror code tax system amounts equal to the loss to that possession by reason of the application of this section (determined without regard to this subsection) with respect to taxable years beginning after 2019. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

''(B) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—No credit shall be allowed under this section for any taxable year to any individual to whom a credit is allowable against taxes imposed by a possession with a mirror code tax system by reason of the application of this section in such possession for such taxable year.

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"(C) MIRROR CODE TAX SYSTEM.—For purposes of this paragraph, the term 'mirror code tax system' means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by reference to the income tax laws of the United States as if such possession were the United States.

"(2) PUERTO RICO.—In the case of any bona fide resident of Puerto Rico (within the meaning of section 937(a))—

"(A) the credit determined under this section shall be allowable to such resident,

"(B) in the case of any taxable year beginning after December 31, 2021, and before January 1, 2027, the increase determined under the first sentence of subsection (d)(1) shall be the lesser of—

"(i) the amount determined under subsection (d)(1)(A) (determined without regard to subsection (h)(4)), or

"(ii) the dollar amount in effect under subsection (h)(5), and

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"(C) in the case of any taxable year after December 31, 2026, the increase determined under the first sentence of subsection (d)(1) shall be the amount determined under subsection (d)(1)(A).

"(3) AMERICAN SAMOA.—

"(A) IN GENERAL.—The Secretary shall pay to American Samoa amounts estimated by the Secretary as being equal to the aggregate benefits that would have been provided to residents of American Samoa by reason of the application of this section for taxable years beginning after 2019 if the provisions of this section had been in effect in American Samoa.

"(B) DISTRIBUTION REQUIREMENT.—Subparagraph (A) shall not apply unless American Samoa has a plan, which has been approved by the Secretary, under which American Samoa will promptly distribute such payments to the residents of American Samoa in a manner which replicates to the greatest degree practicable the benefits that would have been so provided to each such resident.

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"(C) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—

"(i) IN GENERAL.—In the case of a taxable year with respect to which a plan is approved under subparagraph (B), this section (other than this subsection) shall not apply to any individual eligible for a distribution under such plan.

"(ii) APPLICATION OF SECTION IN EVENT OF ABSENCE OF APPROVED PLAN.—In the case of a taxable year with respect to which a plan is not approved under subparagraph (B), rules similar to the rules of paragraph (2) shall apply with respect to bona fide residents of American Samoa (within the meaning of section 937(a)).

"(4) TREATMENT OF PAYMENTS.—The payments made under this subsection shall be treated in the same manner for purposes of section 1324(b)(2) of title 31, United States Code, as refunds due from the credit allowed under this section.".

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(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 223. INCREASED CHILD TAX CREDIT FOR CHILDREN WHO HAVE NOT ATTAINED AGE 6.

(a) IN GENERAL.—Section 24(h)(2) of the Internal Revenue Code of 1986 is amended to read to as follows:

''(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting '$2,000 ($3,600 in the case of a qualifying child who has not attained age 6 as of the close of the calendar year in which the taxable year of the taxpayer begins)' for '$1,000' ''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2019.

Subtitle D—Dependent Care Assistance

SEC. 231. REFUNDABILITY AND ENHANCEMENT OF CHILD AND DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—Section 21 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(g) SPECIAL RULES FOR 2020 AND 2021.—In the case of any taxable year beginning in 2020 or 2021—

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"(1) CREDIT MADE REFUNDABLE.—In the case of an individual other than a nonresident alien, the credit allowed under subsection (a) shall be treated as a credit allowed under subpart C (and not allowed under this subpart).

"(2) INCREASE IN APPLICABLE PERCENTAGE.—Subsection (a)(2) shall be applied—

"(A) by substituting '50 percent' for '35 percent ', and

"(B) by substituting '$120,000' for '$15,000'.

"(3) INCREASE IN DOLLAR LIMIT ON AMOUNT CREDITABLE.—Subsection (c) shall be applied—

"(A) by substituting '$6,000' for '$3,000' in paragraph (1) thereof, and

"(B) by substituting 'twice the amount in effect under paragraph (1)' for '$6,000' in paragraph (2) thereof.

"(4) INFLATION ADJUSTMENT OF DOLLAR AMOUNTS.—In the case of any taxable year beginning after 2020, the $120,000 amount in paragraph (2)(B) and the $6,000 amount in paragraph (3)(A) shall each be increased by an amount equal to—

"(A) such dollar amount, multiplied by

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"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2019' for '2016' in subparagraph (A)(ii) thereof.

If any increase determined under this paragraph is not a multiple of $100, such increase shall be rounded to the next lowest multiple of $100.

"(5) INCOME LIMITATION.—

"(A) IN GENERAL.—Paragraphs (1) through (4) of this subsection shall not apply to any taxpayer for any taxable year if the modified adjusted gross income of such taxpayer for such taxable year exceeds $1,000,000.

"(B) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.".

(b) CONFORMING AMENDMENT.—Section 1324(b)(2) of title 31, United States Code, is amended by inserting "21 (by reason of subsection (g) thereof)," before "25A".

(c) COORDINATION WITH POSSESSION TAX SYSTEMS.—Section 21(g)(1) of the Internal Revenue Code of

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1986 (as added by this section) shall not apply to any person—

(1) to whom a credit is allowed against taxes imposed by a possession with a mirror code tax system by reason of the application of section 21 of such Code in such possession for such taxable year, or

(2) to whom a credit would be allowed against taxes imposed by a possession which does not have a mirror code tax system if the provisions of section 21 of such Code had been in effect in such possession for such taxable year.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2019.

SEC. 232. INCREASE IN EXCLUSION FOR EMPLOYER-PROVIDED DEPENDENT CARE ASSISTANCE.

(a) IN GENERAL.—Section 129(a)(2) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(D) SPECIAL RULE FOR 2021 AND 2022.—In the case of any taxable year beginning in 2021 or 2022—

"(i) IN GENERAL.—Subparagraph (A) shall be applied be substituting '$10,500

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(half such dollar amount' for '$5,000 ($2,500'.

''(ii) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2021, the $10,500 amount in clause (i) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2020' for '2016' in subparagraph (A)(ii) thereof.

Any increase determined under the preceding sentence which is not a multiple of $50, shall be rounded to the nearest multiple of $50.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2020.

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Subtitle E—Net Operating Losses

SEC. 241. FIVE-YEAR CARRYBACK OF NET OPERATING LOSSES AND TEMPORARY SUSPENSION OF TAXABLE INCOME LIMITATION.

(a) IN GENERAL.—Section 172 of the Internal Revenue Code of 1986 is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) SPECIAL RULES FOR 2018, 2019, and 2020.—For purposes of this section—

''(1) FIVE-YEAR CARRYBACK.—

''(A) IN GENERAL.—Any net operating loss arising in a taxable year beginning after December 31, 2017, and before January 1, 2021—

''(i) shall be a net operating loss carryback to each of the 5 taxable years preceding the taxable year of such loss (but not to any taxable year beginning before January 1, 2015), and

''(ii) subparagraphs (B) and (C)(i) of subsection (b)(1) shall not apply.

''(B) ELECTION OUT.—A taxpayer may elect not to have subparagraph (A) apply for any taxable year. Such election shall be made in

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such manner as may be prescribed by the Secretary, and shall be made—

''(i) in the case of any election relating to a net operating loss arising in a taxable year beginning in 2018 or 2019, by the due date (including extension of time) for filing the return for the taxpayer's first taxable year ending after the date of the enactment of this subparagraph.

''(ii) in the case of any election relating to a net operating loss arising in a taxable year beginning in 2020, by the due date (including extensions of time) for such taxable year.

Any such election, once made, shall be irrevocable.

''(2) SUSPENSION OF NET OPERATING LOSS LIMITATION.—For taxable years beginning after December 31, 2017, and before January 1, 2021, the amount of the deduction allowed under subsection (a) shall be the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year.

''(3) DISQUALIFIED TAXPAYER.—Paragraphs (1) and (2) shall not apply with respect to any tax-

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able year in which the taxpayer is a disqualified taxpayer. Any taxpayer who is a disqualified taxpayer in the first taxable year ending after the date of the enactment of this paragraph, shall be treated as a disqualified taxpayer for taxable years beginning on or after January 1, 2018.

''(4) DEFINITIONS.—For purposes of this subsection—

''(A) DISQUALIFIED TAXPAYER.—A taxpayer is a disqualified taxpayer with respect to a taxable year if—

''(i) in the case of a taxable year ending after December 31, 2019, and beginning before January 1, 2021, the taxpayer (or any related person) is not allowed a deduction under this chapter for the taxable year by reason of section 162(m) or section 280G, or

''(ii) the taxpayer (or any related person) is a specified corporation for the taxable year.

''(B) SPECIFIED CORPORATION.—

''(i) IN GENERAL.—The term 'specified corporation' means, with respect to any taxable year, a corporation the aggre-

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gate distributions (including redemptions) of which during any taxable year ending after December 31, 2017, exceed the sum of applicable stock issued of such corporation and 5 percent of the fair market value of the stock of such corporation as of the last day of the taxable year.

''(ii) APPLICABLE STOCK ISSUED.—The term 'applicable stock issued' means, with respect to any corporation, the aggregate value of stock issued by the corporation during any taxable year ending after December 31, 2017, in exchange for money or property other than stock in such corporation.

''(iii) CERTAIN PREFERRED STOCK DISREGARDED.—For purposes of clause (i), stock described in section 1504(a)(4), and distributions (including redemptions) with respect to such stock, shall be disregarded.

''(C) RELATED PERSON.—A person is a related person to a taxpayer if the related person bears a relationship to the taxpayer specified in section 267(b) or section 707(b)(1).

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''(5) SPECIAL RULE FOR LIFE INSURANCE COMPANIES.—In the case of a net operating loss of a life insurance company which arises in a taxable year beginning after December 31, 2017, and before January 1, 2021, and which is a net operating loss carryback to a taxable year beginning before January 1, 2018, such net operating loss shall be treated as an operations loss deduction under subchapter L (as in effect before the enactment of Public Law 115–97) with respect to such taxable year in the same manner as a loss arising in a taxable year beginning before January 1, 2018.''.

(b) COORDINATION WITH TAXABLE YEAR FOR WHICH DEFERRED FOREIGN INCOME TREATED AS SUBPART F INCOME.—Section 965(n) of such Code is amended by adding at the end the following new paragraph:

''(4) DEEMED ELECTION IN CASE OF CERTAIN NET OPERATING LOSS CARRYBACKS.—In the case of a net operating loss carryback to such taxable year by reason of section 172(g)(1), the taxpayer shall be treated as having elected the application of this subsection for such taxable year.''.

(c) CONFORMING AMENDMENT.—Section 172(b)(1) of such Code is amended by inserting ''and subsection (g)'' after ''this paragraph''.

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(d) REGULATORY AUTHORITY.—The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as are necessary or appropriate to prevent the abuse of the purposes of the amendments made by this section, including—

(1) anti-stuffing rules, anti-churning rules (including rules relating to sale-leasebacks), and rules similar to the rules under section 1091 of the Internal Revenue Code of 1986 relating to losses from wash sales,

(2) rules applying this subsection to successor corporations and in cases where a taxpayer becomes, or ceases to be, a member of an affiliated group filing a consolidated return under section 1501 of such Code,

(3) rules treating members of an affiliated group filing a consolidated return under section 1501 of such Code as a single corporation, and

(4) rules to prevent the avoidance of this section through related parties, pass-through entities, and intermediaries.

(e) SPECIAL RULES.—Rules similar to the rules of subparagraphs (B) and (D) of section 172(b)(1) of the Internal Revenue Code of 1986, as in effect on the day before the date of the enactment of Public Law 115–97,

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shall apply to any net operating loss to which the amendment made by this section applies. The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as are necessary or appropriate to effect the purposes of such subparagraphs with respect to any such net operating losses.

(f) EFFECTIVE DATE.—

(1) NET OPERATING LOSS LIMITATION.—Except as provided in paragraph (2), the amendments made by subsections (a) shall apply to—

(A) taxable years beginning after December 31, 2017, and

(B) taxable years beginning on or before December 31, 2017, to which net operating losses arising in taxable years beginning after December 31, 2017, are carried.

(2) CARRYBACKS.—In the case of the amendments made by subsections (b) and (c), and so much of subsection (a) as relates to the carryback of net operating losses, such amendments shall apply to net operating losses arising in taxable years ending after December 31, 2017, and beginning before January 1, 2021.

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Subtitle F—Employee Retention Credit

SEC. 251. PAYROLL CREDIT FOR CERTAIN EMPLOYERS AFFECTED BY COVID–19.

(a) IN GENERAL.—In the case of an eligible employer, there shall be allowed as a credit against the tax imposed by section 3111(a) or 3221(a) of the Internal Revenue Code of 1986 for each calendar quarter an amount equal to 80 percent of the qualified wages allocable to the inoperable trade or business with respect to each employee of such employer for such calendar quarter.

(b) LIMITATIONS AND REFUNDABILITY.—

(1) WAGES TAKEN INTO ACCOUNT.—The amount of qualified wages with respect to any employee which may be taken into account under subsection (a) by the eligible employer for all calendar quarters shall not exceed $10,000.

(2) CREDIT LIMITED TO EMPLOYMENT TAXES.—The credit allowed by subsection (a) with respect to any calendar quarter shall not exceed the tax imposed by section 3111(a) or 3221(a) of the Internal Revenue Code of 1986 for such calendar quarter (reduced by any credits allowed under subsections (e) and (f) of section 3111 and sections 7001 and 7003 of the Families First Coronavirus

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Response Act) on the wages paid with respect to the employment of all the employees of the eligible employer.

(3) REFUNDABILITY OF EXCESS CREDIT.—

(A) IN GENERAL.—If the amount of the credit under subsection (a) exceeds the limitation of paragraph (2) for any calendar quarter, such excess shall be treated as an overpayment that shall be refunded under sections 6402(a) and 6413(b) of such Code.

(B) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, any amounts due to the employer under this paragraph shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

(c) DEFINITIONS.—For purposes of this section—

(1) ELIGIBLE EMPLOYER.—The term ''eligible employer'' means an employer—

(A) which conducted an active trade or business on January 31, 2020,

(B) with respect to which such trade or business is an inoperable trade or business after January 31, 2020 during any calendar quarter, and

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(C) which had either—

(i) no more than 1,500 full-time equivalent employees (as defined in section 45R(d)(2) of the Internal Revenue Code of 1986) for calendar year 2019, or

(ii) no more than $41.5 million in gross receipts in calendar year 2019.

(2) INOPERABLE TRADE OR BUSINESS.—The term ''inoperable trade or business'' means any trade or business of an eligible employer for which gross receipts for the calendar quarter are less than 80 percent of gross receipts for the same calendar quarter for the prior year.

(3) QUALIFIED WAGES.—The term ''qualified wages'' means wages (as defined in section 3121(a) of such Code) or compensation (as defined in section 3231(e) of such Code) paid or incurred by an eligible employer with respect to an employee on any day after January 31, 2020 and before December 31, 2020 that falls during the designated period, except that such term shall not include any wages taken into account under section 7001 or section 7003 of the Families First Coronavirus Response Act.

(4) DESIGNATED PERIOD.—The term ''designated period'' means the period—

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(A) beginning in the calendar quarter in which the trade or business became an inoperable trade or business, and

(B) ending in the calendar quarter for which the gross receipts of the trade or business of the eligible employer are greater than 90 percent of gross receipts for the same calendar quarter for the prior year.

Such term shall include wages paid or incurred without regard to whether the employee performs no services, performs services at a different place of employment, or performs services during the period in which the eligible employer is an inoperable trade or business.

(d) AGGREGATION RULE.—All persons treated as a single employer under subsection (a) or (b) of section 52 of such Code, or subsection (m) or (o) of section 414 of such Code, shall be treated as one eligible employer for purposes of this section.

(e) DENIAL OF DOUBLE BENEFIT.—For purposes of chapter 1 of such Code, the gross income of the employer for the taxable year which includes the last day of any calendar quarter with respect to which a credit is allowed under this section shall be increased by the amount of such credit.

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(f) SPECIAL RULE FOR THIRD PARTY PAYORS.—Any credit allowed under this section shall be treated as a credit described in section 3511(d)(2) of such Code.

(g) ELECTION NOT TO HAVE SECTION APPLY.—This section shall not apply with respect to any eligible employer for any calendar quarter if such employer elects (at such time and in such manner as the Secretary of the Treasury (or the Secretary's delegate) may prescribe) not to have this section apply.

(h) EMPLOYEE NOT TAKEN INTO ACCOUNT MORE THAN ONCE.—An employee shall not be treated as an employee for purposes of this section for any period with respect to any employer if such employer is allowed a credit under section 51 of such Code with respect to such employee for such period.

(i) REGULATIONS.—The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section, including—

(1) regulations or other guidance providing for waiver of penalties for failure to deposit amounts in anticipation of the allowance of the credit allowed under this section,

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(2) regulations or other guidance regarding the form and manner for recapturing credits under this section,

(3) regulations or other guidance to prevent the avoidance of the purposes of this section,

(4) regulations or other guidance describing proper calculation of gross receipts for purposes of subsection (c) for eligible employers that did not operate a trade or business in prior calendar quarters, and

(5) regulations or other guidance regarding the application of the credit under subsection (a) to third party payors (including professional employer organizations, certified professional employer organizations, or agents under section 3504 of such Code), including regulations or other guidance allowing such payors to submit documentation necessary to substantiate the eligible employer status of employers that use such payors.

(j) TRANSFERS TO FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—There are hereby appropriated to the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund established under section 201 of the Social Security Act (42 U.S.C. 401) and the Social Security

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Equivalent Benefit Account established under section 15A(a) of the Railroad Retirement Act of 1974 (45 U.S.C. 14 231n–1(a)) amounts equal to the reduction in revenues to the Treasury by reason of this section (without regard to this subsection). Amounts appropriated by the preceding sentence shall be transferred from the general fund at such times and in such manner as to replicate to the extent possible the transfers which would have occurred to such Trust Fund or Account had this section not been enacted.

Subtitle G—Credits for Paid Sick and Family Leave

SEC. 261. EXTENSION OF CREDITS.

Sections 7001(g), 7002(e), 7003(g), and 7004(e) of Public Law 116–127 are each amended by striking ''2020'' and inserting ''2021''.

SEC. 262. REPEAL OF REDUCED RATE OF CREDIT FOR CERTAIN LEAVE.

(a) PAYROLL CREDIT.—Section 7001(b) of Public Law 116–127 is amended by striking ''$200 ($511 in the case of any day any portion of which is paid sick time described in paragraph (1), (2), or (3) of section 5102(a) of the Emergency Paid Sick Leave Act)'' and inserting ''$511''.

(b) SELF-EMPLOYED CREDIT.—

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(1) IN GENERAL.—Section 7002(c)(1)(B) of Public Law 116–127 is amended to read as follows:

"(B) the lesser of—

"(i) $511, or

"(ii) the average daily self-employment income of the individual for the taxable year.".

(2) CONFORMING AMENDMENT.—Section 7002(d)(3) of Public Law 116–127 is amended by striking "$2,000 ($5,110 in the case of any day any portion of which is paid sick time described in paragraph (1), (2), or (3) of section 5102(a) of the Emergency Paid Sick Leave Act)" and inserting "$5,110".

SEC. 263. FEDERAL, STATE, AND LOCAL GOVERNMENTS ALLOWED TAX CREDITS FOR PAID SICK AND PAID FAMILY AND MEDICAL LEAVE.

(a) CREDIT FOR REQUIRED PAID SICK LEAVE.—Section 7001(e) of Public Law 116–127 is amended by striking paragraph (4).

(b) CREDIT FOR REQUIRED PAID FAMILY LEAVE.—Section 7003(e) of Public Law 116–127 is amended by striking paragraph (4).

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SEC. 264. CREDITS NOT ALLOWED TO CERTAIN LARGE EMPLOYERS.

(a) CREDIT FOR REQUIRED PAID SICK LEAVE.—

(1) IN GENERAL.—Section 7001(a) of Public Law 116–127 is amended by striking ''In the case of an employer'' and inserting ''In the case of an eligible employer''.

(2) ELIGIBLE EMPLOYER.—Section 7001(c) of Public Law 116–127 is amended by striking ''For purposes of this section, the term'' and all that precedes it and inserting the following:

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—The term 'eligible employer' means any employer other an applicable large employer (as defined in section 4980H(c)(2), determined by substituting '500' for '50' each place it appears in subparagraphs (A) and (B) thereof and without regard to subparagraphs (D) and (F) thereof). For purposes of the preceding sentence, the Government of the United States, the government of any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, shall not be treated as an applicable large employer.

''(2) QUALIFIED SICK LEAVE WAGES.—The term''.

(b) CREDIT FOR REQUIRED PAID FAMILY LEAVE.—

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(1) IN GENERAL.—Section 7003(a) of Public Law 116–127 is amended by striking ''In the case of an employer'' and inserting ''In the case of an eligible employer''.

(2) ELIGIBLE EMPLOYER.—Section 7003(c) of Public Law 116–127 is amended by striking ''For purposes of this section, the term'' and all that precedes it and inserting the following:

''(c) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—The term 'eligible employer' means any employer other an applicable large employer (as defined in section 4980H(c)(2), determined by substituting '500' for '50' each place it appears in subparagraphs (A) and (B) thereof and without regard to subparagraphs (D) and (F) thereof). For purposes of the preceding sentence, the Government of the United States, the government of any State or political subdivision thereof, or any agency or instrumentality of any of the foregoing, shall not be treated as an applicable large employer.

''(2) QUALIFIED FAMILY LEAVE WAGES.—The term''.

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SEC. 265. EFFECTIVE DATE.

The amendments made by this title shall take effect as if included in the provisions of Public Law 116–127 to which they relate.

TITLE III—ADMINISTRATIVE

SEC. 301. DELAY OF CERTAIN DEADLINES.

(a) FILING DEADLINES FOR 2019.—In the case of any return required to be filed for a taxable year ending in 2019, including for purposes of section 6151(a) of the Internal Revenue Code of 1986, section 6072(a) of such Code shall be applied—

(1) by substituting ''July'' for ''April'', and

(2) by substituting ''the seventh month'' for ''the fourth month''.

(b) ESTIMATED TAX PAYMENTS FOR INDIVIDUALS.—

(1) IN GENERAL.—In the case of an individual, the due date for any required installment under section 6654 of the Internal Revenue Code of 1986 which (but for the application of this section) would be due during the applicable period shall not be due before October 15, 2020, and all such installments shall be treated as one installment due on such date. The Secretary of the Treasury (or the Secretary's delegate) shall prescribe such regulations or other

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guidance as may be necessary to carry out the purposes of this subsection.

(2) APPLICABLE PERIOD.—For purposes of this subsection, the applicable period is the period beginning on the date of the enactment of this Act and ending before October 15, 2020.

TITLE IV—RETIREMENT PROVISIONS

SEC. 401. SPECIAL RULES FOR USE OF RETIREMENT FUNDS.

(a) TAX-FAVORED WITHDRAWALS FROM RETIREMENT PLANS.—

(1) IN GENERAL.—Section 72(t) of the Internal Revenue Code of 1986 shall not apply to any coronavirus-related distribution.

(2) AGGREGATE DOLLAR LIMITATION.—

(A) IN GENERAL.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as coronavirus-related distributions for any taxable year shall not exceed $100,000.

(B) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would (without regard to subparagraph (A)) be a coronavirus-related distribution, a plan shall not

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be treated as violating any requirement of the Internal Revenue Code of 1986 merely because the plan treats such distribution as a coronavirus-related distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds $100,000.

(C) CONTROLLED GROUP.—For purposes of subparagraph (B), the term ''controlled group'' means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(3) AMOUNT DISTRIBUTED MAY BE REPAID.—

(A) IN GENERAL.—Any individual who receives a coronavirus-related distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make 1 or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of

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such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), of the Internal Revenue Code of 1986, as the case may be.

(B) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER THAN IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to subparagraph (A) with respect to a coronavirus-related distribution from an eligible retirement plan other than an individual retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the coronavirus-related distribution in an eligible rollover distribution (as defined in section 402(c)(4) of such Code) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(C) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to subparagraph (A) with respect to a coronavirus-related distribu-

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tion from an individual retirement plan (as defined by section 7701(a)(37) of such Code), then, to the extent of the amount of the contribution, the coronavirus-related distribution shall be treated as a distribution described in section 408(d)(3) of such Code and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(4) DEFINITIONS.—For purposes of this subsection—

(A) CORONAVIRUS-RELATED DISTRIBUTION.—Except as provided in paragraph (2), the term ''coronavirus-related distribution'' means any distribution from an eligible retirement plan made—

(i) on or after January 1, 2020, and before December 31, 2020,

(ii) to an individual—

(I) who is diagnosed with the virus SARS–CoV–2 or with coronavirus disease 2019 (COVID–19) by a test approved by the Centers for Disease Control and Prevention,

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(II) whose spouse or dependent (as defined in section 152 of the Internal Revenue Code of 1986) is diagnosed with such virus or disease by such a test, or

(III) who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury (or the Secretary's delegate).

(B) EMPLOYEE CERTIFICATION.—The administrator of an eligible retirement plan may rely on an employee's certification that the employee satisfies the conditions of subparagraph (A)(ii) in determining whether any distribution is a coronavirus-related distribution.

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(C) ELIGIBLE RETIREMENT PLAN.—The term ''eligible retirement plan'' has the meaning given such term by section 402(c)(8)(B) of the Internal Revenue Code of 1986.

(5) INCOME INCLUSION SPREAD OVER 3-YEAR PERIOD.—

(A) IN GENERAL.—In the case of any coronavirus-related distribution, unless the taxpayer elects not to have this paragraph apply for any taxable year, any amount required to be included in gross income for such taxable year shall be so included ratably over the 3-taxable-year period beginning with such taxable year.

(B) SPECIAL RULE.—For purposes of subparagraph (A), rules similar to the rules of subparagraph (E) of section 408A(d)(3) of the Internal Revenue Code of 1986 shall apply.

(6) SPECIAL RULES.—

(A) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—For purposes of sections 401(a)(31), 402(f), and 3405 of the Internal Revenue Code of 1986, coronavirus-related distributions shall not be treated as eligible rollover distributions.

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(B) CORONAVIRUS-RELATED DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes of the Internal Revenue Code of 1986, a coronavirus-related distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(i), 403(b)(11), and 457(d)(1)(A) of such Code.

(b) LOANS FROM QUALIFIED PLANS.—

(1) INCREASE IN LIMIT ON LOANS NOT TREATED AS DISTRIBUTIONS.—In the case of any loan from a qualified employer plan (as defined under section 72(p)(4) of the Internal Revenue Code of 1986) to a qualified individual made during the 180-day period beginning on the date of the enactment of this Act—

(A) clause (i) of section 72(p)(2)(A) of such Code shall be applied by substituting ''$100,000'' for ''$50,000'', and

(B) clause (ii) of such section shall be applied by substituting ''the present value of the nonforfeitable accrued benefit of the employee under the plan'' for ''one-half of the present value of the nonforfeitable accrued benefit of the employee under the plan''.

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(2) DELAY OF REPAYMENT.—In the case of a qualified individual with an outstanding loan (on or after the date of the enactment of this Act) from a qualified employer plan (as defined in section 72(p)(4) of the Internal Revenue Code of 1986)—

(A) if the due date pursuant to subparagraph (B) or (C) of section 72(p)(2) of such Code for any repayment with respect to such loan occurs during the period beginning on the date of the enactment of this Act and ending on December 31, 2020, such due date shall be delayed for 1 year (or, if later, until the date which is 180 days after the date of the enactment of this Act),

(B) any subsequent repayments with respect to any such loan shall be appropriately adjusted to reflect the delay in the due date under subparagraph (A) and any interest accruing during such delay, and

(C) in determining the 5-year period and the term of a loan under subparagraph (B) or (C) of section 72(p)(2) of such Code, the period described in subparagraph (A) of this paragraph shall be disregarded.

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(3) QUALIFIED INDIVIDUAL.—For purposes of this subsection, the term ''qualified individual'' means any individual who is described in subsection (a)(4)(A)(ii).

(c) PROVISIONS RELATING TO PLAN AMENDMENTS.—

(1) IN GENERAL.—If this subsection applies to any amendment to any plan or annuity contract, such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in paragraph (2)(B)(i).

(2) AMENDMENTS TO WHICH SUBSECTION APPLIES.—

(A) IN GENERAL.—This subsection shall apply to any amendment to any plan or annuity contract which is made—

(i) pursuant to any provision of this section, or pursuant to any regulation issued by the Secretary of the Treasury or the Secretary of Labor (or the delegate of either such Secretary) under any provision of this section, and

(ii) on or before the last day of the first plan year beginning on or after January 1, 2022, or such later date as the Sec-

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retary of the Treasury (or the Secretary's delegate) may prescribe.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), clause (ii) shall be applied by substituting the date which is 2 years after the date otherwise applied under clause (ii).

(B) CONDITIONS.—This subsection shall not apply to any amendment unless—

(i) during the period—

(I) beginning on the date that this section or the regulation described in subparagraph (A)(i) takes effect (or in the case of a plan or contract amendment not required by this section or such regulation, the effective date specified by the plan), and

(II) ending on the date described in subparagraph (A)(ii) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect, and

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(ii) such plan or contract amendment applies retroactively for such period.

SEC. 402. SINGLE-EMPLOYER PLAN FUNDING RULES.

(a) DELAY IN PAYMENT OF MINIMUM REQUIRED CONTRIBUTIONS.—In the case of any minimum required contribution (as determined under section 430(a) of the Internal Revenue Code of 1986 and section 303(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(a))) which (but for this section) would otherwise be due under section 430(j) of such Code (including quarterly contributions under paragraph (3) thereof) and section 303(j) of such Act (29 U.S.C. 1083(j)) (including quarterly contributions under paragraph (3) thereof) during calendar year 2020—

(1) such contributions shall not be required to be made until January 1, 2021, and

(2) the amount of each such minimum required contribution shall be increased by interest accruing for the period between the original due date (without regard to this section) for the contribution and the payment date, at the effective rate of interest for the plan for the plan year which includes such payment date.

(b) BENEFIT RESTRICTION STATUS.—For purposes of section 436 of the Internal Revenue Code of 1986 and

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section 206(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1056(g)), a plan sponsor may elect to treat the plan's adjusted funding target attainment percentage for the last plan year ending before January 1, 2020, as the adjusted funding target attainment percentage for plan years which include calendar year 2020.

SEC. 403. TEMPORARY WAIVER OF REQUIRED MINIMUM DISTRIBUTION RULES FOR CERTAIN RETIREMENT PLANS AND ACCOUNTS.

(a) IN GENERAL.—Section 401(a)(9) of the Internal Revenue Code of 1986 is amended by adding at the end the following new subparagraph:

"(I) TEMPORARY WAIVER OF MINIMUM REQUIRED DISTRIBUTION.—

"(i) IN GENERAL.—The requirements of this paragraph shall not apply for calendar year 2020 to—

"(I) a defined contribution plan which is described in this subsection or in section 403(a) or 403(b),

"(II) a defined contribution plan which is an eligible deferred compensation plan described in section 457(b) but only if such plan is main-

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tained by an employer described in section 457(e)(1)(A), or

"(III) an individual retirement plan.

"(ii) SPECIAL RULE FOR REQUIRED BEGINNING DATES IN 2020.—Clause (i) shall apply to any distribution which is required to be made in calendar year 2020 by reason of—

"(I) a required beginning date occurring in such calendar year, and

"(II) such distribution not having been made before January 1, 2020.

"(iii) SPECIAL RULES REGARDING WAIVER PERIOD.—For purposes of this paragraph—

"(I) the required beginning date with respect to any individual shall be determined without regard to this subparagraph for purposes of applying this paragraph for calendar years after 2020,

"(II) if clause (ii) of subparagraph (B) applies, the 5-year period described in such clause shall be de-

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termined without regard to calendar year 2020,

"(III) if clause (iii) of subparagraph (E) applies, the 10-year period described in such clause shall be determined without regard to calendar year 2020, and

"(IV) if clause (i) of subparagraph (H) applies, the 10-year period described in such clause shall be determined without regard to calendar year 2020.".

(b) ELIGIBLE ROLLOVER DISTRIBUTIONS.—Section 402(c)(4) of the Internal Revenue Code of 1986 is amended by striking "2009" each place it appears in the last sentence and inserting "2020".

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply for calendar years beginning after December 31, 2019.

(2) PROVISIONS RELATING TO PLAN OR CONTRACT AMENDMENTS.—

(A) IN GENERAL.—If this paragraph applies to any pension plan or contract amendment, such pension plan or contract shall not

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fail to be treated as being operated in accordance with the terms of the plan during the period described in subparagraph (B)(ii) solely because the plan operates in accordance with this section.

(B) AMENDMENTS TO WHICH PARAGRAPH APPLIES.—

(i) IN GENERAL.—This paragraph shall apply to any amendment to any pension plan or annuity contract which—

(I) is made pursuant to the amendments made by this section, and

(II) is made on or before the last day of the first plan year beginning on or after January 1, 2022.

In the case of a governmental plan, subclause (II) shall be applied by substituting ''2024'' for ''2022''.

(ii) CONDITIONS.—This paragraph shall not apply to any amendment unless during the period beginning on the effective date of the amendment and ending on December 31, 2020, the plan or contract is

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operated as if such plan or contract amendment were in effect.

SEC. 404. MODIFICATION OF SPECIAL RULES FOR MINIMUM FUNDING STANDARDS FOR COMMUNITY NEWSPAPER PLANS.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Subsection (m) of section 430 of the Internal Revenue Code of 1986, as added by the Setting Every Community Up for Retirement Enhancement Act of 2019, is amended to read as follows:

''(m) SPECIAL RULES FOR COMMUNITY NEWSPAPER PLANS.—

''(1) IN GENERAL.—An eligible newspaper plan sponsor of a plan under which no participant has had the participant's accrued benefit increased (whether because of service or compensation) after April 2, 2019, may elect to have the alternative standards described in paragraph (4) apply to such plan.

''(2) ELIGIBLE NEWSPAPER PLAN SPONSOR.—The term 'eligible newspaper plan sponsor' means the plan sponsor of—

''(A) any community newspaper plan, or

''(B) any other plan sponsored, as of April 2, 2019, by a member of the same controlled

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group of a plan sponsor of a community newspaper plan if such member is in the trade or business of publishing 1 or more newspapers.

''(3) ELECTION.—An election under paragraph (1) shall be made at such time and in such manner as prescribed by the Secretary. Such election, once made with respect to a plan year, shall apply to all subsequent plan years unless revoked with the consent of the Secretary.

''(4) ALTERNATIVE MINIMUM FUNDING STANDARDS.—The alternative standards described in this paragraph are the following:

''(A) INTEREST RATES.—

''(i) IN GENERAL.—Notwithstanding subsection (h)(2)(C) and except as provided in clause (ii), the first, second, and third segment rates in effect for any month for purposes of this section shall be 8 percent.

''(ii) NEW BENEFIT ACCRUALS.—Notwithstanding subsection (h)(2), for purposes of determining the funding target and normal cost of a plan for any plan year, the present value of any benefits accrued or earned under the plan for a plan

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year with respect to which an election under paragraph (1) is in effect shall be determined on the basis of the United States Treasury obligation yield curve for the day that is the valuation date of such plan for such plan year.

''(iii) UNITED STATES TREASURY OBLIGATION YIELD CURVE.—For purposes of this subsection, the term 'United States Treasury obligation yield curve' means, with respect to any day, a yield curve which shall be prescribed by the Secretary for such day on interest-bearing obligations of the United States.

''(B) SHORTFALL AMORTIZATION BASE.—

''(i) PREVIOUS SHORTFALL AMORTIZATION BASES.—The shortfall amortization bases determined under subsection (c)(3) for all plan years preceding the first plan year to which the election under paragraph (1) applies (and all shortfall amortization installments determined with respect to such bases) shall be reduced to zero under rules similar to the rules of subsection (c)(6).

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"(ii) NEW SHORTFALL AMORTIZATION BASE.—Notwithstanding subsection (c)(3), the shortfall amortization base for the first plan year to which the election under paragraph (1) applies shall be the funding shortfall of such plan for such plan year (determined using the interest rates as modified under subparagraph (A)).

"(C) DETERMINATION OF SHORTFALL AMORTIZATION INSTALLMENTS.—

"(i) 30-YEAR PERIOD.—Subparagraphs (A) and (B) of subsection (c)(2) shall be applied by substituting '30-plan-year' for '7-plan-year' each place it appears.

"(ii) NO SPECIAL ELECTION.—The election under subparagraph (D) of subsection (c)(2) shall not apply to any plan year to which the election under paragraph (1) applies.

"(D) EXEMPTION FROM AT-RISK TREATMENT.—Subsection (i) shall not apply.

"(5) COMMUNITY NEWSPAPER PLAN.—For purposes of this subsection—

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"(A) IN GENERAL.—The term 'community newspaper plan' means any plan to which this section applies maintained as of December 31, 2018, by an employer which—

"(i) maintains the plan on behalf of participants and beneficiaries with respect to employment in the trade or business of publishing 1 or more newspapers which were published by the employer at any time during the 11-year period ending on the date of the enactment of this subsection,

"(ii)(I) is not a company the stock of which is publicly traded (on a stock exchange or in an over-the-counter market), and is not controlled, directly or indirectly, by such a company, or

"(II) is controlled, directly or indirectly, during the entire 30-year period ending on the date of the enactment of this subsection by individuals who are members of the same family, and does not publish or distribute a daily newspaper that is carrier-distributed in printed form in more than 5 States, and

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"(iii) is controlled, directly or indirectly—

"(I) by 1 or more persons residing primarily in a State in which the community newspaper has been published on newsprint or carrier-distributed,

"(II) during the entire 30-year period ending on the date of the enactment of this subsection by individuals who are members of the same family,

"(III) by 1 or more trusts, the sole trustees of which are persons described in subclause (I) or (II), or

"(IV) by a combination of persons described in subclause (I), (II), or (III).

"(B) NEWSPAPER.—The term 'newspaper' does not include any newspaper (determined without regard to this subparagraph) to which any of the following apply:

"(i) Is not in general circulation.

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"(ii) Is published (on newsprint or electronically) less frequently than 3 times per week.

"(iii) Has not ever been regularly published on newsprint.

"(iv) Does not have a bona fide list of paid subscribers.

"(C) CONTROL.—A person shall be treated as controlled by another person if such other person possesses, directly or indirectly, the power to direct or cause the direction and management of such person (including the power to elect a majority of the members of the board of directors of such person) through the ownership of voting securities.

"(6) CONTROLLED GROUP.—For purposes of this subsection, the term 'controlled group' means all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 as of the date of the enactment of this subsection.".

(b) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Subsection (m) of section 303 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(m)), as added by the Setting Every

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Community Up for Retirement Enhancement Act of 2019, is amended to read as follows:

''(m) SPECIAL RULES FOR COMMUNITY NEWSPAPER PLANS.—

''(1) IN GENERAL.—An eligible newspaper plan sponsor of a plan under which no participant has had the participant's accrued benefit increased (whether because of service or compensation) after April 2, 2019, may elect to have the alternative standards described in paragraph (4) apply to such plan.

''(2) ELIGIBLE NEWSPAPER PLAN SPONSOR.—The term 'eligible newspaper plan sponsor' means the plan sponsor of—

''(A) any community newspaper plan, or

''(B) any other plan sponsored, as of April 2, 2019, by a member of the same controlled group of a plan sponsor of a community newspaper plan if such member is in the trade or business of publishing 1 or more newspapers.

''(3) ELECTION.—An election under paragraph (1) shall be made at such time and in such manner as prescribed by the Secretary of the Treasury. Such election, once made with respect to a plan year, shall

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apply to all subsequent plan years unless revoked with the consent of the Secretary of the Treasury.

"(4) ALTERNATIVE MINIMUM FUNDING STANDARDS.—The alternative standards described in this paragraph are the following:

"(A) INTEREST RATES.—

"(i) IN GENERAL.—Notwithstanding subsection (h)(2)(C) and except as provided in clause (ii), the first, second, and third segment rates in effect for any month for purposes of this section shall be 8 percent.

"(ii) NEW BENEFIT ACCRUALS.—Notwithstanding subsection (h)(2), for purposes of determining the funding target and normal cost of a plan for any plan year, the present value of any benefits accrued or earned under the plan for a plan year with respect to which an election under paragraph (1) is in effect shall be determined on the basis of the United States Treasury obligation yield curve for the day that is the valuation date of such plan for such plan year.

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''(iii) UNITED STATES TREASURY OBLIGATION YIELD CURVE.—For purposes of this subsection, the term 'United States Treasury obligation yield curve' means, with respect to any day, a yield curve which shall be prescribed by the Secretary of the Treasury for such day on interest-bearing obligations of the United States.

''(B) SHORTFALL AMORTIZATION BASE.—

''(i) PREVIOUS SHORTFALL AMORTIZATION BASES.—The shortfall amortization bases determined under subsection (c)(3) for all plan years preceding the first plan year to which the election under paragraph (1) applies (and all shortfall amortization installments determined with respect to such bases) shall be reduced to zero under rules similar to the rules of subsection (c)(6).

''(ii) NEW SHORTFALL AMORTIZATION BASE.—Notwithstanding subsection (c)(3), the shortfall amortization base for the first plan year to which the election under paragraph (1) applies shall be the funding shortfall of such plan for such plan year

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(determined using the interest rates as modified under subparagraph (A)).

''(C) DETERMINATION OF SHORTFALL AMORTIZATION INSTALLMENTS.—

''(i) 30-YEAR PERIOD.—Subparagraphs (A) and (B) of subsection (c)(2) shall be applied by substituting '30-plan-year' for '7-plan-year' each place it appears.

''(ii) NO SPECIAL ELECTION.—The election under subparagraph (D) of subsection (c)(2) shall not apply to any plan year to which the election under paragraph (1) applies.

''(D) EXEMPTION FROM AT-RISK TREATMENT.—Subsection (i) shall not apply.

''(5) COMMUNITY NEWSPAPER PLAN.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'community newspaper plan' means a plan to which this section applies maintained as of December 31, 2018, by an employer which—

''(i) maintains the plan on behalf of participants and beneficiaries with respect to employment in the trade or business of

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publishing 1 or more newspapers which were published by the employer at any time during the 11-year period ending on the date of the enactment of this subsection,

''(ii)(I) is not a company the stock of which is publicly traded (on a stock exchange or in an over-the-counter market), and is not controlled, directly or indirectly, by such a company, or

''(II) is controlled, directly, or indirectly, during the entire 30-year period ending on the date of the enactment of this subsection by individuals who are members of the same family, and does not publish or distribute a daily newspaper that is carrier-distributed in printed form in more than 5 States, and

''(iii) is controlled, directly, or indirectly—

''(I) by 1 or more persons residing primarily in a State in which the community newspaper has been published on newsprint or carrier-distributed,

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"(II) during the entire 30-year period ending on the date of the enactment of this subsection by individuals who are members of the same family,

"(III) by 1 or more trusts, the sole trustees of which are persons described in subclause (I) or (II), or

"(IV) by a combination of persons described in subclause (I), (II), or (III).

"(B) NEWSPAPER.—The term 'newspaper' does not include any newspaper (determined without regard to this subparagraph) to which any of the following apply:

"(i) Is not in general circulation.

"(ii) Is published (on newsprint or electronically) less frequently than 3 times per week.

"(iii) Has not ever been regularly published on newsprint.

"(iv) Does not have a bona fide list of paid subscribers.

"(C) CONTROL.—A person shall be treated as controlled by another person if such other

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person possesses, directly or indirectly, the power to direct or cause the direction and management of such person (including the power to elect a majority of the members of the board of directors of such person) through the ownership of voting securities.

"(6) CONTROLLED GROUP.—For purposes of this subsection, the term 'controlled group' means all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986 as of the date of the enactment of this subsection.

"(7) EFFECT ON PREMIUM RATE CALCULATION.—Notwithstanding any other provision of law or any regulation issued by the Pension Benefit Guaranty Corporation, in the case of a plan for which an election is made to apply the alternative standards described in paragraph (3), the additional premium under section 4006(a)(3)(E) shall be determined as if such election had not been made.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years ending after December 31, 2017.

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SEC. 405. APPLICATION OF COOPERATIVE AND SMALL EMPLOYER CHARITY PENSION PLAN RULES TO CERTAIN CHARITABLE EMPLOYERS WHOSE PRIMARY EXEMPT PURPOSE IS PROVIDING SERVICES WITH RESPECT TO MOTHERS AND CHILDREN.

(a) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 210(f)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1060(f)(1)) is amended—

(1) by striking ''or'' at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C)(iv) and inserting ''; or''; and

(3) by inserting after subparagraph (C) the following new subparagraph:

''(D) that, as of January 1, 2000, was maintained by an employer—

''(i) described in section 501(c)(3) of the Internal Revenue Code of 1986,

''(ii) who has been in existence since at least 1938,

''(iii) who conducts medical research directly or indirectly through grant making, and

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"(iv) whose primary exempt purpose is to provide services with respect to mothers and children.".

(b) INTERNAL REVENUE CODE OF 1986.—Section 414(y)(1) of the Internal Revenue Code of 1986 is amended—

(1) by striking "or" at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C)(iv) and inserting "; or"; and

(3) by inserting after subparagraph (C) the following new subparagraph:

"(D) that, as of January 1, 2000, was maintained by an employer—

"(i) described in section 501(c)(3),

"(ii) who has been in existence since at least 1938,

"(iii) who conducts medical research directly or indirectly through grant making, and

"(iv) whose primary exempt purpose is to provide services with respect to mothers and children.".

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(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2018.

SEC. 406. EXTENDED AMORTIZATION FOR SINGLE EMPLOYER PLANS.

(a) 15-YEAR AMORTIZATION UNDER THE INTERNAL REVENUE CODE OF 1986.—Section 430(c) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(8) 15-YEAR AMORTIZATION.—With respect to plan years beginning after December 31, 2019—

"(A) the shortfall amortization bases for all plan years preceding the first plan year beginning after December 31, 2019 (and all shortfall amortization installments determined with respect to such bases) shall be reduced to zero, and

"(B) subparagraphs (A) and (B) of paragraph (2) shall each be applied by substituting '15-plan-year period' for '7-plan-year period'.".

(b) 15-YEAR AMORTIZATION UNDER THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 303(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(c)) is amended by adding at the end the following new paragraph:

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"(8) 15-YEAR AMORTIZATION.—With respect to plan years beginning after December 31, 2019—

"(A) the shortfall amortization bases for all plan years preceding the first plan year beginning after December 31, 2019 (and all shortfall amortization installments determined with respect to such bases) shall be reduced to zero, and

"(B) subparagraphs (A) and (B) of paragraph (2) shall each be applied by substituting '15-plan-year period' for '7-plan-year period'.".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2019.

SEC. 407. EXTENSION OF PENSION FUNDING STABILIZATION PERCENTAGES FOR SINGLE EMPLOYER PLANS.

(a) AMENDMENTS TO INTERNAL REVENUE CODE OF 1986.—

(1) IN GENERAL.—The table contained in subclause (II) of section 430(h)(2)(C)(iv) of the Internal Revenue Code of 1986 is amended to read as follows:

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"If the calendar year is:	The applicable minimum percentage is:	The applicable maximum percentage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2025	95%	105%
2026	90%	110%
2027	85%	115%
2028	80%	120%
2029	75%	125%
After 2029	70%	130%.".

(2) FLOOR ON 25-YEAR AVERAGES.—Subclause (I) of section 430(h)(2)(C)(iv) of such Code is amended by adding at the end the following: "Notwithstanding anything in this subclause, if the average of the first, second, or third segment rate for any 25-year period is less than 5 percent, such average shall be deemed to be 5 percent.".

(b) AMENDMENTS TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) IN GENERAL.—The table contained in subclause (II) of section 303(h)(2)(C)(iv) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1083(h)(2)(C)(iv)(II)) is amended to read as follows:

"If the calendar year is:	The applicable minimum percentage is:	The applicable maximum percentage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2025	95%	105%

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"If the calendar year is:	The applicable minimum percentage is:	The applicable maximum percentage is:
2026	90%	110%
2027	85%	115%
2028	80%	120%
2029	75%	125%
After 2029	70%	130%.".

(2) CONFORMING AMENDMENTS.—

(A) IN GENERAL.—Section 101(f)(2)(D) of such Act (29 U.S.C. 1021(f)(2)(D)) is amended—

(i) in clause (i) by striking "and the Bipartisan Budget Act of 2015" both places it appears and inserting ", the Bipartisan Budget Act of 2015, and the Emergency Pension Plan Relief Act of 2020", and

(ii) in clause (ii) by striking "2023" and inserting "2029".

(B) STATEMENTS.—The Secretary of Labor shall modify the statements required under subclauses (I) and (II) of section 101(f)(2)(D)(i) of such Act to conform to the amendments made by this section.

(3) FLOOR ON 25-YEAR AVERAGES.—Subclause (I) of section 303(h)(2)(C)(iv) of such Act (29 U.S.C. 1083(h)(2)(C)(iv)(II)) is amended by adding

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at the end the following: ''Notwithstanding anything in this subclause, if the average of the first, second, or third segment rate for any 25-year period is less than 5 percent, such average shall be deemed to be 5 percent.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to plan years beginning after December 31, 2019.

TITLE V—REHABILITATION FOR MULTIEMPLOYER PENSIONS

SEC. 501. SHORT TITLE.

This title may be cited as the ''Rehabilitation for Multiemployer Pensions Act of 2020''.

SEC. 502. PENSION REHABILITATION ADMINISTRATION; ESTABLISHMENT; POWERS.

(a) ESTABLISHMENT.—There is established in the Department of the Treasury an agency to be known as the ''Pension Rehabilitation Administration''.

(b) DIRECTOR.—

(1) ESTABLISHMENT OF POSITION.—There shall be at the head of the Pension Rehabilitation Administration a Director, who shall be appointed by the President.

(2) TERM.—

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(A) IN GENERAL.—The term of office of the Director shall be 5 years.

(B) SERVICE UNTIL APPOINTMENT OF SUCCESSOR.—An individual serving as Director at the expiration of a term may continue to serve until a successor is appointed.

(3) POWERS.—

(A) APPOINTMENT OF DEPUTY DIRECTORS, OFFICERS, AND EMPLOYEES.—The Director may appoint Deputy Directors, officers, and employees, including attorneys, in accordance with chapter 51 and subchapter III of chapter 53 of title 5, United States Code.

(B) CONTRACTING.—

(i) IN GENERAL.—The Director may contract for financial and administrative services (including those related to budget and accounting, financial reporting, personnel, and procurement) with the General Services Administration, or such other Federal agency as the Director determines appropriate, for which payment shall be made in advance, or by reimbursement, from funds of the Pension Rehabilitation Administration in such amounts as may be

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agreed upon by the Director and the head of the Federal agency providing the services.

(ii) SUBJECT TO APPROPRIATIONS.—Contract authority under clause (i) shall be effective for any fiscal year only to the extent that appropriations are available for that purpose.

SEC. 503. PENSION REHABILITATION TRUST FUND.

(a) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

"SEC. 9512. PENSION REHABILITATION TRUST FUND.

''(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United States a trust fund to be known as the 'Pension Rehabilitation Trust Fund' (hereafter in this section referred to as the 'Fund'), consisting of such amounts as may be appropriated or credited to the Fund as provided in this section and section 9602(b).

''(b) TRANSFERS TO FUND.—

''(1) AMOUNTS ATTRIBUTABLE TO TREASURY BONDS.—There shall be credited to the Fund the amounts transferred under section 506 of the Rehabilitation for Multiemployer Pensions Act of 2020.

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''(2) LOAN INTEREST AND PRINCIPAL.—

''(A) IN GENERAL.—The Director of the Pension Rehabilitation Administration established under section 502 of the Rehabilitation for Multiemployer Pensions Act of 2020 shall deposit in the Fund any amounts received from a plan as payment of interest or principal on a loan under section 4 of such Act.

''(B) INTEREST.—For purposes of subparagraph (A), the term 'interest' includes points and other similar amounts.

''(3) AVAILABILITY OF FUNDS.—Amounts credited to or deposited in the Fund shall remain available until expended.

''(c) EXPENDITURES FROM FUND.—Amounts in the Fund are available without further appropriation to the Pension Rehabilitation Administration—

''(1) for the purpose of making the loans described in section 504 of the Rehabilitation for Multiemployer Pensions Act of 2020,

''(2) for the payment of principal and interest on obligations issued under section 6 of such Act, and

''(3) for administrative and operating expenses of such Administration.''.

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(b) CLERICAL AMENDMENT.—The table of sections for subchapter A of chapter 98 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 9512. Pension Rehabilitation Trust Fund.".

SEC. 504. LOAN PROGRAM FOR MULTIEMPLOYER DEFINED BENEFIT PLANS.

(a) LOAN AUTHORITY.—

(1) IN GENERAL.—The Pension Rehabilitation Administration established under section 2 is authorized—

(A) to make loans to multiemployer plans (as defined in section 414(f) of the Internal Revenue Code of 1986) which are defined benefit plans (as defined in section 414(j) of such Code) and—

(i)(I) which are in critical and declining status (within the meaning of section 432(b)(6) of such Code and section 305(b)(6) of the Employee Retirement and Income Security Act) as of the date of the enactment of this section, or during the 2-year period beginning on such date, or

(II) with respect to which a suspension of benefits has been approved under section 432(e)(9) of such Code and section

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305(e)(9) of such Act as of such date or during such period;

(ii) which as of such date of enactment, or during such period, are in critical status (within the meaning of section 432(b)(2) of such Code and section 305(b)(2) of such Act), have a modified funded percentage of less than 40 percent, and have a ratio of active to inactive participants which is less than 2 to 5; or

(iii) which are insolvent for purposes of section 418E of such Code as of such date of enactment, or during such period, if they became insolvent after December 16, 2014, and have not been terminated; and

(B) subject to subsection (b), to establish appropriate terms for such loans.

For purposes of subparagraph (A)(ii), the term ''modified funded percentage'' means the percentage equal to a fraction the numerator of which is current value of plan assets (as defined in section 3(26) of such Act) and the denominator of which is current liabilities (as defined in section 431(c)(6)(D) of such Code and section 304(c)(6)(D) of such Act).

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(2) CONSULTATION.—The Director of the Pension Rehabilitation Administration shall consult with the Secretary of the Treasury, the Secretary of Labor, and the Director of the Pension Benefit Guaranty Corporation before making any loan under paragraph (1), and shall share with such persons the application and plan information with respect to each such loan.

(3) ESTABLISHMENT OF LOAN PROGRAM.—

(A) IN GENERAL.—A program to make the loans authorized under this section shall be established not later than May 31, 2020, with guidance regarding such program to be promulgated by the Director of the Pension Rehabilitation Administration, in consultation with the Director of the Pension Benefit Guaranty Corporation, the Secretary of the Treasury, and the Secretary of Labor, not later than August 31, 2020.

(B) LOANS AUTHORIZED BEFORE PROGRAM DATE.—Without regard to whether the program under subparagraph (A) has been established, a plan may apply for a loan under this section before either date described in such subparagraph, and the Pension Rehabilitation

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Administration shall approve the application and make the loan before establishment of the program if necessary to avoid any suspension of the accrued benefits of participants.

(b) LOAN TERMS.—

(1) IN GENERAL.—The terms of any loan made under subsection (a) shall state that—

(A) the plan shall make payments of interest on the loan for a period of 29 years beginning on the date of the loan (or 19 years in the case of a plan making the election under subsection (c)(5));

(B) final payment of interest and principal shall be due in the 30th year after the date of the loan (except as provided in an election under subsection (c)(5)); and

(C) as a condition of the loan, the plan sponsor stipulates that—

(i) except as provided in clause (ii), the plan will not increase benefits, allow any employer participating in the plan to reduce its contributions, or accept any collective bargaining agreement which provides for reduced contribution rates, dur-

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ing the 30-year period described in subparagraphs (A) and (B);

(ii) in the case of a plan with respect to which a suspension of benefits has been approved under section 432(e)(9) of the Internal Revenue Code of 1986 and section 305(e)(9) of the Employee Retirement Income Security Act of 1974, or under section 418E of such Code, before the loan, the plan will reinstate the suspended benefits (or will not carry out any suspension which has been approved but not yet implemented);

(iii) the plan sponsor will comply with the requirements of section 6059A of the Internal Revenue Code of 1986;

(iv) the plan will continue to pay all premiums due under section 4007 of the Employee Retirement Income Security Act of 1974; and

(v) the plan and plan administrator will meet such other requirements as the Director of the Pension Rehabilitation Administration provides in the loan terms.

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The terms of the loan shall not make reference to whether the plan is receiving financial assistance under section 4261(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431(d)) or to any adjustment of the loan amount under subsection (d)(2)(A)(ii).

(2) INTEREST RATE.—Except as provided in the second sentence of this paragraph and subsection (c)(5), loans made under subsection (a) shall have as low an interest rate as is feasible. Such rate shall be determined by the Pension Rehabilitation Administration and shall—

(A) not be lower than the rate of interest on 30-year Treasury securities on the first day of the calendar year in which the loan is issued; and

(B) not exceed the greater of—

(i) a rate 0.2 percentage points higher than such rate of interest on such date; or

(ii) the rate necessary to collect revenues sufficient to administer the program under this section.

(c) LOAN APPLICATION.—

(1) IN GENERAL.—In applying for a loan under subsection (a), the plan sponsor shall—

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(A) demonstrate that, except as provided in subparagraph (C)—

(i) the loan will enable the plan to avoid insolvency for at least the 30-year period described in subparagraphs (A) and (B) of subsection (b)(1) or, in the case of a plan which is already insolvent, to emerge from insolvency within and avoid insolvency for the remainder of such period; and

(ii) the plan is reasonably expected to be able to pay benefits and the interest on the loan during such period and to accumulate sufficient funds to repay the principal when due;

(B) provide the plan's most recently filed Form 5500 as of the date of application and any other information necessary to determine the loan amount under subsection (d);

(C) stipulate whether the plan is also applying for financial assistance under section 4261(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431(d)) in combination with the loan to enable the plan to avoid insolvency and to pay benefits, or is al-

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ready receiving such financial assistance as a result of a previous application;

(D) state in what manner the loan proceeds will be invested pursuant to subsection (d), the person from whom any annuity contracts under such subsection will be purchased, and the person who will be the investment manager for any portfolio implemented under such subsection; and

(E) include such other information and certifications as the Director of the Pension Rehabilitation Administration shall require.

(2) STANDARD FOR ACCEPTING ACTUARIAL AND PLAN SPONSOR DETERMINATIONS AND DEMONSTRATIONS IN THE APPLICATION.—In evaluating the plan sponsor's application, the Director of the Pension Rehabilitation Administration shall accept the determinations and demonstrations in the application unless the Director, in consultation with the Director of the Pension Benefit Guaranty Corporation, the Secretary of the Treasury, and the Secretary of Labor, concludes that any such determinations or demonstrations in the application (or any underlying assumptions) are clearly erroneous or are incon-

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sistent with any rules issued by the Director pursuant to subsection (g).

(3) REQUIRED ACTIONS; DEEMED APPROVAL.—The Director of the Pension Rehabilitation Administration shall approve any application under this subsection within 90 days after the submission of such application unless such application is incomplete or the Director makes a conclusion described in paragraph (2) with respect to the application. An application shall be deemed approved unless, within such 90 days, the Director notifies the plan sponsor of the denial of such application and the reasons for such denial. Any approval or denial of an application by the Director of the Pension Rehabilitation Administration shall be treated as a final agency action for purposes of section 704 of title 5, United States Code. The Pension Rehabilitation Administration shall make the loan pursuant to any application promptly after the approval of such application.

(4) CERTAIN PLANS REQUIRED TO APPLY.—The plan sponsor of any plan with respect to which a suspension of benefits has been approved under section 432(e)(9) of the Internal Revenue Code of 1986 and section 305(e)(9) of the Employee Retirement Income Security Act of 1974 or under section

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418E of such Code, before the date of the enactment of this Act shall apply for a loan under this section. The Director of the Pension Rehabilitation Administration shall provide for such plan sponsors to use the simplified application under subsection (d)(2)(B).

(5) INCENTIVE FOR EARLY REPAYMENT.—The plan sponsor may elect at the time of the application to repay the loan principal, along with the remaining interest, at least as rapidly as equal installments over the 10-year period beginning with the 21st year after the date of the loan. In the case of a plan making this election, the interest on the loan shall be reduced by 0.5 percentage points.

(d) LOAN AMOUNT AND USE.—

(1) AMOUNT OF LOAN.—

(A) IN GENERAL.—Except as provided in subparagraph (B) and paragraph (2), the amount of any loan under subsection (a) shall be, as demonstrated by the plan sponsor on the application under subsection (c), the amount needed to purchase annuity contracts or to implement a portfolio described in paragraph (3)(C) (or a combination of the two) sufficient to provide benefits of participants and bene-

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ficiaries of the plan in pay status, and terminated vested benefits, at the time the loan is made.

(B) PLANS WITH SUSPENDED BENEFITS.—In the case of a plan with respect to which a suspension of benefits has been approved under section 432(e)(9) of the Internal Revenue Code of 1986 and section 305(e)(9) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1085(e)(9)) or under section 418E of such Code—

(i) the suspension of benefits shall not be taken into account in applying subparagraph (A); and

(ii) the loan amount shall be the amount sufficient to provide benefits of participants and beneficiaries of the plan in pay status and terminated vested benefits at the time the loan is made, determined without regard to the suspension, including retroactive payment of benefits which would otherwise have been payable during the period of the suspension.

(2) COORDINATION WITH PBGC FINANCIAL ASSISTANCE.—

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(A) IN GENERAL.—In the case of a plan which is also applying for financial assistance under section 4261(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431(d))—

(i) the plan sponsor shall submit the loan application and the application for financial assistance jointly to the Pension Rehabilitation Administration and the Pension Benefit Guaranty Corporation with the information necessary to determine the eligibility for and amount of the loan under this section and the financial assistance under section 4261(d) of such Act; and

(ii) if such financial assistance is granted, the amount of the loan under subsection (a) shall not exceed an amount equal to the excess of—

(I) the amount determined under paragraph (1)(A) or (1)(B)(ii) (whichever is applicable); over

(II) the amount of such financial assistance.

(B) PLANS ALREADY RECEIVING PBGC ASSISTANCE.—The Director of the Pension Reha-

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bilitation Administration shall provide for a simplified application for the loan under this section which may be used by an insolvent plan which has not been terminated and which is already receiving financial assistance (other than under section 4261(d) of such Act) from the Pension Benefit Guaranty Corporation at the time of the application for the loan under this section.

(3) USE OF LOAN FUNDS.—

(A) IN GENERAL.—Notwithstanding section 432(f)(2)(A)(ii) of the Internal Revenue Code of 1986 and section 305(f)(2)(A)(ii) of such Act, the loan received under subsection (a) shall only be used to purchase annuity contracts which meet the requirements of subparagraph (B) or to implement a portfolio described in subparagraph (C) (or a combination of the two) to provide the benefits described in paragraph (1).

(B) ANNUITY CONTRACT REQUIREMENTS.—The annuity contracts purchased under subparagraph (A) shall be issued by an insurance company which is licensed to do business under the laws of any State and which is

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rated A or better by a nationally recognized statistical rating organization, and the purchase of such contracts shall meet all applicable fiduciary standards under the Employee Retirement Income Security Act of 1974.

(C) PORTFOLIO.—

(i) IN GENERAL.—A portfolio described in this subparagraph is—

(I) a cash matching portfolio or duration matching portfolio consisting of investment grade (as rated by a nationally recognized statistical rating organization) fixed income investments, including United States dollar-denominated public or private debt obligations issued or guaranteed by the United States or a foreign issuer, which are tradeable in United States currency and are issued at fixed or zero coupon rates; or

(II) any other portfolio prescribed by the Secretary of the Treasury in regulations which has a similar risk profile to the portfolios described in subclause (I) and is equally protec-

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tive of the interests of participants and beneficiaries.

Once implemented, such a portfolio shall be maintained until all liabilities to participants and beneficiaries in pay status, and terminated vested participants, at the time of the loan are satisfied.

(ii) FIDUCIARY DUTY.—Any investment manager of a portfolio under this subparagraph shall acknowledge in writing that such person is a fiduciary under the Employee Retirement Income Security Act of 1974 with respect to the plan.

(iii) TREATMENT OF PARTICIPANTS AND BENEFICIARIES.—Participants and beneficiaries covered by a portfolio under this subparagraph shall continue to be treated as participants and beneficiaries of the plan, including for purposes of title IV of the Employee Retirement Income Security Act of 1974.

(D) ACCOUNTING.—

(i) IN GENERAL.—Annuity contracts purchased and portfolios implemented under this paragraph shall be used solely

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to provide the benefits described in paragraph (1) until all such benefits have been paid and shall be accounted for separately from the other assets of the plan.

(ii) OVERSIGHT OF NON-ANNUITY INVESTMENTS.—

(I) IN GENERAL.—Any portfolio implemented under this paragraph shall be subject to oversight by the Pension Rehabilitation Administration, including a mandatory triennial review of the adequacy of the portfolio to provide the benefits described in paragraph (1) and approval (to be provided within a reasonable period of time) of any decision by the plan sponsor to change the investment manager of the portfolio.

(II) REMEDIAL ACTION.—If the oversight under subclause (I) determines an inadequacy, the plan sponsor shall take remedial action to ensure that the inadequacy will be cured within 2 years of such determination.

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(E) OMBUDSPERSON.—The Participant and Plan Sponsor Advocate established under section 4004 of the Employee Retirement Income Security Act of 1974 shall act as ombudsperson for participants and beneficiaries on behalf of whom annuity contracts are purchased or who are covered by a portfolio under this paragraph.

(e) COLLECTION OF REPAYMENT.—Except as provided in subsection (f), the Pension Rehabilitation Administration shall make every effort to collect repayment of loans under this section in accordance with section 3711 of title 31, United States Code.

(f) LOAN DEFAULT.—If a plan is unable to make any payment on a loan under this section when due, the Pension Rehabilitation Administration shall negotiate with the plan sponsor revised terms for repayment (including installment payments over a reasonable period or forgiveness of a portion of the loan principal), but only to the extent necessary to avoid insolvency in the subsequent 18 months.

(g) AUTHORITY TO ISSUE RULES, ETC.—The Director of the Pension Rehabilitation Administration, in consultation with the Director of the Pension Benefit Guaranty Corporation, the Secretary of the Treasury, and the

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Secretary of Labor, is authorized to issue rules regarding the form, content, and process of applications for loans under this section, actuarial standards and assumptions to be used in making estimates and projections for purposes of such applications, and assumptions regarding interest rates, mortality, and distributions with respect to a portfolio described in subsection (d)(3)(C).

(h) REPORT TO CONGRESS ON STATUS OF CERTAIN PLANS WITH LOANS.—Not later than 1 year after the first loan is made under this section, and annually thereafter, the Director of the Pension Rehabilitation Administration shall submit to the Committee on Ways and Means and the Committee on Education and Labor of the House of Representatives, and the Committee on Finance and the Committee on Health, Education, Labor and Pensions of the Senate, a report identifying any plan that—

(1) has failed to make any scheduled payment on a loan under this section;

(2) has negotiated revised terms for repayment of such loan (including any installment payments or forgiveness of a portion of the loan principal); or

(3) the Director has determined is no longer reasonably expected to be able to—

(A) pay benefits and the interest on the loan; or

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(B) accumulate sufficient funds to repay the principal when due.

Such report shall include the details of any such failure, revised terms, or determination, as the case may be.

(i) COORDINATION WITH TAXATION OF UNRELATED BUSINESS INCOME.—Subparagraph (A) of section 514(c)(6) of the Internal Revenue Code of 1986 is amended—

(1) by striking ''or'' at the end of clause (i);

(2) by striking the period at the end of clause (ii)(II) and inserting '', or''; and

(3) by adding at the end the following new clause:

''(iii) indebtedness with respect to a multiemployer plan under a loan made by the Pension Rehabilitation Administration pursuant to section 504 of the Rehabilitation for Multiemployer Pensions Act of 2020.''.

SEC. 505. COORDINATION WITH WITHDRAWAL LIABILITY AND FUNDING RULES.

(a) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 432 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

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''(k) SPECIAL RULES FOR PLANS RECEIVING PENSION REHABILITATION LOANS.—

''(1) DETERMINATION OF WITHDRAWAL LIABILITY.—

''(A) IN GENERAL.—If any employer participating in a plan at the time the plan receives a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020 withdraws from the plan before the end of the 30-year period beginning on the date of the loan, the withdrawal liability of such employer shall be determined under the Employee Retirement Income Security Act of 1974—

''(i) by applying section 4219(c)(1)(D) of the Employee Retirement Income Security Act of 1974 as if the plan were terminating by the withdrawal of every employer from the plan, and

''(ii) by determining the value of nonforfeitable benefits under the plan at the time of the deemed termination by using the interest assumptions prescribed for purposes of section 4044 of the Employee Retirement Income Security Act of 1974, as prescribed in the regulations under sec-

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tion 4281 of the Employee Retirement Income Security Act of 1974 in the case of such a mass withdrawal.

''(B) ANNUITY CONTRACTS AND INVESTMENT PORTFOLIOS PURCHASED WITH LOAN FUNDS.—Annuity contracts purchased and portfolios implemented under section 504(d)(3) of the Rehabilitation for Multiemployer Pensions Act of 2020 shall not be taken into account as plan assets in determining the withdrawal liability of any employer under subparagraph (A), but the amount equal to the greater of—

''(i) the benefits provided under such contracts or portfolios to participants and beneficiaries, or

''(ii) the remaining payments due on the loan under section 4(a) of such Act,

shall be taken into account as unfunded vested benefits in determining such withdrawal liability.

''(2) COORDINATION WITH FUNDING REQUIREMENTS.—In the case of a plan which receives a loan under section 504(a)of the Rehabilitation for Multiemployer Pensions Act of 2020—

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''(A) annuity contracts purchased and portfolios implemented under section 4(d)(3) of such Act, and the benefits provided to participants and beneficiaries under such contracts or portfolios, shall not be taken into account in determining minimum required contributions under section 412,

''(B) payments on the interest and principal under the loan, and any benefits owed in excess of those provided under such contracts or portfolios, shall be taken into account as liabilities for purposes of such section, and

''(C) if such a portfolio is projected due to unfavorable investment or actuarial experience to be unable to fully satisfy the liabilities which it covers, the amount of the liabilities projected to be unsatisfied shall be taken into account as liabilities for purposes of such section.''.

(b) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 305 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1085) is amended by adding at the end the following new subsection:

''(k) SPECIAL RULES FOR PLANS RECEIVING PENSION REHABILITATION LOANS.—

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"(1) DETERMINATION OF WITHDRAWAL LIABILITY.—

"(A) IN GENERAL.—If any employer participating in a plan at the time the plan receives a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020 withdraws from the plan before the end of the 30-year period beginning on the date of the loan, the withdrawal liability of such employer shall be determined—

"(i) by applying section 4219(c)(1)(D) as if the plan were terminating by the withdrawal of every employer from the plan, and

"(ii) by determining the value of nonforfeitable benefits under the plan at the time of the deemed termination by using the interest assumptions prescribed for purposes of section 4044, as prescribed in the regulations under section 4281 in the case of such a mass withdrawal.

"(B) ANNUITY CONTRACTS AND INVESTMENT PORTFOLIOS PURCHASED WITH LOAN FUNDS.—Annuity contracts purchased and portfolios implemented under section 504(d)(3)

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of the Rehabilitation for Multiemployer Pensions Act of 2020 shall not be taken into account in determining the withdrawal liability of any employer under subparagraph (A), but the amount equal to the greater of—

''(i) the benefits provided under such contracts or portfolios to participants and beneficiaries, or

''(ii) the remaining payments due on the loan under section 4(a) of such Act,

shall be taken into account as unfunded vested benefits in determining such withdrawal liability.

''(2) COORDINATION WITH FUNDING REQUIREMENTS.—In the case of a plan which receives a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020—

''(A) annuity contracts purchased and portfolios implemented under section 4(d)(3) of such Act, and the benefits provided to participants and beneficiaries under such contracts or portfolios, shall not be taken into account in determining minimum required contributions under section 302,

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''(B) payments on the interest and principal under the loan, and any benefits owed in excess of those provided under such contracts or portfolios, shall be taken into account as liabilities for purposes of such section, and

''(C) if such a portfolio is projected due to unfavorable investment or actuarial experience to be unable to fully satisfy the liabilities which it covers, the amount of the liabilities projected to be unsatisfied shall be taken into account as liabilities for purposes of such section.''.

SEC. 506. ISSUANCE OF TREASURY BONDS.

The Secretary of the Treasury shall from time to time transfer from the general fund of the Treasury to the Pension Rehabilitation Trust Fund established under section 9512 of the Internal Revenue Code of 1986 such amounts as are necessary to fund the loan program under section 504 of this Act, including from proceeds from the Secretary's issuance of obligations under chapter 31 of title 31, United States Code.

SEC. 507. REPORTS OF PLANS RECEIVING PENSION REHABILITATION LOANS.

(a) IN GENERAL.—Subpart E of part III of subchapter A of chapter 61 of the Internal Revenue Code of

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1986 is amended by adding at the end the following new section:

"SEC. 6059A. REPORTS OF PLANS RECEIVING PENSION REHABILITATION LOANS.

"(a) IN GENERAL.—In the case of a plan receiving a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020, with respect to the first plan year beginning after the date of the loan and each of the 29 succeeding plan years, not later than the 90th day of each such plan year the plan sponsor shall file with the Secretary a report (including appropriate documentation and actuarial certifications from the plan actuary, as required by the Secretary) that contains—

"(1) the funded percentage (as defined in section 432(j)(2)) as of the first day of such plan year, and the underlying actuarial value of assets (determined with regard, and without regard, to annuity contracts purchased and portfolios implemented with proceeds of such loan) and liabilities (including any amounts due with respect to such loan) taken into account in determining such percentage,

"(2) the market value of the assets of the plan (determined as provided in paragraph (1)) as of the last day of the plan year preceding such plan year,

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''(3) the total value of all contributions made by employers and employees during the plan year preceding such plan year,

''(4) the total value of all benefits paid during the plan year preceding such plan year,

''(5) cash flow projections for such plan year and the 9 succeeding plan years, and the assumptions used in making such projections,

''(6) funding standard account projections for such plan year and the 9 succeeding plan years, and the assumptions relied upon in making such projections,

''(7) the total value of all investment gains or losses during the plan year preceding such plan year,

''(8) any significant reduction in the number of active participants during the plan year preceding such plan year, and the reason for such reduction,

''(9) a list of employers that withdrew from the plan in the plan year preceding such plan year, and the resulting reduction in contributions,

''(10) a list of employers that paid withdrawal liability to the plan during the plan year preceding such plan year and, for each employer, a total assessment of the withdrawal liability paid, the annual payment amount, and the number of years remain-

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ing in the payment schedule with respect to such withdrawal liability,

"(11) any material changes to benefits, accrual rates, or contribution rates during the plan year preceding such plan year, and whether such changes relate to the terms of the loan,

"(12) details regarding any funding improvement plan or rehabilitation plan and updates to such plan,

"(13) the number of participants during the plan year preceding such plan year who are active participants, the number of participants and beneficiaries in pay status, and the number of terminated vested participants and beneficiaries,

"(14) the amount of any financial assistance received under section 4261 of the Employee Retirement Income Security Act of 1974 to pay benefits during the preceding plan year, and the total amount of such financial assistance received for all preceding years,

"(15) the information contained on the most recent annual funding notice submitted by the plan under section 101(f) of the Employee Retirement Income Security Act of 1974,

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''(16) the information contained on the most recent annual return under section 6058 and actuarial report under section 6059 of the plan, and

''(17) copies of the plan document and amendments, other retirement benefit or ancillary benefit plans relating to the plan and contribution obligations under such plans, a breakdown of administrative expenses of the plan, participant census data and distribution of benefits, the most recent actuarial valuation report as of the plan year, copies of collective bargaining agreements, and financial reports, and such other information as the Secretary, in consultation with the Director of the Pension Rehabilitation Administration, may require.

''(b) ELECTRONIC SUBMISSION.—The report required under subsection (a) shall be submitted electronically.

''(c) INFORMATION SHARING.—The Secretary shall share the information in the report under subsection (a) with the Secretary of Labor and the Director of the Pension Benefit Guaranty Corporation.

''(d) REPORT TO PARTICIPANTS, BENEFICIARIES, AND EMPLOYERS.—Each plan sponsor required to file a report under subsection (a) shall, before the expiration of the time prescribed for the filing of such report, also pro-

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vide a summary (written in a manner so as to be understood by the average plan participant) of the information in such report to participants and beneficiaries in the plan and to each employer with an obligation to contribute to the plan.''.

(b) PENALTY.—Subsection (e) of section 6652 of the Internal Revenue Code of 1986 is amended—

(1) by inserting '', 6059A (relating to reports of plans receiving pension rehabilitation loans)'' after ''deferred compensation)'';

(2) by inserting ''($100 in the case of failures under section 6059A)'' after ''$25''; and

(3) by adding at the end the following: ''In the case of a failure with respect to section 6059A, the amount imposed under this subsection shall not be paid from the assets of the plan.''.

(c) CLERICAL AMENDMENT.—The table of sections for subpart E of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Sec. 6059A. Reports of plans receiving pension rehabilitation loans.''.

SEC. 508. PBGC FINANCIAL ASSISTANCE.

(a) IN GENERAL.—Section 4261 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431) is amended by adding at the end the following new subsection:

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''(d)(1) The plan sponsor of a multiemployer plan—

''(A) which is in critical and declining status (within the meaning of section 305(b)(6)) as of the date of the enactment of this subsection or during the 2-year period beginning on such date, or with respect to which a suspension of benefits has been approved under section 305(e)(9) as of such date;

''(B) which, as of such date of enactment or during such period, is in critical status (within the meaning of section 305(b)(2)), has a modified funded percentage of less than 40 percent (as defined in section 504(a)(1) of the Rehabilitation for Multiemployer Pensions Act of 2020), and has a ratio of active to inactive participants which is less than 2 to 5; or

''(C) which is insolvent for purposes of section 418E of the Internal Revenue Code of 1986 as of such date of enactment or during such period, if the plan became insolvent after December 16, 2014, and has not been terminated;

and which is applying for a loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020 may also apply to the corporation for financial assistance under this subsection, by jointly submitting such applications in accordance with section 4(d)(2) of such Act. The

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application for financial assistance under this subsection shall demonstrate, based on projections by the plan actuary, that after the receipt of the anticipated loan amount under section 4(a) of such Act, the plan will still become (or remain) insolvent within the 30-year period beginning on the date of the loan.

''(2) In reviewing an application under paragraph (1), the corporation shall review the determinations and demonstrations submitted with the loan application under section 504(c) of the Rehabilitation for Multiemployer Pensions Act of 2020 and provide guidance regarding such determinations and demonstrations prior to approving any application for financial assistance under this subsection. The corporation may deny any application if any such determinations or demonstrations (or any underlying assumptions) are clearly erroneous, or inconsistent with rules issued by the corporation, and the plan and the corporation are unable to reach agreement on such determinations or demonstrations. The corporation shall prescribe any such rules or guidance not later than August 31, 2020.

''(3) In the case of a plan described in paragraph (1)(A) or (1)(B), the total financial assistance provided under this subsection shall be an amount equal to the smallest portion of the loan amount with respect to the

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plan under paragraph (1)(A) or (1)(B)(ii) of section 504(d) of the Rehabilitation for Multiemployer Pensions Act of 2020 (determined without regard to paragraph (2) thereof) that, if provided as financial assistance under this subsection instead of a loan, would allow the plan to avoid the projected insolvency.

''(4) In the case of a plan described in paragraph (1)(C), the financial assistance provided pursuant to such application under this subsection shall be the present value of the amount (determined by the plan actuary and submitted on the application) that, if such amount were paid by the corporation in combination with the loan and any other assistance being provided to the plan by the corporation at the time of the application, would enable the plan to emerge from insolvency and avoid any other insolvency projected under paragraph (1).

''(5)(A)(i) Except as provided in subparagraph (B), if the corporation determines at the time of approval, or at the beginning of any plan year beginning thereafter, that the plan's 5-year expenditure projection (determined without regard to loan payments described in clause (iii)(III)) exceeds the fair market value of the plan's assets, the corporation shall (subject to the total amount of financial assistance approved under this subsection) provide such assistance in an amount equal to the lesser of—

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"(I) the amount by which the plan's 5-year expenditure projection exceeds such fair market value; or

"(II) the plan's expected expenditures for the plan year.

"(ii) For purposes of this subparagraph, the term '5-year expenditure projection' means, with respect to any plan for a plan year, an amount equal to 500 percent of the plan's expected expenditures for the plan year.

"(iii) For purposes of this subparagraph, the term 'expected expenditures' means, with respect to any plan for a plan year, an amount equal to the sum of—

"(I) expected benefit payments for the plan year;

"(II) expected administrative expense payments for the plan year; plus

"(III) payments on the loan scheduled during the plan year pursuant to the terms of the loan under section 504(b) of the Rehabilitation for Multiemployer Pensions Act of 2020.

"(iv) For purposes of this subparagraph, in the case of any plan year during which a plan is approved for a loan under section 4 of such Act, but has not yet received the proceeds, such proceeds shall be included in determining the fair market value of the plan's assets for the

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plan year. The preceding sentence shall not apply in the case of any plan that for the plan year beginning in 2015 was certified pursuant to section 305(b)(3) as being in critical and declining status, and had more than 300,000 participants.

''(B) The financial assistance under this subsection shall be provided in a lump sum if the plan sponsor demonstrates in the application, and the corporation determines, that such a lump sum payment is necessary for the plan to avoid the insolvency to which the application relates. In the case of a plan described in paragraph (1)(C), such lump sum shall be provided not later than December 31, 2020.

''(6) Subsections (b) and (c) shall apply to financial assistance under this subsection as if it were provided under subsection (a), except that the terms for repayment under subsection (b)(2) shall not require the financial assistance to be repaid before the date on which the loan under section 504(a) of the Rehabilitation for Multiemployer Pensions Act of 2020 is repaid in full.

''(7) The corporation may forgo repayment of the financial assistance provided under this subsection if necessary to avoid any suspension of the accrued benefits of participants.''.

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(b) APPROPRIATIONS.—There is appropriated to the Director of the Pension Benefit Guaranty Corporation such sums as may be necessary for each fiscal year to provide the financial assistance described in section 4261(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1431(d)) (as added by this section) (including necessary administrative and operating expenses relating to such assistance).

DIVISION U—TELECOMMUNICATIONS PROVISIONS

TITLE I—COVID–19 PRICE GOUGING PREVENTION

SEC. 101. SHORT TITLE.

This title may be cited as the ''COVID–19 Price Gouging Prevention Act''.

SEC. 102. PREVENTION OF PRICE GOUGING.

(a) IN GENERAL.—For the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of confirmed cases of 2019 novel coronavirus (COVID–19), including any renewal thereof, it shall be unlawful for any person to sell or offer for sale a good or service at a price that—

(1) is unconscionably excessive; and

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(2) indicates the seller is using the circumstances related to such public health emergency to increase prices unreasonably.

(b) FACTORS FOR CONSIDERATION.—In determining whether a person has violated subsection (a), there shall be taken into account, with respect to the price at which such person sold or offered for sale the good or service, factors that include the following:

(1) Whether such price grossly exceeds the average price at which the same or a similar good or service was sold or offered for sale by such person—

(A) during the 90-day period immediately preceding January 31, 2020; or

(B) during the same 90-day period of the previous year.

(2) Whether such price grossly exceeds the average price at which the same or a similar good or service was readily obtainable from other similarly situated competing sellers before January 31, 2020.

(3) Whether such price reasonably reflects additional costs, not within the control of such person, that were paid, incurred, or reasonably anticipated by such person, or reasonably reflects the profitability of forgone sales or additional risks taken by

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such person, to produce, distribute, obtain, or sell such good or service under the circumstances.

(c) ENFORCEMENT.—

(1) ENFORCEMENT BY FEDERAL TRADE COMMISSION.—

(A) UNFAIR OR DECEPTIVE ACTS OR PRACTICES.—A violation of subsection (a) shall be treated as a violation of a regulation under section 18(a)(1)(B) of the Federal Trade Commission Act (15 U.S.C. 57a(a)(1)(B)) regarding unfair or deceptive acts or practices.

(B) POWERS OF COMMISSION.—The Commission shall enforce subsection (a) in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act (15 U.S.C. 41 et seq.) were incorporated into and made a part of this section. Any person who violates such subsection shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act.

(2) EFFECT ON OTHER LAWS.—Nothing in this section shall be construed in any way to limit the

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authority of the Commission under any other provision of law.

(3) ENFORCEMENT BY STATE ATTORNEYS GENERAL.—

(A) IN GENERAL.—If the chief law enforcement officer of a State, or an official or agency designated by a State, has reason to believe that any person has violated or is violating subsection (a), the attorney general, official, or agency of the State, in addition to any authority it may have to bring an action in State court under its consumer protection law, may bring a civil action in any appropriate United States district court or in any other court of competent jurisdiction, including a State court, to—

(i) enjoin further such violation by such person;

(ii) enforce compliance with such subsection;

(iii) obtain civil penalties; and

(iv) obtain damages, restitution, or other compensation on behalf of residents of the State.

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(B) NOTICE AND INTERVENTION BY THE FTC.—The attorney general of a State shall provide prior written notice of any action under subparagraph (A) to the Commission and provide the Commission with a copy of the complaint in the action, except in any case in which such prior notice is not feasible, in which case the attorney general shall serve such notice immediately upon instituting such action. The Commission shall have the right—

(i) to intervene in the action;

(ii) upon so intervening, to be heard on all matters arising therein; and

(iii) to file petitions for appeal.

(C) LIMITATION ON STATE ACTION WHILE FEDERAL ACTION IS PENDING.—If the Commission has instituted a civil action for violation of this section, no State attorney general, or official or agency of a State, may bring an action under this paragraph during the pendency of that action against any defendant named in the complaint of the Commission for any violation of this section alleged in the complaint.

(D) RELATIONSHIP WITH STATE-LAW CLAIMS.—If the attorney general of a State has

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authority to bring an action under State law directed at acts or practices that also violate this section, the attorney general may assert the State-law claim and a claim under this section in the same civil action.

(4) SAVINGS CLAUSE.—Nothing in this section shall preempt or otherwise affect any State or local law.

(d) DEFINITIONS.—In this section:

(1) COMMISSION.—The term ''Commission'' means the Federal Trade Commission.

(2) GOOD OR SERVICE.—The term ''good or service'' means a good or service offered in commerce, including—

(A) food, beverages, water, ice, a chemical, or a personal hygiene product;

(B) any personal protective equipment for protection from or prevention of contagious diseases, filtering facepiece respirators, medical supplies (including medical testing supplies), cleaning supplies, disinfectants, sanitizers; or

(C) any healthcare service, cleaning service, or delivery service.

(3) STATE.—The term ''State'' means each of the several States, the District of Columbia, each

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commonwealth, territory, or possession of the United States, and each federally recognized Indian Tribe.

TITLE II—E–RATE SUPPORT FOR WI-FI HOTSPOTS AND CONNECTED DEVICES

SEC. 201. E–RATE SUPPORT FOR WI-FI HOTSPOTS AND CONNECTED DEVICES DURING EMERGENCY PERIODS RELATING TO COVID–19.

(a) REGULATIONS REQUIRED.—Not later than 7 days after the date of the enactment of this Act, the Commission shall promulgate regulations providing for the provision, during an emergency period described in subsection (b) and from amounts made available from the Emergency Connectivity Fund established under subsection (i)(1), of universal service support under section 254(h)(1)(B) of the Communications Act of 1934 (47 U.S.C. 254(h)(1)(B)) to an elementary school, secondary school, or library eligible for support under such section, as well as a tribal elementary school, tribal secondary school, or tribal library designated as eligible to receive support under such regulations by an Indian tribe that is eligible for support under section 261 of the Library Services and Technology Act (20 U.S.C. 9161), for—

(1) providing Wi-Fi hotspots to—

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(A) in the case of a school, students and staff of such school for use at locations that include locations other than such school; and

(B) in the case of a library, patrons of such library for use at locations that include locations other than such library;

(2) providing connected devices to students and staff or patrons (as the case may be) for use as described in subparagraph (A) or (B) of paragraph (1); and

(3) providing mobile broadband internet access service through such Wi-Fi hotspots or connected devices.

(b) EMERGENCY PERIODS DESCRIBED.—An emergency period described in this subsection is the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of COVID–19, including any renewal thereof.

(c) SERVICE REQUIREMENT FOR CONNECTED DEVICES.—If a school or library provides a connected device to a student, staff member, or patron using universal service support under the regulations required by subsection (a) and such connected device is only capable of connecting to broadband internet access service through the use of Wi-Fi, such school or library shall also provide to

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such student, staff member, or patron a Wi-Fi hotspot and mobile broadband internet access service through such Wi-Fi hotspot.

(d) TREATMENT OF WI-FI HOTSPOTS AND CONNECTED DEVICES AFTER EMERGENCY PERIOD.—The Commission shall provide in the regulations required by subsection (a) that, in the case of a school or library that purchases Wi-Fi hotspots or connected devices using support received under such regulations, such school or library—

(1) may, after the emergency period with respect to which such support is received, use such Wi-Fi hotspots or connected devices for such purposes as such school or library considers appropriate, subject to any restrictions provided in such regulations (or any successor regulation); and

(2) may not sell or otherwise transfer in exchange for any thing of value such Wi-Fi hotspots or connected devices.

(e) PRIORITIZATION OF SUPPORT.—The Commission shall provide in the regulations required by subsection (a) that a school or library shall prioritize the provision of Wi-Fi hotspots or connected devices and associated mobile broadband internet access service for which support is received under such regulations to students and staff or pa-

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trons (as the case may be) that the school or library believes do not otherwise have access to broadband internet access service at the residences of such students and staff or patrons.

(f) CERTIFICATION REQUIREMENTS.—The Commission shall provide in the regulations required by subsection (a) that—

(1) Wi-Fi hotspots and connected devices for which support is received under such regulations shall be treated as computers for purposes of the certification requirements of paragraphs (5) and (6) of section 254(h) of the Communications Act of 1934 (47 U.S.C. 254(h)); and

(2) notwithstanding the requirements of such paragraphs relating to the timing of certifications, the certifications required by such paragraphs shall be made with respect to such Wi-Fi hotspots and connected devices as a condition of receiving such support.

(g) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to affect any authority the Commission may have under section 254(h)(1)(B) of the Communications Act of 1934 (47 U.S.C. 254(h)(1)(B)) to allow universal service support under such section to be

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used for the purposes described in subsection (a) other than as required by such subsection.

(h) EXEMPTIONS.—

(1) NOTICE AND COMMENT RULEMAKING REQUIREMENTS.—Section 553 of title 5, United States Code, shall not apply to a regulation promulgated under subsection (a) or a rulemaking to promulgate such a regulation.

(2) PAPERWORK REDUCTION ACT REQUIREMENTS.—A collection of information conducted or sponsored under the regulations required by subsection (a), or under section 254 of the Communications Act of 1934 (47 U.S.C. 254) in connection with universal service support provided under such regulations, shall not constitute a collection of information for the purposes of subchapter I of chapter 35 of title 44, United States Code (commonly referred to as the Paperwork Reduction Act).

(i) EMERGENCY CONNECTIVITY FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury of the United States a fund to be known as the Emergency Connectivity Fund.

(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Emergency Connectivity Fund, out of any money in the

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Treasury not otherwise appropriated, $2,000,000,000 for fiscal year 2020, to remain available through fiscal year 2021.

(3) USE OF FUNDS.—Amounts in the Emergency Connectivity Fund shall be available to the Commission to provide universal service support under the regulations required by subsection (a).

(4) RELATIONSHIP TO UNIVERSAL SERVICE CONTRIBUTIONS.—Universal service support provided under the regulations required by subsection (a) shall be provided from amounts made available under paragraph (3) and not from contributions under section 254(d) of the Communications Act of 1934 (47 U.S.C. 254(d)).

(j) EXCEPTION TO GIFT RESTRICTIONS.—Not later than 7 days after the date of the enactment of this Act, the Commission shall amend section 54.503(d) of title 47, Code of Federal Regulations, so as to provide that such section does not apply in the case of a gift or other thing of value that is solicited, accepted, offered, or provided during an emergency period described in subsection (b) for the purpose of responding to needs arising from the emergency.

(k) DEFINITIONS.—In this section:

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(1) BROADBAND INTERNET ACCESS SERVICE.—The term ''broadband internet access service'' has the meaning given such term in section 8.1(b) of title 47, Code of Federal Regulations (or any successor regulation).

(2) COMMISSION.—The term ''Commission'' means the Federal Communications Commission.

(3) CONNECTED DEVICE.—The term ''connected device'' means a laptop computer, tablet computer, or similar device that is capable of connecting to mobile broadband internet access service, either by receiving such service directly or through the use of Wi-Fi.

(4) WI-FI.—The term ''Wi-Fi'' means a wireless networking protocol based on Institute of Electrical and Electronics Engineers standard 802.11 (or any successor standard).

(5) WI-FI HOTSPOT.—The term ''Wi-Fi hotspot'' means a device that is capable of—

(A) receiving mobile broadband internet access service; and

(B) sharing such service with another device through the use of Wi-Fi.

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TITLE III—EMERGENCY LIFELINE BENEFIT FOR BROADBAND SERVICE

SEC. 301. EMERGENCY LIFELINE BENEFIT FOR BROADBAND SERVICE DURING EMERGENCY PERIODS RELATING TO COVID–19.

(a) PROMULGATION OF REGULATIONS REQUIRED.—Not later than 7 days after the date of the enactment of this Act, the Commission shall promulgate regulations for the provision of an emergency lifeline broadband benefit described and in accordance with the requirements of this section.

(b) REQUIREMENTS.—The regulations promulgated pursuant to subsection (a) shall establish the following:

(1) Regardless of whether a household or any consumer in the household receives support under subpart E of part 54 of title 47, Code of Federal Regulations, a household is eligible for the provision of Tier I service or Tier II service, supported by the emergency lifeline broadband benefit, during an emergency period if—

(A) the household includes at least one qualifying low-income consumer who meets the qualifications in paragraphs (a) and (b) of sec-

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tion 54.409 of title 47, Code of Federal Regulations, or any successor regulation; or

(B) the household receives benefits from the National School Lunch Program's free or reduced cost lunch program.

(2) A provider of broadband internet access service shall apply to the Commission for the reimbursement described in paragraph (6) for each eligible household that requests the emergency lifeline broadband benefit and receives Tier I or Tier II service from the provider.

(3) Within five business days of receiving a request from a broadband internet service provider, the Commission shall determine and issue a decision whether it is in the public interest—

(A) to allow such provider to provide Tier I or Tier II service supported by the emergency lifeline broadband benefit, and

(B) to allow the provider to use its own verification processes to determine whether a household is eligible to receive the emergency lifeline broadband benefit according to the eligibility criteria in paragraph (1), if such processes are reasonable and sufficient to avoid waste, fraud, and abuse.

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(4) The Commission shall adopt reasonable recordkeeping and retention requirements for recipients of reimbursements from the funds made available in subsection (f), which requirements shall be in lieu of any reporting, record keeping, retention and compliance requirements as set forth in subpart E of part 54 of title 47, Code of Federal Regulations.

(5) The emergency period may be extended within a State or any portion thereof if the Governor of the State provides written, public notice to the Commission stipulating that an extension is necessary in furtherance of the recovery related to COVID–19. The Commission shall, within 24 hours after receiving such notice, post the notice on the Commission's public website.

(6) The Commission shall reimburse providers of broadband internet access service from funds made available in subsection (f) in the following amounts:

(A) The broadband internet access service provider shall receive $50.00 per month, or an amount equal to the monthly charge for service and equipment if such charge is less than $50.00 per month, for each eligible household

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that requests the emergency lifeline broadband benefit and receives the Tier I service.

(B) The broadband internet access service provider shall receive $30.00 per month, or an amount equal to the monthly charge for service and equipment if such charge is less than $30.00 per month, for each eligible household that requests the emergency lifeline broadband benefit and receives Tier II service.

(7) To receive a reimbursement under paragraph (6), a broadband internet access service provider shall certify to the Commission—

(A) the number of eligible households that requested the emergency lifeline broadband benefit and received Tier I service—

(i) monthly for the duration of the emergency period; or

(ii) for each month of the emergency period, collectively, after the expiration of the emergency period under paragraph (5);

(B) the number of eligible households that requested the emergency lifeline broadband benefit and received Tier II service—

(i) monthly for the duration of the emergency period; or

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(ii) for each month of the emergency period, collectively, after the expiration of the emergency period under paragraph (5);

(C) that the reimbursement sought for providing Tier I service or Tier II service to an eligible household did not exceed the provider's rate for that offering, or similar offerings, for households that are not eligible households subscribing to the same or substantially similar service;

(D) that eligible households for which the provider is seeking reimbursement for providing Tier I or Tier II service using the emergency lifeline broadband benefit—

(i) were not charged for the Tier I service or Tier II service; and

(ii) were not disqualified from receiving the emergency lifeline broadband service based on past or present arrearages; and

(E) that the eligibility of eligible households is verified in accordance with the requirements adopted by the Commission pursuant to paragraph (3).

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(c) ELIGIBLE PROVIDERS.—The Commission may provide a reimbursement to a broadband internet access service provider under this section without requiring such provider to be designated as an eligible telecommunications carrier under section 214(e) of the Communications Act of 1934 (47 U.S.C. 214(e)) and notwithstanding section 254(e) of the Communications Act of 1934 (47 U.S.C. 254(e)).

(d) RULE OF CONSTRUCTION.—Nothing in this section shall affect the collection, distribution, or administration of the Lifeline Assistance Program governed by the rules set forth in subpart E of part 54 of title 47, Code of Federal Regulations.

(e) EXEMPTIONS.—

(1) NOTICE AND COMMENT RULEMAKING REQUIREMENTS.—Section 553 of title 5, United States Code, shall not apply to a regulation promulgated under subsection (a) or a rulemaking to promulgate such a regulation.

(2) PAPERWORK REDUCTION ACT REQUIREMENTS.—A collection of information conducted or sponsored under the regulations required by subsection (a), or under section 254 of the Communications Act of 1934 (47 U.S.C. 254) in connection with universal service support provided under such

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regulations, shall not constitute a collection of information for the purposes of subchapter I of chapter 35 of title 44, United States Code (commonly referred to as the Paperwork Reduction Act).

(f) EMERGENCY BROADBAND CONNECTIVITY FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury of the United States a fund to be known as the Emergency Broadband Connectivity Fund.

(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Emergency Broadband Connectivity Fund, out of any money in the Treasury not otherwise appropriated, $1,000,000,000 for fiscal year 2020, to remain available through fiscal year 2021.

(3) USE OF FUNDS.—Amounts in the Emergency Broadband Connectivity Fund shall be available to the Commission to provide reimbursements for Tier I service or Tier II service provided to eligible households under the regulations required pursuant to subsection (a).

(4) RELATIONSHIP TO UNIVERSAL SERVICE CONTRIBUTIONS.—Reimbursements provided under the regulations required by subsection (a) shall be

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provided from amounts made available under paragraph (3) and not from contributions under section 254(d) of the Communications Act of 1934 (47 U.S.C. 254(d)).

(g) DEFINITIONS.—In this section:

(1) BROADBAND INTERNET ACCESS SERVICE.—The term ''broadband internet access service'' has the meaning given such term in section 8.1(b) of title 47, Code of Federal Regulations (or any successor regulation).

(2) COMMISSION.—The term ''Commission'' means the Federal Communications Commission.

(3) ELIGIBLE HOUSEHOLD.—The term ''eligible household'' means a household that meets the requirements described in subsection (b)(1).

(4) EMERGENCY PERIOD.—The term ''emergency period'' means the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of COVID–19, including any renewal thereof.

(5) TIER I SERVICE.—The term ''Tier I service'' means broadband internet access service that, at a minimum, provides a download speed of 100 megabits per second, an upload speed of 10 megabits per second, and latency that is sufficiently low

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to allow real-time, interactive applications, with no data caps or additional fees for the provision of such service, except taxes and other governmental fees.

(6) TIER II SERVICE.—The term ''Tier II service'' means broadband internet access service that, at a minimum, provides a download speed of 25 megabits per second, an upload speed of 3 megabits per second, and latency that is sufficiently low to allow real-time, interactive applications, with no data caps or additional fees for the provision of such service, except taxes and other governmental fees.

TITLE IV—CONTINUED CONNECTIVITY

SEC. 401. CONTINUED CONNECTIVITY DURING EMERGENCY PERIODS RELATING TO COVID–19.

Title VII of the Communications Act of 1934 (47 U.S.C. 601 et seq.) is amended by adding at the end the following:

''SEC. 723. CONTINUED CONNECTIVITY DURING EMERGENCY PERIODS RELATING TO COVID–19.

''(a) IN GENERAL.—During an emergency period described in subsection (b), it shall be unlawful—

''(1) for a provider of advanced telecommunications service or voice service to—

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''(A) terminate, reduce, or change such service provided to any individual customer or small business because of the inability of the individual customer or small business to pay for such service if the individual customer or small business certifies to such provider that such inability to pay is a result of disruptions caused by the public health emergency to which such emergency period relates; or

''(B) impose late fees on any individual customer or small business because of the inability of the individual customer or small business to pay for such service if the individual customer or small business certifies to such provider that such inability to pay is a result of disruptions caused by the public health emergency to which such emergency period relates;

''(2) for a provider of advanced telecommunications service to, during such emergency period—

''(A) employ a limit on the amount of data allotted to an individual customer or small business during such emergency period, except that such provider may engage in reasonable network management; or

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"(B) charge an individual customer or small business an additional fee for exceeding the limit on the data allotted to an individual customer or small business; or

"(3) for a provider of advanced telecommunications service that had functioning Wi-Fi hotspots available to subscribers in public places on the day before the beginning of such emergency period to fail to make service provided by such Wi-Fi hotspots available to the public at no cost during such emergency period.

"(b) WAIVER.—Upon a petition by a provider advanced telecommunications service or voice service, the provisions in subsection (a) may be suspended or waived by the Commission at any time, in whole or in part, for good cause shown.

"(c) EMERGENCY PERIODS DESCRIBED.—An emergency period described in this subsection is any portion beginning on or after the date of the enactment of this section of the duration of a public health emergency declared pursuant to section 319 of the Public Health Service Act (42 U.S.C. 247d) as a result of COVID–19, including any renewal thereof.

"(d) DEFINITIONS.—In this section:

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"(1) ADVANCED TELECOMMUNICATIONS SERVICE.—The term 'advanced telecommunications service' means a service that provides advanced telecommunications capability (as defined in section 706 of the Telecommunications Act of 1996 (47 U.S.C. 1302)).

"(2) BROADBAND INTERNET ACCESS SERVICE.—The term 'broadband internet access service' has the meaning given such term in section 8.1(b) of title 47, Code of Federal Regulations (or any successor regulation).

"(3) INDIVIDUAL CUSTOMER.—The term 'individual customer' means an individual who contracts with a mass-market retail provider of advanced telecommunications service or voice service to provide service to such individual.

"(4) REASONABLE NETWORK MANAGEMENT.—The term 'reasonable network management'—

"(A) means the use of a practice that—

"(i) has a primarily technical network management justification; and

"(ii) is primarily used for and tailored to achieving a legitimate network management purpose, taking into account the par-

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ticular network architecture and technology of the service; and

"(B) does not include other business practices.

"(5) SMALL BUSINESS.—The term 'small business' has the meaning given such term under section 601(3) of title 5, United States Code.

"(6) VOICE SERVICE.—The term 'voice service' has the meaning given such term under section 227(e)(8) of the Communications Act of 1934 (47 U.S.C. 227(e)(8)).

"(7) WI-FI.—The term 'Wi-Fi' means a wireless networking protocol based on Institute of Electrical and Electronics Engineers standard 802.11 (or any successor standard).

"(8) WI-FI HOTSPOT.—The term 'Wi-Fi hotspot' means a device that is capable of—

"(A) receiving mobile broadband internet access service; and

"(B) sharing such service with another device through the use of Wi-Fi.".

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TITLE V—DON'T BREAK UP THE T–BAND

SEC. 501. REPEAL OF REQUIREMENT TO REALLOCATE AND AUCTION T–BAND SPECTRUM.

(a) REPEAL.—Section 6103 of the Middle Class Tax Relief and Job Creation Act of 2012 (47 U.S.C. 1413) is repealed.

(b) CLERICAL AMENDMENT.—The table of contents in section 1(b) of such Act is amended by striking the item relating to section 6103.

SEC. 502. CLARIFYING ACCEPTABLE 9–1–1 OBLIGATIONS OR EXPENDITURES.

Section 6 of the Wireless Communications and Public Safety Act of 1999 (47 U.S.C. 615a–1) is amended—

(1) in subsection (f)—

(A) in paragraph (1), by striking ''as specified in the provision of State or local law adopting the fee or charge'' and inserting ''consistent with the purposes and functions designated in the final rules issued under paragraph (3) as purposes and functions for which the obligation or expenditure of such a fee or charge is acceptable'';

(B) in paragraph (2), by striking ''any purpose other than the purpose for which any

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such fees or charges are specified'' and inserting ''any purpose or function other than the purposes and functions designated in the final rules issued under paragraph (3) as purposes and functions for which the obligation or expenditure of any such fees or charges is acceptable''; and

(C) by adding at the end the following:

''(3) ACCEPTABLE OBLIGATIONS OR EXPENDITURES.—

''(A) RULES REQUIRED.—In order to prevent diversion of 9–1–1 fees or charges, the Commission shall, not later than 180 days after the date of the enactment of this paragraph, issue final rules designating purposes and functions for which the obligation or expenditure of 9–1–1 fees or charges, by any State or taxing jurisdiction authorized to impose such a fee or charge, is acceptable.

''(B) PURPOSES AND FUNCTIONS.—The purposes and functions designated under subparagraph (A) shall be limited to the support and implementation of 9–1–1 services provided by or in the State or taxing jurisdiction imposing the fee or charge and operational expenses

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of public safety answering points within such State or taxing jurisdiction. In designating such purposes and functions, the Commission shall consider the purposes and functions that States and taxing jurisdictions specify as the intended purposes and functions for the 9–1–1 fees or charges of such States and taxing jurisdictions, and determine whether such purposes and functions directly support providing 9–1–1 services.

"(C) CONSULTATION REQUIRED.—The Commission shall consult with public safety organizations and States and taxing jurisdictions as part of any proceeding under this paragraph.

"(D) DEFINITIONS.—In this paragraph:

"(i) 9–1–1 FEE OR CHARGE.—The term '9–1–1 fee or charge' means a fee or charge applicable to commercial mobile services or IP-enabled voice services specifically designated by a State or taxing jurisdiction for the support or implementation of 9–1–1 services.

"(ii) 9–1–1 SERVICES.—The term '9–1–1 services' has the meaning given such term in section 158(e) of the National Telecommunications and Information Ad-

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ministration Organization Act (47 U.S.C. 942(e)).

"(iii) STATE OR TAXING JURISDICTION.—The term 'State or taxing jurisdiction' means a State, political subdivision thereof, Indian Tribe, or village or regional corporation serving a region established pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.).

"(4) PARTICIPATION.—If a State or taxing jurisdiction (as defined in paragraph (3)(D)) receives a grant under section 158 of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 942) after the date of the enactment of this paragraph, such State or taxing jurisdiction shall, as a condition of receiving such grant, provide the information requested by the Commission to prepare the report required by paragraph (2).

"(5) PETITION REGARDING ADDITIONAL PURPOSES AND FUNCTIONS.—

"(A) IN GENERAL.—A State or taxing jurisdiction (as defined in paragraph (3)(D)) may submit to the Commission a petition for a determination that an obligation or expenditure of

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a 9–1–1 fee or charge (as defined in such paragraph) by such State or taxing jurisdiction for a purpose or function other than a purpose or function designated under paragraph (3)(A) should be treated as such a purpose or function. If the Commission finds that the State or taxing jurisdiction has provided sufficient documentation to make the demonstration described in subparagraph (B), the Commission shall grant such petition.

''(B) DEMONSTRATION DESCRIBED.—The demonstration described in this subparagraph is a demonstration that the purpose or function—

''(i) supports public safety answering point functions or operations; or

''(ii) has a direct impact on the ability of a public safety answering point to—

''(I) receive or respond to 9–1–1 calls; or

''(II) dispatch emergency responders.''; and

(2) by adding at the end the following:

''(j) SEVERABILITY CLAUSE.—If any provision of this section or the application thereof to any person or circumstance is held invalid, the remainder of this section

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and the application of such provision to other persons or circumstances shall not be affected thereby.''.

SEC. 503. PROHIBITION ON 9–1–1 FEE OR CHARGE DIVERSION.

(a) IN GENERAL.—If the Commission obtains evidence that suggests the diversion by a State or taxing jurisdiction of 9–1–1 fees or charges, the Commission shall submit such information, including any information regarding the impact of any underfunding of 9–1–1 services in the State or taxing jurisdiction, to the interagency strike force established under subsection (c).

(b) REPORT TO CONGRESS.—Beginning with the first report under section 6(f)(2) of the Wireless Communications and Public Safety Act of 1999 (47 U.S.C. 615a–1(f)(2)) that is required to be submitted after the date that is 1 year after the date of the enactment of this Act, the Commission shall include in each report required under such section all evidence that suggests the diversion by a State or taxing jurisdiction of 9–1–1 fees or charges, including any information regarding the impact of any underfunding of 9–1–1 services in the State or taxing jurisdiction.

(c) INTERAGENCY STRIKE FORCE TO END 9–1–1 FEE OR CHARGE DIVERSION.—

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(1) ESTABLISHMENT.—Not later than 180 days after the date of the enactment of this Act, the Commission shall establish an interagency strike force to study how the Federal Government can most expeditiously end diversion by a State or taxing jurisdiction of 9–1–1 fees or charges. Such interagency strike force shall be known as the ''Ending 9–1–1 Fee Diversion Now Strike Force'' (in this section referred to as the ''Strike Force'').

(2) DUTIES.—In carrying out the study under paragraph (1), the Strike Force shall—

(A) determine the effectiveness of any Federal laws, including regulations, policies, and practices, or budgetary or jurisdictional constraints regarding how the Federal Government can most expeditiously end diversion by a State or taxing jurisdiction of 9–1–1 fees or charges;

(B) consider whether criminal penalties would further prevent diversion by a State or taxing jurisdiction of 9–1–1 fees or charges; and

(C) determine the impacts of diversion by a State or taxing jurisdiction of 9–1–1 fees or charges.

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(3) MEMBERS.—The Strike Force shall be composed of such representatives of Federal departments and agencies as the Commission considers appropriate, in addition to—

(A) State attorneys general;

(B) States or taxing jurisdictions found not to be engaging in diversion of 9–1–1 fees or charges;

(C) States or taxing jurisdictions trying to stop the diversion of 9–1–1 fees or charges;

(D) State 9–1–1 administrators;

(E) public safety organizations;

(F) groups representing the public and consumers; and

(G) groups representing public safety answering point professionals.

(4) REPORT TO CONGRESS.—Not later than 270 days after the date of the enactment of this Act, the Strike Force shall publish on the website of the Commission and submit to the Committee on Energy and Commerce of the House of Representatives and the Committee on Commerce, Science, and Transportation of the Senate a report on the findings of the study under this subsection, including—

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(A) any recommendations regarding how to most expeditiously end the diversion by a State or taxing jurisdiction of 9–1–1 fees or charges, including actions that can be taken by Federal departments and agencies and appropriate changes to law or regulations; and

(B) a description of what progress, if any, relevant Federal departments and agencies have made in implementing the recommendations under subparagraph (A).

(d) FAILURE TO COMPLY.—Notwithstanding any other provision of law, any State or taxing jurisdiction identified by the Commission in the report required under section 6(f)(2) of the Wireless Communications and Public Safety Act of 1999 (47 U.S.C. 615a–1(f)(2)) as engaging in diversion of 9–1–1 fees or charges shall be ineligible to participate or send a representative to serve on any committee, panel, or council established under section 6205(a) of the Middle Class Tax Relief and Job Creation Act of 2012 (47 U.S.C. 1425(a)) or any advisory committee established by the Commission.

SEC. 504. RULE OF CONSTRUCTION.

Nothing in this title, the Wireless Communications and Public Safety Act of 1999 (Public Law 106–81), or the Communications Act of 1934 (47 U.S.C. 151 et seq.)

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shall be construed to prevent a State or taxing jurisdiction from requiring an annual audit of the books and records of a provider of 9–1–1 services concerning the collection and remittance of a 9–1–1 fee or charge.

SEC. 505. DEFINITIONS.

In this title:

(1) 9–1–1 FEE OR CHARGE.—The term ''9–1–1 fee or charge'' has the meaning given such term in subparagraph (D) of paragraph (3) of section 6(f) of the Wireless Communications and Public Safety Act of 1999, as added by this title.

(2) 9–1–1 SERVICES.—The term ''9–1–1 services'' has the meaning given such term in section 158(e) of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 942(e)).

(3) COMMISSION.—The term ''Commission'' means the Federal Communications Commission.

(4) DIVERSION.—The term ''diversion'' means, with respect to a 9–1–1 fee or charge, the obligation or expenditure of such fee or charge for a purpose or function other than the purposes and functions designated in the final rules issued under paragraph (3) of section 6(f) of the Wireless Communications and Public Safety Act of 1999, as added by this

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title, as purposes and functions for which the obligation or expenditure of such a fee or charge is acceptable.

(5) STATE OR TAXING JURISDICTION.—The term ''State or taxing jurisdiction'' has the meaning given such term in subparagraph (D) of paragraph (3) of section 6(f) of the Wireless Communications and Public Safety Act of 1999, as added by this title.

DIVISION V—GROW ACT

SEC. 101. SHORT TITLE.

This division may be cited as the ''Giving Retirement Options to Workers Act of 2020'' or the ''GROW Act''.

SEC. 102. COMPOSITE PLANS.

(a) AMENDMENT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) IN GENERAL.—Title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.) is amended by adding at the end the following:

''PART 8—COMPOSITE PLANS AND LEGACY PLANS

''SEC. 801. COMPOSITE PLAN DEFINED.

''(a) IN GENERAL.—For purposes of this Act, the term 'composite plan' means a pension plan—

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''(1) which is a multiemployer plan that is neither a defined benefit plan nor a defined contribution plan;

''(2) the terms of which provide that the plan is a composite plan for purposes of this title with respect to which not more than one multiemployer defined benefit plan is treated as a legacy plan within the meaning of section 805, unless there is more than one legacy plan following a merger of composite plans under section 806;

''(3) which provides systematically for the payment of benefits—

''(A) objectively calculated pursuant to a formula enumerated in the plan document with respect to plan participants after retirement, for life; and

''(B) in the form of life annuities, except for benefits which under section 203(e) may be immediately distributed without the consent of the participant;

''(4) for which the plan contributions for the first plan year are at least 120 percent of the normal cost for the plan year;

''(5) which requires—

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"(A) an annual valuation of the liability of the plan as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year;

"(B) an annual actuarial determination of the plan's current funded ratio and projected funded ratio under section 802(a);

"(C) corrective action through a realignment program pursuant to section 803 whenever the plan's projected funded ratio is below 120 percent for the plan year; and

"(D) an annual notification to each participant describing the participant's benefits under the plan and explaining that such benefits may be subject to reduction under a realignment program pursuant to section 803 based on the plan's funded status in future plan years; and

"(6) the board of trustees of which includes at least one retiree or beneficiary in pay status during each plan year following the first plan year in which at least 5 percent of the participants in the plan are retirees or beneficiaries in pay status.

"(b) TRANSITION FROM A MULTIEMPLOYER DEFINED BENEFIT PLAN.—

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''(1) IN GENERAL.—The plan sponsor of a defined benefit plan that is a multiemployer plan may, subject to paragraph (2), amend the plan to incorporate the features of a composite plan as a component of the multiemployer plan separate from the defined benefit plan component, except in the case of a defined benefit plan for which the plan actuary has certified under section 305(b)(3) that the plan is or will be in critical status for the plan year in which such amendment would become effective or for any of the succeeding 5 plan years.

''(2) REQUIREMENTS.—Any amendment pursuant to paragraph (1) to incorporate the features of a composite plan as a component of a multiemployer plan shall—

''(A) apply with respect to all collective bargaining agreements providing for contributions to the multiemployer plan on or after the effective date of the amendment;

''(B) apply with respect to all participants in the multiemployer plan for whom contributions are made to the multiemployer plan on or after the effective date of the amendment;

''(C) specify that the effective date of the amendment is—

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''(i) the first day of a specified plan year following the date of the adoption of the amendment, except that the plan sponsor may alternatively provide for a separate effective date with respect to each collective bargaining agreement under which contributions to the multiemployer plan are required, which shall occur on the first day of the first plan year beginning after the termination, or if earlier, the re-opening, of each such agreement, or such earlier date as the parties to the agreement and the plan sponsor of the multiemployer plan shall agree to; and

''(ii) not later than the first day of the fifth plan year beginning on or after the date of the adoption of the amendment;

''(D) specify that, as of the amendment's effective date, no further benefits shall accrue under the defined benefit component of the multiemployer plan; and

''(E) specify that, as of the amendment's effective date, the plan sponsor of the multiemployer plan shall be the plan sponsor of both

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the composite plan component and the defined benefit plan component of the plan.

''(3) SPECIAL RULES.—If a multiemployer plan is amended pursuant to paragraph (1)—

''(A) the requirements of this title and title IV shall be applied to the composite plan component and the defined benefit plan component of the multiemployer plan as if each such component were maintained as a separate plan; and

''(B) the assets of the composite plan component and the defined benefit plan component of the plan shall be held in a single trust forming part of the plan under which the trust instrument expressly provides—

''(i) for separate accounts (and appropriate records) to be maintained to reflect the interest which each of the plan components has in the trust, including separate accounting for additions to the trust for the benefit of each plan component, disbursements made from each plan component's account in the trust, investment experience of the trust allocable to that account, and administrative expenses (whether direct expenses or shared expenses allo-

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cated proportionally), and permits, but does not require, the pooling of some or all of the assets of the two plan components for investment purposes; and

''(ii) that the assets of each of the two plan components shall be held, invested, reinvested, managed, administered and distributed for the exclusive benefit of the participants and beneficiaries of each such plan component, and in no event shall the assets of one of the plan components be available to pay benefits due under the other plan component.

''(4) NOT A TERMINATION EVENT.—Notwithstanding section 4041A, an amendment pursuant to paragraph (1) to incorporate the features of a composite plan as a component of a multiemployer plan does not constitute termination of the multiemployer plan.

''(5) NOTICE TO THE SECRETARY.—

''(A) NOTICE.—The plan sponsor of a composite plan shall provide notice to the Secretary of the intent to establish the composite plan (or, in the case of a composite plan incorporated as a component of a multiemployer

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plan as described in paragraph (1), the intent to amend the multiemployer plan to incorporate such composite plan) at least 30 days prior to the effective date of such establishment or amendment.

"(B) CERTIFICATION.—In the case of a composite plan incorporated as a component of a multiemployer plan as described in paragraph (1), such notice shall include a certification by the plan actuary under section 305(b)(3) that the effective date of the amendment occurs in a plan year for which the multiemployer plan is not in critical status for that plan year and any of the succeeding 5 plan years.

"(6) REFERENCES TO COMPOSITE PLAN COMPONENT.—As used in this part, the term 'composite plan' includes a composite plan component added to a defined benefit plan pursuant to paragraph (1).

"(7) RULE OF CONSTRUCTION.—Paragraph (2)(A) shall not be construed as preventing the plan sponsor of a multiemployer plan from adopting an amendment pursuant to paragraph (1) because some collective bargaining agreements are amended to cease any covered employer's obligation to contribute to the multiemployer plan before or after the plan

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amendment is effective. Paragraph (2)(B) shall not be construed as preventing the plan sponsor of a multiemployer plan from adopting an amendment pursuant to paragraph (1) because some participants cease to have contributions made to the multiemployer plan on their behalf before or after the plan amendment is effective.

''(c) COORDINATION WITH FUNDING RULES.—Except as otherwise provided in this title, sections 302, 304, and 305 shall not apply to a composite plan.

''(d) TREATMENT OF A COMPOSITE PLAN.—For purposes of this Act (other than sections 302 and 4245), a composite plan shall be treated as if it were a defined benefit plan unless a different treatment is provided for under applicable law.

''SEC. 802. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.

''(a) CERTIFICATION OF FUNDED RATIOS.—

''(1) IN GENERAL.—Not later than the one-hundred twentieth day of each plan year of a composite plan, the plan actuary of the composite plan shall certify to the Secretary, the Secretary of the Treasury, and the plan sponsor the plan's current funded ratio and projected funded ratio for the plan year.

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"(2) DETERMINATION OF CURRENT FUNDED RATIO AND PROJECTED FUNDED RATIO.—For purposes of this section:

"(A) CURRENT FUNDED RATIO.—The current funded ratio is the ratio (expressed as a percentage) of—

"(i) the value of the plan's assets as of the first day of the plan year; to

"(ii) the plan actuary's best estimate of the present value of the plan liabilities as of the first day of the plan year.

"(B) PROJECTED FUNDED RATIO.—The projected funded ratio is the current funded ratio projected to the first day of the fifteenth plan year following the plan year for which the determination is being made.

"(3) CONSIDERATION OF CONTRIBUTION RATE INCREASES.—For purposes of projections under this subsection, the plan sponsor may anticipate contribution rate increases beyond the term of the current collective bargaining agreement and any agreed-to supplements, up to a maximum of 2.5 percent per year, compounded annually, unless it would be unreasonable under the circumstances to assume that contributions would increase by that amount.

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''(b) ACTUARIAL ASSUMPTIONS AND METHODS.—For purposes of this part:

''(1) IN GENERAL.—All costs, liabilities, rates of interest and other factors under the plan shall be determined for a plan year on the basis of actuarial assumptions and methods—

''(A) each of which is reasonable (taking into account the experience of the plan and reasonable expectations);

''(B) which, in combination, offer the actuary's best estimate of anticipated experience under the plan; and

''(C) with respect to which any change from the actuarial assumptions and methods used in the previous plan year shall be certified by the plan actuary and the actuarial rationale for such change provided in the annual report required by section 103.

''(2) FAIR MARKET VALUE OF ASSETS.—The value of the plan's assets shall be taken into account on the basis of their fair market value.

''(3) DETERMINATION OF NORMAL COST AND PLAN LIABILITIES.—A plan's normal cost and liabilities shall be based on the most recent actuarial

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valuation required under section 801(a)(5)(A) and the unit credit funding method.

''(4) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—Any contributions for a plan year made by an employer after the last day of such plan year, but not later than two and one-half months after such day, shall be deemed to have been made on such last day. For purposes of this paragraph, such two and one-half month period may be extended for not more than six months under regulations prescribed by the Secretary of the Treasury.

''(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—Except where otherwise provided in this part, the provisions of section 305(b)(3)(B) shall apply to any determination or projection under this part.

"SEC. 803. REALIGNMENT PROGRAM.

''(a) REALIGNMENT PROGRAM.—

''(1) ADOPTION.—In any case in which the plan actuary certifies under section 802(a) that the plan's projected funded ratio is below 120 percent for the plan year, the plan sponsor shall adopt a realignment program under paragraph (2) not later than 210 days after the due date of the certification required under such section 802(a). The plan sponsor shall adopt an updated realignment program for

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each succeeding plan year for which a certification described in the preceding sentence is made.

"(2) CONTENT OF REALIGNMENT PROGRAM.—

"(A) IN GENERAL.—A realignment program adopted under this paragraph is a written program which consists of all reasonable measures, including options or a range of options to be undertaken by the plan sponsor or proposed to the bargaining parties, formulated, based on reasonably anticipated experience and reasonable actuarial assumptions, to enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year.

"(B) INITIAL PROGRAM ELEMENTS.—Reasonable measures under a realignment program described in subparagraph (A) may include any of the following:

"(i) Proposed contribution increases.

"(ii) A reduction in the rate of future benefit accruals, so long as the resulting rate is not less than 1 percent of the contributions on which benefits are based as of the start of the plan year (or the equivalent standard accrual rate as described in section 305(e)(6)).

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"(iii) A modification or elimination of adjustable benefits of participants that are not in pay status before the date of the notice required under subsection (b)(1).

"(iv) Any other lawfully available measures not specifically described in this subparagraph or subparagraph (C) or (D) that the plan sponsor determines are reasonable.

"(C) ADDITIONAL PROGRAM ELEMENTS.—If the plan sponsor has determined that all reasonable measures available under subparagraph (B) will not enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, such reasonable measures may also include—

"(i) a reduction of accrued benefits that are not in pay status by the date of the notice required under subsection (b)(1); or

"(ii) a reduction of any benefits of participants that are in pay status before the date of the notice required under subsection (b)(1) other than core benefits as defined in paragraph (4).

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"(D) ADDITIONAL REDUCTIONS.—In the case of a composite plan for which the plan sponsor has determined that all reasonable measures available under subparagraphs (B) and (C) will not enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, such reasonable measures may also include—

"(i) a further reduction in the rate of future benefit accruals without regard to the limitation applicable under subparagraph (B)(ii); or

"(ii) a reduction of core benefits;

provided that such reductions shall be equitably distributed across the participant and beneficiary population, taking into account factors, with respect to participants and beneficiaries and their benefits, that may include one or more of the factors listed in subclauses (I) through (X) of section 305(e)(9)(D)(vi), to the extent necessary to enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, or at the election of the plan sponsor, a projected funded ratio of at least 100 percent for the following plan year

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and a current funded ratio of at least 90 percent.

"(3) ADJUSTABLE BENEFIT DEFINED.—For purposes of this part, the term 'adjustable benefit' means—

"(A) benefits, rights, and features under the plan, including post-retirement death benefits, 60-month guarantees, disability benefits not yet in pay status, and similar benefits;

"(B) any early retirement benefit or retirement-type subsidy (within the meaning of section 204(g)(2)(A)) and any benefit payment option (other than the qualified joint and survivor annuity); and

"(C) benefit increases that were adopted (or, if later, took effect) less than 60 months before the first day such realignment program took effect.

"(4) CORE BENEFIT DEFINED.—For purposes of this part, the term 'core benefit' means a participant's accrued benefit payable in the normal form of an annuity commencing at normal retirement age, determined without regard to—

"(A) any early retirement benefits, retirement-type subsidies, or other benefits, rights, or

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features that may be associated with that benefit; and

"(B) any cost-of-living adjustments or benefit increases effective after the date of retirement.

"(5) COORDINATION WITH CONTRIBUTION INCREASES.—

"(A) IN GENERAL.—A realignment program may provide that some or all of the benefit modifications described in the program will only take effect if the bargaining parties fail to agree to specified levels of increases in contributions to the plan, effective as of specified dates.

"(B) INDEPENDENT BENEFIT MODIFICATIONS.—If a realignment program adopts any changes to the benefit formula that are independent of potential contribution increases, such changes shall take effect not later than 180 days after the first day of the first plan year that begins following the adoption of the realignment program.

"(C) CONDITIONAL BENEFIT MODIFICATIONS.—If a realignment program adopts any changes to the benefit formula that take effect only if the bargaining parties fail to agree to

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contribution increases, such changes shall take effect not later than the first day of the first plan year beginning after the third anniversary of the date of adoption of the realignment program.

''(D) REVOCATION OF CERTAIN BENEFIT MODIFICATIONS.—Benefit modifications described in subparagraph (C) may be revoked, in whole or in part, and retroactively or prospectively, when contributions to the plan are increased, as specified in the realignment program, including any amendments thereto. The preceding sentence shall not apply unless the contribution increases are to be effective not later than the fifth anniversary of the first day of the first plan year that begins after the adoption of the realignment program.

''(b) NOTICE.—

''(1) IN GENERAL.—In any case in which it is certified under section 802(a) that the projected funded ratio is less than 120 percent, the plan sponsor shall, not later than 30 days after the date of the certification, provide notification of the current and projected funded ratios to the participants and

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beneficiaries, the bargaining parties, and the Secretary. Such notice shall include—

"(A) an explanation that contribution rate increases or benefit reductions may be necessary;

"(B) a description of the types of benefits that might be reduced; and

"(C) an estimate of the contribution increases and benefit reductions that may be necessary to achieve a projected funded ratio of 120 percent.

"(2) NOTICE OF BENEFIT MODIFICATIONS.—

"(A) IN GENERAL.—No modifications may be made that reduce the rate of future benefit accrual or that reduce core benefits or adjustable benefits unless notice of such reduction has been given at least 180 days before the general effective date of such reduction for all participants and beneficiaries to—

"(i) plan participants and beneficiaries;

"(ii) each employer who has an obligation to contribute to the composite plan; and

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"(iii) each employee organization which, for purposes of collective bargaining, represents plan participants employed by such employers.

"(B) CONTENT OF NOTICE.—The notice under subparagraph (A) shall contain—

"(i) sufficient information to enable participants and beneficiaries to understand the effect of any reduction on their benefits, including an illustration of any affected benefit or subsidy, on an annual or monthly basis that a participant or beneficiary would otherwise have been eligible for as of the general effective date described in subparagraph (A); and

"(ii) information as to the rights and remedies of plan participants and beneficiaries as well as how to contact the Department of Labor for further information and assistance, where appropriate.

"(C) FORM AND MANNER.—Any notice under subparagraph (A)—

"(i) shall be provided in a form and manner prescribed in regulations of the Secretary of Labor;

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"(ii) shall be written in a manner so as to be understood by the average plan participant.

"(3) MODEL NOTICES.—The Secretary shall—

"(A) prescribe model notices that the plan sponsor of a composite plan may use to satisfy the notice requirements under this subsection; and

"(B) by regulation enumerate any details related to the elements listed in paragraph (1) that any notice under this subsection must include.

"(4) DELIVERY METHOD.—Any notice under this part shall be provided in writing and may also be provided in electronic form to the extent that the form is reasonably accessible to persons to whom the notice is provided.

"SEC. 804. LIMITATION ON INCREASING BENEFITS.

"(a) LEVEL OF CURRENT FUNDED RATIOS.—Except as provided in subsections (c), (d), and (e), no plan amendment increasing benefits or establishing new benefits under a composite plan may be adopted for a plan year unless—

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"(1) the plan's current funded ratio is at least 110 percent (without regard to the benefit increase or new benefits);

"(2) taking the benefit increase or new benefits into account, the current funded ratio is at least 100 percent and the projected funded ratio for the current plan year is at least 120 percent;

"(3) in any case in which, after taking the benefit increase or new benefits into account, the current funded ratio is less than 140 percent and the projected funded ratio is less than 140 percent, the benefit increase or new benefits are projected by the plan actuary to increase the present value of the plan's liabilities for the plan year by not more than 3 percent; and

"(4) expected contributions for the current plan year are at least 120 percent of normal cost for the plan year, determined using the unit credit funding method and treating the benefit increase or new benefits as in effect for the entire plan year.

"(b) ADDITIONAL REQUIREMENTS WHERE CORE BENEFITS REDUCED.—If a plan has been amended to reduce core benefits pursuant to a realignment program under section 803(a)(2)(D), such plan may not be subse-

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quently amended to increase core benefits unless the amendment—

"(1) increases the level of future benefit payments only; and

"(2) provides for an equitable distribution of benefit increases across the participant and beneficiary population, taking into account the extent to which the benefits of participants were previously reduced pursuant to such realignment program.

"(c) EXCEPTION TO COMPLY WITH APPLICABLE LAW.—Subsection (a) shall not apply in connection with a plan amendment if the amendment is required as a condition of qualification under part I of subchapter D of chapter 1 of the Internal Revenue Code of 1986 or to comply with other applicable law.

"(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE LIMIT APPLIES.—Subsection (a) shall not apply in connection with a plan amendment if and to the extent that contributions to the composite plan would not be deductible for the plan year under section 404(a)(1)(E) of the Internal Revenue Code of 1986 if the plan amendment is not adopted.

"(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICATIONS.—Subsection (a) shall not apply in connection with

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a plan amendment under section 803(a)(5)(C), regarding conditional benefit modifications.

''(f) TREATMENT OF PLAN AMENDMENTS.—For purposes of this section—

''(1) if two or more plan amendments increasing benefits or establishing new benefits are adopted in a plan year, such amendments shall be treated as a single amendment adopted on the last day of the plan year;

''(2) all benefit increases and new benefits adopted in a single amendment are treated as a single benefit increase, irrespective of whether the increases and new benefits take effect in more than one plan year; and

''(3) increases in contributions or decreases in plan liabilities which are scheduled to take effect in future plan years may be taken into account in connection with a plan amendment if they have been agreed to in writing or otherwise formalized by the date the plan amendment is adopted.

''SEC. 805. COMPOSITE PLAN RESTRICTIONS TO PRESERVE LEGACY PLAN FUNDING.

''(a) TREATMENT AS A LEGACY PLAN.—

''(1) IN GENERAL.—For purposes of this part and parts 2 and 3, a defined benefit plan shall be

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treated as a legacy plan with respect to the composite plan under which the employees who were eligible to accrue a benefit under the defined benefit plan become eligible to accrue a benefit under such composite plan.

''(2) COMPONENT PLANS.—In any case in which a defined benefit plan is amended to add a composite plan component pursuant to section 801(b), paragraph (1) shall be applied by substituting 'defined benefit component' for 'defined benefit plan' and 'composite plan component' for 'composite plan'.

''(3) ELIGIBLE TO ACCRUE A BENEFIT.—For purposes of paragraph (1), an employee is considered eligible to accrue a benefit under a composite plan as of the first day in which the employee completes an hour of service under a collective bargaining agreement that provides for contributions to and accruals under the composite plan in lieu of accruals under the legacy plan.

''(4) COLLECTIVE BARGAINING AGREEMENT.—As used in this part, the term 'collective bargaining agreement' includes any agreement under which an employer has an obligation to contribute to a plan.

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''(5) OTHER TERMS.—Any term used in this part which is not defined in this part and which is also used in section 305 shall have the same meaning provided such term in such section.

''(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE PLAN OF AGREEMENTS AND CONTRIBUTIONS.—

''(1) IN GENERAL.—The plan sponsor of a composite plan shall not accept or recognize a collective bargaining agreement (or any modification to such agreement), and no contributions may be accepted and no benefits may be accrued or otherwise earned under the agreement—

''(A) in any case in which the plan actuary of any defined benefit plan that would be treated as a legacy plan with respect to such composite plan has certified under section 305(b)(3) that such defined benefit plan is or will be in critical status for the plan year in which such agreement would take effect or for any of the succeeding 5 plan years; and

''(B) unless the agreement requires each employer who is a party to such agreement, including employers whose employees are not participants in the legacy plan, to provide contributions to the legacy plan with respect to such

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composite plan in a manner that satisfies the transition contribution requirements of subsection (d).

"(2) NOTICE.—Not later than 30 days after a determination by a plan sponsor of a composite plan that an agreement fails to satisfy the requirements described in paragraph (1), the plan sponsor shall provide notification of such failure and the reasons for such determination—

"(A) to the parties to the agreement;

"(B) to active participants of the composite plan who have ceased to accrue or otherwise earn benefits with respect to service with an employer pursuant to paragraph (1); and

"(C) to the Secretary, the Secretary of the Treasury, and the Pension Benefit Guaranty Corporation.

"(3) LIMITATION ON RETROACTIVE EFFECT.—This subsection shall not apply to benefits accrued before the date on which notice is provided under paragraph (2).

"(c) RESTRICTION ON ACCRUAL OF BENEFITS UNDER A COMPOSITE PLAN.—

"(1) IN GENERAL.—In any case in which an employer, under a collective bargaining agreement

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entered into after the date of enactment of the Giving Retirement Options to Workers Act of 2020, ceases to have an obligation to contribute to a multiemployer defined benefit plan, no employees employed by the employer may accrue or otherwise earn benefits under any composite plan, with respect to service with that employer, for a 60-month period beginning on the date on which the employer entered into such collective bargaining agreement.

''(2) NOTICE OF CESSATION OF OBLIGATION.—Within 30 days of determining that an employer has ceased to have an obligation to contribute to a legacy plan with respect to employees employed by an employer that is or will be contributing to a composite plan with respect to service of such employees, the plan sponsor of the legacy plan shall notify the plan sponsor of the composite plan of that cessation.

''(3) NOTICE OF CESSATION OF ACCRUALS.—Not later than 30 days after determining that an employer has ceased to have an obligation to contribute to a legacy plan, the plan sponsor of the composite plan shall notify the bargaining parties, the active participants affected by the cessation of accruals, the Secretary, the Secretary of the Treasury, and the Pension Benefit Guaranty Corporation

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of the cessation of accruals, the period during which such cessation is in effect, and the reasons therefor.

''(4) LIMITATION ON RETROACTIVE EFFECT.—This subsection shall not apply to benefits accrued before the date on which notice is provided under paragraph (3).

''(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

''(1) IN GENERAL.—A collective bargaining agreement satisfies the transition contribution requirements of this subsection if the agreement—

''(A) authorizes payment of contributions to a legacy plan at a rate or rates equal to or greater than the transition contribution rate established by the legacy plan under paragraph (2); and

''(B) does not provide for—

''(i) a suspension of contributions to the legacy plan with respect to any period of service; or

''(ii) any new direct or indirect exclusion of younger or newly hired employees of the employer from being taken into account in determining contributions owed to the legacy plan.

''(2) TRANSITION CONTRIBUTION RATE.—

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"(A) IN GENERAL.—The transition contribution rate for a plan year is the contribution rate that, as certified by the actuary of the legacy plan in accordance with the principles in section 305(b)(3)(B), is reasonably expected to be adequate—

"(i) to fund the normal cost for the plan year;

"(ii) to amortize the plan's unfunded liabilities in level annual installments over 25 years, beginning with the plan year in which the transition contribution rate is first established; and

"(iii) to amortize any subsequent changes in the legacy plan's unfunded liability due to experience gains or losses (including investment gains or losses, gains or losses due to contributions greater or less than the contributions made under the prior transition contribution rate, and other actuarial gains or losses), changes in actuarial assumptions, changes to the legacy plan's benefits, or changes in funding method over a period of 15 plan years be-

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ginning with the plan year in which such change in unfunded liability is incurred.

The transition contribution rate for any plan year may not be less than the transition contribution rate for the plan year in which such rate is first established.

''(B) MULTIPLE RATES.—If different rates of contribution are payable to the legacy plan by different employers or for different classes of employees, the certification shall specify a transition contribution rate for each such employer.

''(C) RATE APPLICABLE TO EMPLOYER.—

''(i) IN GENERAL.—Except as provided by clause (ii), the transition contribution rate applicable to an employer for a plan year is the rate in effect for the plan year of the legacy plan that commences on or after 180 days before the earlier of—

''(I) the effective date of the collective bargaining agreement pursuant to which the employer contributes to the legacy plan; or

''(II) 5 years after the last plan year for which the transition contribu-

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tion rate applicable to the employer was established or updated.

''(ii) EXCEPTION.—The transition contribution rate applicable to an employer for the first plan year beginning on or after the commencement of the employer's obligation to contribute to the composite plan is the rate in effect for the plan year of the legacy plan that commences on or after 180 days before such first plan year.

''(D) EFFECT OF LEGACY PLAN FINANCIAL CIRCUMSTANCES.—If the plan actuary of the legacy plan has certified under section 305 that the plan is in endangered or critical status for a plan year, the transition contribution rate for the following plan year is the rate determined with respect to the employer under the legacy plan's funding improvement or rehabilitation plan under section 305, if greater than the rate otherwise determined, but in no event greater than 75 percent of the sum of the contribution rates applicable to the legacy plan and the composite plan for the plan year.

''(E) OTHER ACTUARIAL ASSUMPTIONS AND METHODS.—Except as provided in sub-

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paragraph (A), the determination of the transition contribution rate for a plan year shall be based on actuarial assumptions and methods consistent with the minimum funding determinations made under section 304 (or, if applicable, section 305) with respect to the legacy plan for the plan year.

''(F) ADJUSTMENTS IN RATE.—The plan sponsor of a legacy plan from time to time may adjust the transition contribution rate or rates applicable to an employer under this paragraph by increasing some rates and decreasing others if the actuary certifies that such adjusted rates in combination will produce projected contribution income for the plan year beginning on or after the date of certification that is not less than would be produced by the transition contribution rates in effect at the time of the certification.

''(G) NOTICE OF TRANSITION CONTRIBUTION RATE.—The plan sponsor of a legacy plan shall provide notice to the parties to collective bargaining agreements pursuant to which contributions are made to the legacy plan of changes to the transition contribution rate re-

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quirements at least 30 days before the beginning of the plan year for which the rate is effective.

"(H) NOTICE TO COMPOSITE PLAN SPONSOR.—Not later than 30 days after a determination by the plan sponsor of a legacy plan that a collective bargaining agreement provides for a rate of contributions that is below the transition contribution rate applicable to one or more employers that are parties to the collective bargaining agreement, the plan sponsor of the legacy plan shall notify the plan sponsor of any composite plan under which employees of such employer would otherwise be eligible to accrue a benefit.

"(3) CORRECTION PROCEDURES.—Pursuant to standards prescribed by the Secretary, the plan sponsor of a composite plan shall adopt rules and procedures that give the parties to the collective bargaining agreement notice of the failure of such agreement to satisfy the transition contribution requirements of this subsection, and a reasonable opportunity to correct such failure, not to exceed 180 days from the date of notice given under subsection (b)(2).

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''(4) SUPPLEMENTAL CONTRIBUTIONS.—A collective bargaining agreement may provide for supplemental contributions to the legacy plan for a plan year in excess of the transition contribution rate determined under paragraph (2), regardless of whether the legacy plan is in endangered or critical status for such plan year.

''(e) NONAPPLICATION OF COMPOSITE PLAN RESTRICTIONS.—

''(1) IN GENERAL.—The provisions of subsections (a), (b), and (c) shall not apply with respect to a collective bargaining agreement, to the extent the agreement, or a predecessor agreement, provides or provided for contributions to a defined benefit plan that is a legacy plan, as of the first day of the first plan year following a plan year for which the plan actuary certifies that the plan is fully funded, has been fully funded for at least three out of the immediately preceding 5 plan years, and is projected to remain fully funded for at least the following 4 plan years.

''(2) DETERMINATION OF FULLY FUNDED.—A plan is fully funded for purposes of paragraph (1) if, as of the valuation date of the plan for a plan year, the value of the plan's assets equals or exceeds

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the present value of the plan's liabilities, determined in accordance with the rules prescribed by the Pension Benefit Guaranty Corporation under sections 4219(c)(1)(D) and 4281 for multiemployer plans terminating by mass withdrawal, as in effect for the date of the determination, except the plan's reasonable assumption regarding the starting date of benefits may be used.

''(3) OTHER APPLICABLE RULES.—Except as provided in paragraph (2), actuarial determinations and projections under this section shall be based on the rules in section 305(b)(3) and section 802(b).

"SEC. 806. MERGERS AND ASSET TRANSFERS OF COMPOSITE PLANS.

''(a) IN GENERAL.—Assets and liabilities of a composite plan may only be merged with, or transferred to, another plan if—

''(1) the other plan is a composite plan;

''(2) the plan or plans resulting from the merger or transfer is a composite plan;

''(3) no participant's accrued benefit or adjustable benefit is lower immediately after the transaction than it was immediately before the transaction; and

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''(4) the value of the assets transferred in the case of a transfer reasonably reflects the value of the amounts contributed with respect to the participants whose benefits are being transferred, adjusted for allocable distributions, investment gains and losses, and administrative expenses.

''(b) LEGACY PLAN.—

''(1) IN GENERAL.—After a merger or transfer involving a composite plan, the legacy plan with respect to an employer that is obligated to contribute to the resulting composite plan is the legacy plan that applied to that employer immediately before the merger or transfer.

''(2) MULTIPLE LEGACY PLANS.—If an employer is obligated to contribute to more than one legacy plan with respect to employees eligible to accrue benefits under more than one composite plan and there is a merger or transfer of such legacy plans, the transition contribution rate applicable to the legacy plan resulting from the merger or transfer with respect to that employer shall be determined in accordance with the provisions of section 805(d)(2)(B).''.

(2) PENALTIES.—

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(A) CIVIL ENFORCEMENT OF FAILURE TO COMPLY WITH REALIGNMENT PROGRAM.—Section 502(a) of such Act (29 U.S.C. 1132(a)) is amended—

(i) in paragraph (10), by striking ''or'' at the end;

(ii) in paragraph (11), by striking the period at the end and inserting ''; or''; and

(iii) by adding at the end the following:

''(12) in the case of a composite plan required to adopt a realignment program under section 803, if the plan sponsor—

''(A) has not adopted a realignment program under that section by the deadline established in such section; or

''(B) fails to update or comply with the terms of the realignment program in accordance with the requirements of such section,

by the Secretary, by an employer that has an obligation to contribute with respect to the composite plan, or by an employee organization that represents active participants in the composite plan, for an order compelling the plan sponsor to adopt a realignment program, or to update or comply with the terms of

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the realignment program, in accordance with the requirements of such section and the realignment program.''.

(B) CIVIL PENALTIES.—Section 502(c) of such Act (29 U.S.C. 1132(c)) is amended—

(i) by moving paragraphs (8), (10), and (12) each 2 ems to the left;

(ii) by redesignating paragraphs (9) through (12) as paragraphs (12) through (15), respectively; and

(iii) by inserting after paragraph (8) the following:

''(9) The Secretary may assess against any plan sponsor of a composite plan a civil penalty of not more than $1,100 per day for each violation by such sponsor—

''(A) of the requirement under section 802(a) on the plan actuary to certify the plan's current or projected funded ratio by the date specified in such subsection; or

''(B) of the requirement under section 803 to adopt a realignment program by the deadline established in that section and to comply with its terms.

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''(10)(A) The Secretary may assess against any plan sponsor of a composite plan a civil penalty of not more than $100 per day for each violation by such sponsor of the requirement under section 803(b) to provide notice as described in such section, except that no penalty may be assessed in any case in which the plan sponsor exercised reasonable diligence to meet the requirements of such section and—

''(i) the plan sponsor did not know that the violation existed; or

''(ii) the plan sponsor provided such notice during the 30-day period beginning on the first date on which the plan sponsor knew, or in exercising reasonable due diligence should have known, that such violation existed.

''(B) In any case in which the plan sponsor exercised reasonable diligence to meet the requirements of section 803(b)—

''(i) the total penalty assessed under this paragraph against such sponsor for a plan year may not exceed $500,000; and

''(ii) the Secretary may waive part or all of such penalty to the extent that the payment of

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such penalty would be excessive or otherwise inequitable relative to the violation involved.

''(11) The Secretary may assess against any plan sponsor of a composite plan a civil penalty of not more than $100 per day for each violation by such sponsor of the notice requirements under sections 801(b)(5) and 805(b)(2).''.

(3) CONFORMING AMENDMENT.—The table of contents in section 1 of such Act (29 U.S.C. 1001 note) is amended by inserting after the item relating to section 734 the following:

''PART 8—COMPOSITE PLANS AND LEGACY PLANS

''Sec. 801. Composite plan defined.
''Sec. 802. Funded ratios; actuarial assumptions.
''Sec. 803. Realignment program.
''Sec. 804. Limitation on increasing benefits.
''Sec. 805. Composite plan restrictions to preserve legacy plan funding.
''Sec. 806. Mergers and asset transfers of composite plans.''.

(b) AMENDMENT TO THE INTERNAL REVENUE CODE OF 1986.—

(1) IN GENERAL.—Part III of subchapter D of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''Subpart C—Composite Plans and Legacy Plans

''Sec. 437. Composite plan defined.
''Sec. 438. Funded ratios; actuarial assumptions.
''Sec. 439. Realignment program.
''Sec. 440. Limitation on increasing benefits.
''Sec. 440A. Composite plan restrictions to preserve legacy plan funding.
''Sec. 440B. Mergers and asset transfers of composite plans.

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"SEC. 437. COMPOSITE PLAN DEFINED.

"(a) IN GENERAL.—For purposes of this title, the term 'composite plan' means a pension plan—

"(1) which is a multiemployer plan that is neither a defined benefit plan nor a defined contribution plan,

"(2) the terms of which provide that the plan is a composite plan for purposes of this title with respect to which not more than one multiemployer defined benefit plan is treated as a legacy plan within the meaning of section 440A, unless there is more than one legacy plan following a merger of composite plans under section 440B,

"(3) which provides systematically for the payment of benefits—

"(A) objectively calculated pursuant to a formula enumerated in the plan document with respect to plan participants after retirement, for life, and

"(B) in the form of life annuities, except for benefits which under section 411(a)(11) may be immediately distributed without the consent of the participant,

"(4) for which the plan contributions for the first plan year are at least 120 percent of the normal cost for the plan year,

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"(5) which requires—

"(A) an annual valuation of the liability of the plan as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year,

"(B) an annual actuarial determination of the plan's current funded ratio and projected funded ratio under section 438(a),

"(C) corrective action through a realignment program pursuant to section 439 whenever the plan's projected funded ratio is below 120 percent for the plan year, and

"(D) an annual notification to each participant describing the participant's benefits under the plan and explaining that such benefits may be subject to reduction under a realignment program pursuant to section 439 based on the plan's funded status in future plan years, and

"(6) the board of trustees of which includes at least one retiree or beneficiary in pay status during each plan year following the first plan year in which at least 5 percent of the participants in the plan are retirees or beneficiaries in pay status.

"(b) TRANSITION FROM A MULTIEMPLOYER DEFINED BENEFIT PLAN.—

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''(1) IN GENERAL.—The plan sponsor of a defined benefit plan that is a multiemployer plan may, subject to paragraph (2), amend the plan to incorporate the features of a composite plan as a component of the multiemployer plan separate from the defined benefit plan component, except in the case of a defined benefit plan for which the plan actuary has certified under section 432(b)(3) that the plan is or will be in critical status for the plan year in which such amendment would become effective or for any of the succeeding 5 plan years.

''(2) REQUIREMENTS.—Any amendment pursuant to paragraph (1) to incorporate the features of a composite plan as a component of a multiemployer plan shall—

''(A) apply with respect to all collective bargaining agreements providing for contributions to the multiemployer plan on or after the effective date of the amendment,

''(B) apply with respect to all participants in the multiemployer plan for whom contributions are made to the multiemployer plan on or after the effective date of the amendment,

''(C) specify that the effective date of the amendment is—

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''(i) the first day of a specified plan year following the date of the adoption of the amendment, except that the plan sponsor may alternatively provide for a separate effective date with respect to each collective bargaining agreement under which contributions to the multiemployer plan are required, which shall occur on the first day of the first plan year beginning after the termination, or if earlier, the re-opening, of each such agreement, or such earlier date as the parties to the agreement and the plan sponsor of the multiemployer plan shall agree to, and

''(ii) not later than the first day of the fifth plan year beginning on or after the date of the adoption of the amendment,

''(D) specify that, as of the amendment's effective date, no further benefits shall accrue under the defined benefit component of the multiemployer plan, and

''(E) specify that, as of the amendment's effective date, the plan sponsor of the multiemployer plan shall be the plan sponsor of both

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the composite plan component and the defined benefit plan component of the plan.

"(3) SPECIAL RULES.—If a multiemployer plan is amended pursuant to paragraph (1)—

"(A) the requirements of this title shall be applied to the composite plan component and the defined benefit plan component of the multiemployer plan as if each such component were maintained as a separate plan, and

"(B) the assets of the composite plan component and the defined benefit plan component of the plan shall be held in a single trust forming part of the plan under which the trust instrument expressly provides—

"(i) for separate accounts (and appropriate records) to be maintained to reflect the interest which each of the plan components has in the trust, including separate accounting for additions to the trust for the benefit of each plan component, disbursements made from each plan component's account in the trust, investment experience of the trust allocable to that account, and administrative expenses (whether direct expenses or shared expenses allo-

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cated proportionally), and permits, but does not require, the pooling of some or all of the assets of the two plan components for investment purposes, and

"(ii) that the assets of each of the two plan components shall be held, invested, reinvested, managed, administered and distributed for the exclusive benefit of the participants and beneficiaries of each such plan component, and in no event shall the assets of one of the plan components be available to pay benefits due under the other plan component.

"(4) NOT A TERMINATION EVENT.—Notwithstanding section 4041A of the Employee Retirement Income Security Act of 1974, an amendment pursuant to paragraph (1) to incorporate the features of a composite plan as a component of a multiemployer plan does not constitute termination of the multiemployer plan.

"(5) NOTICE TO THE SECRETARY.—

"(A) NOTICE.—The plan sponsor of a composite plan shall provide notice to the Secretary of the intent to establish the composite plan (or, in the case of a composite plan incor-

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porated as a component of a multiemployer plan as described in paragraph (1), the intent to amend the multiemployer plan to incorporate such composite plan) at least 30 days prior to the effective date of such establishment or amendment.

''(B) CERTIFICATION.—In the case of a composite plan incorporated as a component of a multiemployer plan as described in paragraph (1), such notice shall include a certification by the plan actuary under section 432(b)(3) that the effective date of the amendment occurs in a plan year for which the multiemployer plan is not in critical status for that plan year and any of the succeeding 5 plan years.

''(6) REFERENCES TO COMPOSITE PLAN COMPONENT.—As used in this subpart, the term 'composite plan' includes a composite plan component added to a defined benefit plan pursuant to paragraph (1).

''(7) RULE OF CONSTRUCTION.—Paragraph (2)(A) shall not be construed as preventing the plan sponsor of a multiemployer plan from adopting an amendment pursuant to paragraph (1) because some collective bargaining agreements are amended to

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cease any covered employer's obligation to contribute to the multiemployer plan before or after the plan amendment is effective. Paragraph (2)(B) shall not be construed as preventing the plan sponsor of a multiemployer plan from adopting an amendment pursuant to paragraph (1) because some participants cease to have contributions made to the multiemployer plan on their behalf before or after the plan amendment is effective.

''(c) COORDINATION WITH FUNDING RULES.—Except as otherwise provided in this title, sections 412, 431, and 432 shall not apply to a composite plan.

''(d) TREATMENT OF A COMPOSITE PLAN.—For purposes of this title (other than sections 412 and 418E), a composite plan shall be treated as if it were a defined benefit plan unless a different treatment is provided for under applicable law.

''SEC. 438. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.

''(a) CERTIFICATION OF FUNDED RATIOS.—

''(1) IN GENERAL.—Not later than the one-hundred twentieth day of each plan year of a composite plan, the plan actuary of the composite plan shall certify to the Secretary, the Secretary of Labor, and the plan sponsor the plan's current fund-

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ed ratio and projected funded ratio for the plan year.

"(2) DETERMINATION OF CURRENT FUNDED RATIO AND PROJECTED FUNDED RATIO.—For purposes of this section—

"(A) CURRENT FUNDED RATIO.—The current funded ratio is the ratio (expressed as a percentage) of—

"(i) the value of the plan's assets as of the first day of the plan year, to

"(ii) the plan actuary's best estimate of the present value of the plan liabilities as of the first day of the plan year.

"(B) PROJECTED FUNDED RATIO.—The projected funded ratio is the current funded ratio projected to the first day of the fifteenth plan year following the plan year for which the determination is being made.

"(3) CONSIDERATION OF CONTRIBUTION RATE INCREASES.—For purposes of projections under this subsection, the plan sponsor may anticipate contribution rate increases beyond the term of the current collective bargaining agreement and any agreed-to supplements, up to a maximum of 2.5 percent per year, compounded annually, unless it would be un-

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reasonable under the circumstances to assume that contributions would increase by that amount.

''(b) ACTUARIAL ASSUMPTIONS AND METHODS.—For purposes of this part—

''(1) IN GENERAL.—All costs, liabilities, rates of interest, and other factors under the plan shall be determined for a plan year on the basis of actuarial assumptions and methods—

''(A) each of which is reasonable (taking into account the experience of the plan and reasonable expectations),

''(B) which, in combination, offer the actuary's best estimate of anticipated experience under the plan, and

''(C) with respect to which any change from the actuarial assumptions and methods used in the previous plan year shall be certified by the plan actuary and the actuarial rationale for such change provided in the annual report required by section 6058.

''(2) FAIR MARKET VALUE OF ASSETS.—The value of the plan's assets shall be taken into account on the basis of their fair market value.

''(3) DETERMINATION OF NORMAL COST AND PLAN LIABILITIES.—A plan's normal cost and liabil-

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ities shall be based on the most recent actuarial valuation required under section 437(a)(5)(A) and the unit credit funding method.

''(4) TIME WHEN CERTAIN CONTRIBUTIONS DEEMED MADE.—Any contributions for a plan year made by an employer after the last day of such plan year, but not later than two and one-half months after such day, shall be deemed to have been made on such last day. For purposes of this paragraph, such two and one-half month period may be extended for not more than six months under regulations prescribed by the Secretary.

''(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—Except where otherwise provided in this subpart, the provisions of section 432(b)(3)(B) shall apply to any determination or projection under this subpart.

''SEC. 439. REALIGNMENT PROGRAM.

''(a) REALIGNMENT PROGRAM.—

''(1) ADOPTION.—In any case in which the plan actuary certifies under section 438(a) that the plan's projected funded ratio is below 120 percent for the plan year, the plan sponsor shall adopt a realignment program under paragraph (2) not later than 210 days after the due date of the certification required under section 438(a). The plan sponsor shall

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adopt an updated realignment program for each succeeding plan year for which a certification described in the preceding sentence is made.

"(2) CONTENT OF REALIGNMENT PROGRAM.—

"(A) IN GENERAL.—A realignment program adopted under this paragraph is a written program which consists of all reasonable measures, including options or a range of options to be undertaken by the plan sponsor or proposed to the bargaining parties, formulated, based on reasonably anticipated experience and reasonable actuarial assumptions, to enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year.

"(B) INITIAL PROGRAM ELEMENTS.—Reasonable measures under a realignment program described in subparagraph (A) may include any of the following:

"(i) Proposed contribution increases.

"(ii) A reduction in the rate of future benefit accruals, so long as the resulting rate shall not be less than 1 percent of the contributions on which benefits are based as of the start of the plan year (or the

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equivalent standard accrual rate as described in section 432(e)(6)).

"(iii) A modification or elimination of adjustable benefits of participants that are not in pay status before the date of the notice required under subsection (b)(1).

"(iv) Any other legally available measures not specifically described in this subparagraph or subparagraph (C) or (D) that the plan sponsor determines are reasonable.

"(C) ADDITIONAL PROGRAM ELEMENTS.—If the plan sponsor has determined that all reasonable measures available under subparagraph (B) will not enable the plan to achieve a projected funded ratio of at least 120 percent the following plan year, such reasonable measures may also include—

"(i) a reduction of accrued benefits that are not in pay status by the date of the notice required under subsection (b)(1), or

"(ii) a reduction of any benefits of participants that are in pay status before the date of the notice required under sub-

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section (b)(1) other than core benefits as defined in paragraph (4).

''(D) ADDITIONAL REDUCTIONS.—In the case of a composite plan for which the plan sponsor has determined that all reasonable measures available under subparagraphs (B) and (C) will not enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, such reasonable measures may also include—

''(i) a further reduction in the rate of future benefit accruals without regard to the limitation applicable under subparagraph (B)(ii), or

''(ii) a reduction of core benefits,

provided that such reductions shall be equitably distributed across the participant and beneficiary population, taking into account factors, with respect to participants and beneficiaries and their benefits, that may include one or more of the factors listed in subclauses (I) through (X) of section 432(e)(9)(D)(vi), to the extent necessary to enable the plan to achieve a projected funded ratio of at least 120 percent for the following plan year, or at the election of

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the plan sponsor, a projected funded ratio of at least 100 percent for the following plan year and a current funded ratio of at least 90 percent.

''(3) ADJUSTABLE BENEFIT DEFINED.—For purposes of this subpart, the term 'adjustable benefit' means—

''(A) benefits, rights, and features under the plan, including post-retirement death benefits, 60-month guarantees, disability benefits not yet in pay status, and similar benefits,

''(B) any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) and any benefit payment option (other than the qualified joint and survivor annuity), and

''(C) benefit increases that were adopted (or, if later, took effect) less than 60 months before the first day such realignment program took effect.

''(4) CORE BENEFIT DEFINED.—For purposes of this subpart, the term 'core benefit' means a participant's accrued benefit payable in the normal form of an annuity commencing at normal retirement age, determined without regard to—

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"(A) any early retirement benefits, retirement-type subsidies, or other benefits, rights, or features that may be associated with that benefit, and

"(B) any cost-of-living adjustments or benefit increases effective after the date of retirement.

"(5) COORDINATION WITH CONTRIBUTION INCREASES.—

"(A) IN GENERAL.—A realignment program may provide that some or all of the benefit modifications described in the program will only take effect if the bargaining parties fail to agree to specified levels of increases in contributions to the plan, effective as of specified dates.

"(B) INDEPENDENT BENEFIT MODIFICATIONS.—If a realignment program adopts any changes to the benefit formula that are independent of potential contribution increases, such changes shall take effect not later than 180 days following the first day of the first plan year that begins following the adoption of the realignment program.

"(C) CONDITIONAL BENEFIT MODIFICATIONS.—If a realignment program adopts any

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changes to the benefit formula that take effect only if the bargaining parties fail to agree to contribution increases, such changes shall take effect not later than the first day of the first plan year beginning after the third anniversary of the date of adoption of the realignment program.

''(D) REVOCATION OF CERTAIN BENEFIT MODIFICATIONS.—Benefit modifications described in paragraph (3) may be revoked, in whole or in part, and retroactively or prospectively, when contributions to the plan are increased, as specified in the realignment program, including any amendments thereto. The preceding sentence shall not apply unless the contribution increases are to be effective not later than the fifth anniversary of the first day of the first plan year that begins after the adoption of the realignment program.

''(b) NOTICE.—

''(1) IN GENERAL.—In any case in which it is certified under section 438(a) that the projected funded ratio is less than 120 percent, the plan sponsor shall, not later than 30 days after the date of the certification, provide notification of the current

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and projected funded ratios to the participants and beneficiaries, the bargaining parties, and the Secretary. Such notice shall include—

"(A) an explanation that contribution rate increases or benefit reductions may be necessary,

"(B) a description of the types of benefits that might be reduced, and

"(C) an estimate of the contribution increases and benefit reductions that may be necessary to achieve a projected funded ratio of 120 percent.

"(2) NOTICE OF BENEFIT MODIFICATIONS.—

"(A) IN GENERAL.—No modifications may be made that reduce the rate of future benefit accrual or that reduce core benefits or adjustable benefits unless notice of such reduction has been given at least 180 days before the general effective date of such reduction for all participants and beneficiaries to—

"(i) plan participants and beneficiaries,

"(ii) each employer who has an obligation to contribute to the composite plan, and

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"(iii) each employee organization which, for purposes of collective bargaining, represents plan participants employed by such employers.

"(B) CONTENT OF NOTICE.—The notice under subparagraph (A) shall contain—

"(i) sufficient information to enable participants and beneficiaries to understand the effect of any reduction on their benefits, including an illustration of any affected benefit or subsidy, on an annual or monthly basis that a participant or beneficiary would otherwise have been eligible for as of the general effective date described in subparagraph (A), and

"(ii) information as to the rights and remedies of plan participants and beneficiaries as well as how to contact the Department of Labor for further information and assistance, where appropriate.

"(C) FORM AND MANNER.—Any notice under subparagraph (A)—

"(i) shall be provided in a form and manner prescribed in regulations of the Secretary of Labor,

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"(ii) shall be written in a manner so as to be understood by the average plan participant.

"(3) MODEL NOTICES.—The Secretary shall—

"(A) prescribe model notices that the plan sponsor of a composite plan may use to satisfy the notice requirements under this subsection, and

"(B) by regulation enumerate any details related to the elements listed in paragraph (1) that any notice under this subsection must include.

"(4) DELIVERY METHOD.—Any notice under this part shall be provided in writing and may also be provided in electronic form to the extent that the form is reasonably accessible to persons to whom the notice is provided.

"SEC. 440. LIMITATION ON INCREASING BENEFITS.

"(a) LEVEL OF CURRENT FUNDED RATIOS.—Except as provided in subsections (c), (d), and (e), no plan amendment increasing benefits or establishing new benefits under a composite plan may be adopted for a plan year unless—

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"(1) the plan's current funded ratio is at least 110 percent (without regard to the benefit increase or new benefits),

"(2) taking the benefit increase or new benefits into account, the current funded ratio is at least 100 percent and the projected funded ratio for the current plan year is at least 120 percent,

"(3) in any case in which, after taking the benefit increase or new benefits into account, the current funded ratio is less than 140 percent or the projected funded ratio is less than 140 percent, the benefit increase or new benefits are projected by the plan actuary to increase the present value of the plan's liabilities for the plan year by not more than 3 percent, and

"(4) expected contributions for the current plan year are at least 120 percent of normal cost for the plan year, determined using the unit credit funding method and treating the benefit increase or new benefits as in effect for the entire plan year.

"(b) ADDITIONAL REQUIREMENTS WHERE CORE BENEFITS REDUCED.—If a plan has been amended to reduce core benefits pursuant to a realignment program under section 439(a)(2)(D), such plan may not be subse-

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quently amended to increase core benefits unless the amendment—

"(1) increases the level of future benefit payments only, and

"(2) provides for an equitable distribution of benefit increases across the participant and beneficiary population, taking into account the extent to which the benefits of participants were previously reduced pursuant to such realignment program.

"(c) EXCEPTION TO COMPLY WITH APPLICABLE LAW.—Subsection (a) shall not apply in connection with a plan amendment if the amendment is required as a condition of qualification under part I of subchapter D of chapter 1 or to comply with other applicable law.

"(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE LIMIT APPLIES.—Subsection (a) shall not apply in connection with a plan amendment if and to the extent that contributions to the composite plan would not be deductible for the plan year under section 404(a)(1)(E) if the plan amendment is not adopted. The Secretary of the Treasury shall issue regulations to implement this paragraph.

"(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICATIONS.—Subsection (a) shall not apply in connection with

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a plan amendment under section 439(a)(5)(C), regarding conditional benefit modifications.

''(f) TREATMENT OF PLAN AMENDMENTS.—For purposes of this section—

''(1) if two or more plan amendments increasing benefits or establishing new benefits are adopted in a plan year, such amendments shall be treated as a single amendment adopted on the last day of the plan year,

''(2) all benefit increases and new benefits adopted in a single amendment are treated as a single benefit increase, irrespective of whether the increases and new benefits take effect in more than one plan year, and

''(3) increases in contributions or decreases in plan liabilities which are scheduled to take effect in future plan years may be taken into account in connection with a plan amendment if they have been agreed to in writing or otherwise formalized by the date the plan amendment is adopted.

"SEC. 440A. COMPOSITE PLAN RESTRICTIONS TO PRESERVE LEGACY PLAN FUNDING.

''(a) TREATMENT AS A LEGACY PLAN.—

''(1) IN GENERAL.—For purposes of this subchapter, a defined benefit plan shall be treated as a

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legacy plan with respect to the composite plan under which the employees who were eligible to accrue a benefit under the defined benefit plan become eligible to accrue a benefit under such composite plan.

''(2) COMPONENT PLANS.—In any case in which a defined benefit plan is amended to add a composite plan component pursuant to section 437(b), paragraph (1) shall be applied by substituting 'defined benefit component' for 'defined benefit plan' and 'composite plan component' for 'composite plan'.

''(3) ELIGIBLE TO ACCRUE A BENEFIT.—For purposes of paragraph (1), an employee is considered eligible to accrue a benefit under a composite plan as of the first day in which the employee completes an hour of service under a collective bargaining agreement that provides for contributions to and accruals under the composite plan in lieu of accruals under the legacy plan.

''(4) COLLECTIVE BARGAINING AGREEMENT.—As used in this subpart, the term 'collective bargaining agreement' includes any agreement under which an employer has an obligation to contribute to a plan.

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''(5) OTHER TERMS.—Any term used in this subpart which is not defined in this part and which is also used in section 432 shall have the same meaning provided such term in such section.

''(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE PLAN OF AGREEMENTS AND CONTRIBUTIONS.—

''(1) IN GENERAL.—The plan sponsor of a composite plan shall not accept or recognize a collective bargaining agreement (or any modification to such agreement), and no contributions may be accepted and no benefits may be accrued or otherwise earned under the agreement—

''(A) in any case in which the plan actuary of any defined benefit plan that would be treated as a legacy plan with respect to such composite plan has certified under section 432(b)(3) that such defined benefit plan is or will be in critical status for the plan year in which such agreement would take effect or for any of the succeeding 5 plan years, and

''(B) unless the agreement requires each employer who is a party to such agreement, including employers whose employees are not participants in the legacy plan, to provide contributions to the legacy plan with respect to such

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composite plan in a manner that satisfies the transition contribution requirements of subsection (d).

"(2) NOTICE.—Not later than 30 days after a determination by a plan sponsor of a composite plan that an agreement fails to satisfy the requirements described in paragraph (1), the plan sponsor shall provide notification of such failure and the reasons for such determination to—

"(A) the parties to the agreement,

"(B) active participants of the composite plan who have ceased to accrue or otherwise earn benefits with respect to service with an employer pursuant to paragraph (1), and

"(C) the Secretary of Labor, the Secretary of the Treasury, and the Pension Benefit Guaranty Corporation.

"(3) LIMITATION ON RETROACTIVE EFFECT.—This subsection shall not apply to benefits accrued before the date on which notice is provided under paragraph (2).

"(c) RESTRICTION ON ACCRUAL OF BENEFITS UNDER A COMPOSITE PLAN.—

"(1) IN GENERAL.—In any case in which an employer, under a collective bargaining agreement

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entered into after the date of enactment of the Giving Retirement Options to Workers Act of 2020, ceases to have an obligation to contribute to a multiemployer defined benefit plan, no employees employed by the employer may accrue or otherwise earn benefits under any composite plan, with respect to service with that employer, for a 60-month period beginning on the date on which the employer entered into such collective bargaining agreement.

''(2) NOTICE OF CESSATION OF OBLIGATION.—Within 30 days of determining that an employer has ceased to have an obligation to contribute to a legacy plan with respect to employees employed by an employer that is or will be contributing to a composite plan with respect to service of such employees, the plan sponsor of the legacy plan shall notify the plan sponsor of the composite plan of that cessation.

''(3) NOTICE OF CESSATION OF ACCRUALS.—Not later than 30 days after determining that an employer has ceased to have an obligation to contribute to a legacy plan, the plan sponsor of the composite plan shall notify the bargaining parties, the active participants affected by the cessation of accruals, the Secretary, the Secretary of Labor, and the Pension Benefit Guaranty Corporation of the

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cessation of accruals, the period during which such cessation is in effect, and the reasons therefor.

"(4) LIMITATION ON RETROACTIVE EFFECT.—This subsection shall not apply to benefits accrued before the date on which notice is provided under paragraph (3).

"(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

"(1) IN GENERAL.—A collective bargaining agreement satisfies the transition contribution requirements of this subsection if the agreement—

"(A) authorizes for payment of contributions to a legacy plan at a rate or rates equal to or greater than the transition contribution rate established under paragraph (2), and

"(B) does not provide for—

"(i) a suspension of contributions to the legacy plan with respect to any period of service, or

"(ii) any new direct or indirect exclusion of younger or newly hired employees of the employer from being taken into account in determining contributions owed to the legacy plan.

"(2) TRANSITION CONTRIBUTION RATE.—

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"(A) IN GENERAL.—The transition contribution rate for a plan year is the contribution rate that, as certified by the actuary of the legacy plan in accordance with the principles in section 432(b)(3)(B), is reasonably expected to be adequate—

"(i) to fund the normal cost for the plan year,

"(ii) to amortize the plan's unfunded liabilities in level annual installments over 25 years, beginning with the plan year in which the transition contribution rate is first established, and

"(iii) to amortize any subsequent changes in the legacy plan's unfunded liability due to experience gains or losses (including investment gains or losses, gains or losses due to contributions greater or less than the contributions made under the prior transition contribution rate, and other actuarial gains or losses), changes in actuarial assumptions, changes to the legacy plan's benefits, or changes in funding method over a period of 15 plan years be-

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ginning with the plan year in which such change in unfunded liability is incurred.

The transition contribution rate for any plan year may not be less than the transition contribution rate for the plan year in which such rate is first established.

''(B) MULTIPLE RATES.—If different rates of contribution are payable to the legacy plan by different employers or for different classes of employees, the certification shall specify a transition contribution rate for each such employer.

''(C) RATE APPLICABLE TO EMPLOYER.—

''(i) IN GENERAL.—Except as provided by clause (ii), the transition contribution rate applicable to an employer for a plan year is the rate in effect for the plan year of the legacy plan that commences on or after 180 days before the earlier of—

''(I) the effective date of the collective bargaining agreement pursuant to which the employer contributes to the legacy plan, or

''(II) 5 years after the last plan year for which the transition contribu-

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tion rate applicable to the employer was established or updated.

''(ii) EXCEPTION.—The transition contribution rate applicable to an employer for the first plan year beginning on or after the commencement of the employer's obligation to contribute to the composite plan is the rate in effect for the plan year of the legacy plan that commences on or after 180 days before such first plan year.

''(D) EFFECT OF LEGACY PLAN FINANCIAL CIRCUMSTANCES.—If the plan actuary of the legacy plan has certified under section 432 that the plan is in endangered or critical status for a plan year, the transition contribution rate for the following plan year is the rate determined with respect to the employer under the legacy plan's funding improvement or rehabilitation plan under section 432, if greater than the rate otherwise determined, but in no event greater than 75 percent of the sum of the contribution rates applicable to the legacy plan and the composite plan for the plan year.

''(E) OTHER ACTUARIAL ASSUMPTIONS AND METHODS.—Except as provided in sub-

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paragraph (A), the determination of the transition contribution rate for a plan year shall be based on actuarial assumptions and methods consistent with the minimum funding determinations made under section 431 (or, if applicable, section 432) with respect to the legacy plan for the plan year.

''(F) ADJUSTMENTS IN RATE.—The plan sponsor of a legacy plan from time to time may adjust the transition contribution rate or rates applicable to an employer under this paragraph by increasing some rates and decreasing others if the actuary certifies that such adjusted rates in combination will produce projected contribution income for the plan year beginning on or after the date of certification that is not less than would be produced by the transition contribution rates in effect at the time of the certification.

''(G) NOTICE OF TRANSITION CONTRIBUTION RATE.—The plan sponsor of a legacy plan shall provide notice to the parties to collective bargaining agreements pursuant to which contributions are made to the legacy plan of changes to the transition contribution rate re-

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quirements at least 30 days before the beginning of the plan year for which the rate is effective.

"(H) NOTICE TO COMPOSITE PLAN SPONSOR.—Not later than 30 days after a determination by the plan sponsor of a legacy plan that a collective bargaining agreement provides for a rate of contributions that is below the transition contribution rate applicable to one or more employers that are parties to the collective bargaining agreement, the plan sponsor of the legacy plan shall notify the plan sponsor of any composite plan under which employees of such employer would otherwise be eligible to accrue a benefit.

"(3) CORRECTION PROCEDURES.—Pursuant to standards prescribed by the Secretary of Labor, the plan sponsor of a composite plan shall adopt rules and procedures that give the parties to the collective bargaining agreement notice of the failure of such agreement to satisfy the transition contribution requirements of this subsection, and a reasonable opportunity to correct such failure, not to exceed 180 days from the date of notice given under subsection (b)(2).

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''(4) SUPPLEMENTAL CONTRIBUTIONS.—A collective bargaining agreement may provide for supplemental contributions to the legacy plan for a plan year in excess of the transition contribution rate determined under paragraph (2), regardless of whether the legacy plan is in endangered or critical status for such plan year.

''(e) NONAPPLICATION OF COMPOSITE PLAN RESTRICTIONS.—

''(1) IN GENERAL.—The provisions of subsections (a), (b), and (c) shall not apply with respect to a collective bargaining agreement, to the extent the agreement, or a predecessor agreement, provides or provided for contributions to a defined benefit plan that is a legacy plan, as of the first day of the first plan year following a plan year for which the plan actuary certifies that the plan is fully funded, has been fully funded for at least three out of the immediately preceding 5 plan years, and is projected to remain fully funded for at least the following 4 plan years.

''(2) DETERMINATION OF FULLY FUNDED.—A plan is fully funded for purposes of paragraph (1) if, as of the valuation date of the plan for a plan year, the value of the plan's assets equals or exceeds

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the present value of the plan's liabilities, determined in accordance with the rules prescribed by the Pension Benefit Guaranty Corporation under sections 4219(c)(1)(D) and 4281 of Employee Retirement Income and Security Act for multiemployer plans terminating by mass withdrawal, as in effect for the date of the determination, except the plan's reasonable assumption regarding the starting date of benefits may be used.

''(3) OTHER APPLICABLE RULES.—Except as provided in paragraph (2), actuarial determinations and projections under this section shall be based on the rules in section 432(b)(3) and section 438(b).

''SEC. 440B. MERGERS AND ASSET TRANSFERS OF COMPOSITE PLANS.

''(a) IN GENERAL.—Assets and liabilities of a composite plan may only be merged with, or transferred to, another plan if—

''(1) the other plan is a composite plan,

''(2) the plan or plans resulting from the merger or transfer is a composite plan,

''(3) no participant's accrued benefit or adjustable benefit is lower immediately after the transaction than it was immediately before the transaction, and

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''(4) the value of the assets transferred in the case of a transfer reasonably reflects the value of the amounts contributed with respect to the participants whose benefits are being transferred, adjusted for allocable distributions, investment gains and losses, and administrative expenses.

''(b) LEGACY PLAN.—

''(1) IN GENERAL.—After a merger or transfer involving a composite plan, the legacy plan with respect to an employer that is obligated to contribute to the resulting composite plan is the legacy plan that applied to that employer immediately before the merger or transfer.

''(2) MULTIPLE LEGACY PLANS.—If an employer is obligated to contribute to more than one legacy plan with respect to employees eligible to accrue benefits under more than one composite plan and there is a merger or transfer of such legacy plans, the transition contribution rate applicable to the legacy plan resulting from the merger or transfer with respect to that employer shall be determined in accordance with the provisions of section 440A(d)(2)(B).''.

(2) CLERICAL AMENDMENT.—The table of subparts for part III of subchapter D of chapter 1 of

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the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"SUBPART C. COMPOSITE PLANS AND LEGACY PLANS".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after the date of the enactment of this Act.

SEC. 103. APPLICATION OF CERTAIN REQUIREMENTS TO COMPOSITE PLANS.

(a) AMENDMENTS TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) TREATMENT FOR PURPOSES OF FUNDING NOTICES.—Section 101(f) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1021(f)) is amended—

(A) in paragraph (1) by striking "title IV applies" and inserting "title IV applies or which is a composite plan"; and

(B) by adding at the end the following:

"(5) APPLICATION TO COMPOSITE PLANS.—The provisions of this subsection shall apply to a composite plan only to the extent prescribed by the Secretary in regulations that take into account the differences between a composite plan and a defined benefit plan that is a multiemployer plan.".

(2) TREATMENT FOR PURPOSES OF ANNUAL REPORT.—Section 103 of the Employee Retirement

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Income Security Act of 1974 (29 U.S.C. 1023) is amended—

(A) in subsection (d) by adding at the end the following sentence: ''The provisions of this subsection shall apply to a composite plan only to the extent prescribed by the Secretary in regulations that take into account the differences between a composite plan and a defined benefit plan that is a multiemployer plan.'';

(B) in subsection (f) by adding at the end the following:

''(3) ADDITIONAL INFORMATION FOR COMPOSITE PLANS.—With respect to any composite plan—

''(A) the provisions of paragraph (1)(A) shall apply by substituting 'current funded ratio and projected funded ratio (as such terms are defined in section 802(a)(2))' for 'funded percentage' each place it appears; and

''(B) the provisions of paragraph (2) shall apply only to the extent prescribed by the Secretary in regulations that take into account the differences between a composite plan and a defined benefit plan that is a multiemployer plan.''; and

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(C) by adding at the end the following:

''(h) COMPOSITE PLANS.—A multiemployer plan that incorporates the features of a composite plan as provided in section 801(b) shall be treated as a single plan for purposes of the report required by this section, except that separate financial statements and actuarial statements shall be provided under paragraphs (3) and (4) of subsection (a) for the defined benefit plan component and for the composite plan component of the multiemployer plan.''.

(3) TREATMENT FOR PURPOSES OF PENSION BENEFIT STATEMENTS.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025(a)) is amended by adding at the end the following:

''(4) COMPOSITE PLANS.—For purposes of this subsection, a composite plan shall be treated as a defined benefit plan to the extent prescribed by the Secretary in regulations that take into account the differences between a composite plan and a defined benefit plan that is a multiemployer plan.''.

(b) AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.—Section 6058 of the Internal Revenue Code of 1986 is amended by redesignating subsection (f)

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as subsection (g) and by inserting after subsection (e) the following:

''(f) COMPOSITE PLANS.—A multiemployer plan that incorporates the features of a composite plan as provided in section 437(b) shall be treated as a single plan for purposes of the return required by this section, except that separate financial statements shall be provided for the defined benefit plan component and for the composite plan component of the multiemployer plan.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after the date of the enactment of this Act.

SEC. 104. TREATMENT OF COMPOSITE PLANS UNDER TITLE IV.

(a) DEFINITION.—Section 4001(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1301(a)) is amended by striking the period at the end of paragraph (21) and inserting a semicolon and by adding at the end the following:

''(22) COMPOSITE PLAN.—The term 'composite plan' has the meaning set forth in section 801.''.

(b) COMPOSITE PLANS DISREGARDED FOR CALCULATING PREMIUMS.—Section 4006(a) of such Act (29 U.S.C. 1306(a)) is amended by adding at the end the following:

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''(9) The composite plan component of a multiemployer plan shall be disregarded in determining the premiums due under this section from the multiemployer plan.''.

(c) COMPOSITE PLANS NOT COVERED.—Section 4021(b)(1) of such Act (29 U.S.C. 1321(b)(1)) is amended by striking ''Act'' and inserting ''Act, or a composite plan, as defined in paragraph (43) of section 3 of this Act''.

(d) NO WITHDRAWAL LIABILITY.—Section 4201 of such Act (29 U.S.C. 1381) is amended by adding at the end the following:

''(e) Contributions by an employer to the composite plan component of a multiemployer plan shall not be taken into account for any purpose under this title.''.

(e) NO WITHDRAWAL LIABILITY FOR CERTAIN PLANS.—Section 4201 of such Act (29 U.S.C. 1381) is further amended by adding at the end the following:

''(d) Contributions by an employer to a multiemployer plan described in the except clause of section 3(35) of this Act pursuant to a collective bargaining agreement that specifically designates that such contributions shall be allocated to the separate defined contribution accounts of participants under the plan shall not be taken into account with respect to the defined benefit portion of the

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plan for any purpose under this title (including the determination of the employer's highest contribution rate under section 4219), even if, under the terms of the plan, participants have the option to transfer assets in their separate defined contribution accounts to the defined benefit portion of the plan in return for service credit under the defined benefit portion, at rates established by the plan sponsor.

''(e) A legacy plan created under section 805 shall be deemed to have no unfunded vested benefits for purposes of this part, for each plan year following a period of 5 consecutive plan years for which—

''(1) the plan was fully funded within the meaning of section 805 for at least 3 of the plan years during that period, ending with a plan year for which the plan is fully funded;

''(2) the plan had no unfunded vested benefits for at least 3 of the plan years during that period, ending with a plan year for which the plan is fully funded; and

''(3) the plan is projected to be fully funded and to have no unfunded vested benefits for the following four plan years.''.

(f) NO WITHDRAWAL LIABILITY FOR EMPLOYERS CONTRIBUTING TO CERTAIN FULLY FUNDED LEGACY

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PLANS.—Section 4211 of such Act (29 U.S.C. 1382) is amended by adding at the end the following:

''(g) No amount of unfunded vested benefits shall be allocated to an employer that has an obligation to contribute to a legacy plan described in subsection (e) of section 4201 for each plan year for which such subsection applies.''.

(g) NO OBLIGATION TO CONTRIBUTE.—Section 4212 of such Act (29 U.S.C. 1392) is amended by adding at the end the following:

''(d) NO OBLIGATION TO CONTRIBUTE.—An employer shall not be treated as having an obligation to contribute to a multiemployer defined benefit plan within the meaning of subsection (a) solely because—

''(1) in the case of a multiemployer plan that includes a composite plan component, the employer has an obligation to contribute to the composite plan component of the plan;

''(2) the employer has an obligation to contribute to a composite plan that is maintained pursuant to one or more collective bargaining agreements under which the multiemployer defined benefit plan is or previously was maintained; or

''(3) the employer contributes or has contributed under section 805(d) to a legacy plan associ-

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ated with a composite plan pursuant to a collective bargaining agreement but employees of that employer were not eligible to accrue benefits under the legacy plan with respect to service with that employer.''.

(h) NO INFERENCE.—Nothing in the amendment made by subsection (e) shall be construed to create an inference with respect to the treatment under title IV of the Employee Retirement Income Security Act of 1974, as in effect before such amendment, of contributions by an employer to a multiemployer plan described in the except clause of section 3(35) of such Act that are made before the effective date of subsection (e) specified in subsection (h)(2).

(i) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in subparagraph (2), the amendments made by this section shall apply to plan years beginning after the date of the enactment of this Act.

(2) SPECIAL RULE FOR SECTION 414(k) MULTIEMPLOYER PLANS.—The amendment made by subsection (e) shall apply only to required contributions payable for plan years beginning after the date of the enactment of this Act.

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SEC. 105. CONFORMING CHANGES.

(a) DEFINITIONS.—Section 3 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002) is amended—

(1) in paragraph (35), by inserting ''or a composite plan'' after ''other than an individual account plan''; and

(2) by adding at the end the following:

''(43) The term 'composite plan' has the meaning given the term in section 801(a).''.

(b) SPECIAL FUNDING RULE FOR CERTAIN LEGACY PLANS.—

(1) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 304(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1084(b)) is amended by adding at the end the following:

''(9) SPECIAL FUNDING RULE FOR CERTAIN LEGACY PLANS.—In the case of a multiemployer defined benefit plan that has adopted an amendment under section 801(b), in accordance with which no further benefits shall accrue under the multiemployer defined benefit plan, the plan sponsor may combine the outstanding balance of all charge and credit bases and amortize that combined base in level annual installments (until fully amortized) over

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a period of 25 plan years beginning with the plan year following the date all benefit accruals ceased.''.

(2) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 431(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(9) SPECIAL FUNDING RULE FOR CERTAIN LEGACY PLANS.—In the case of a multiemployer defined benefit plan that has adopted an amendment under section 437(b), in accordance with which no further benefits shall accrue under the multiemployer defined benefit plan, the plan sponsor may combine the outstanding balance of all charge and credit bases and amortize that combined base in level annual installments (until fully amortized) over a period of 25 plan years beginning with the plan year following the date on which all benefit accruals ceased.''.

(c) BENEFITS AFTER MERGER, CONSOLIDATION, OR TRANSFER OF ASSETS.—

(1) AMENDMENT TO EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 208 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1058) is amended—

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(A) by striking so much of the first sentence as precedes ''may not merge'' and inserting the following:

''(1) IN GENERAL.—Except as provided in paragraph (2), a pension plan may not merge, and''; and

(B) by striking the second sentence and adding at the end the following:

''(2) SPECIAL REQUIREMENTS FOR MULTIEMPLOYER PLANS.—Paragraph (1) shall not apply to any transaction to the extent that participants either before or after the transaction are covered under a multiemployer plan to which title IV of this Act applies or a composite plan.''.

(2) AMENDMENTS TO INTERNAL REVENUE CODE OF 1986.—

(A) QUALIFICATION REQUIREMENT.—Section 401(a)(12) of the Internal Revenue Code of 1986 is amended—

(i) by striking ''(12) A trust'' and inserting the following:

''(12) BENEFITS AFTER MERGER, CONSOLIDATION, OR TRANSFER OF ASSETS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a trust'';

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(ii) by striking the second sentence; and

(iii) by adding at the end the following:

''(B) SPECIAL REQUIREMENTS FOR MULTIEMPLOYER PLANS.—Subparagraph (A) shall not apply to any multiemployer plan with respect to any transaction to the extent that participants either before or after the transaction are covered under a multiemployer plan to which title IV of the Employee Retirement Income Security Act of 1974 applies or a composite plan.''.

(B) ADDITIONAL QUALIFICATION REQUIREMENT.—Paragraph (1) of section 414(l) of such Code is amended—

(i) by striking ''(1) IN GENERAL'' and all that follows through ''shall not constitute'' and inserting the following:

''(1) BENEFIT PROTECTIONS: MERGER, CONSOLIDATION, TRANSFER.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), a trust which forms a part of a plan shall not constitute''; and

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(ii) by striking the second sentence; and

(iii) by adding at the end the following:

''(B) SPECIAL REQUIREMENTS FOR MULTIEMPLOYER PLANS.—Subparagraph (A) does not apply to any multiemployer plan with respect to any transaction to the extent that participants either before or after the transaction are covered under a multiemployer plan to which title IV of the Employee Retirement Income Security Act of 1974 applies or a composite plan.''.

(d) REQUIREMENTS FOR STATUS AS A QUALIFIED PLAN.—

(1) REQUIREMENT THAT ACTUARIAL ASSUMPTIONS BE SPECIFIED.—Section 401(a)(25) of the Internal Revenue Code of 1986 is amended by inserting ''(in the case of a composite plan, benefits objectively calculated pursuant to a formula)'' after ''definitely determinable benefits''.

(2) MISSING PARTICIPANTS IN TERMINATING COMPOSITE PLAN.—Section 401(a)(34) of the Internal Revenue Code of 1986 is amended by striking '', a trust'' and inserting ''or a composite plan, a trust''.

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(e) DEDUCTION FOR CONTRIBUTIONS TO A QUALIFIED PLAN.—Section 404(a)(1) of the Internal Revenue Code of 1986 is amended by redesignating subparagraph (E) as subparagraph (F) and by inserting after subparagraph (D) the following:

"(E) COMPOSITE PLANS.—

"(i) IN GENERAL.—In the case of a composite plan, subparagraph (D) shall not apply and the maximum amount deductible for a plan year shall be the excess (if any) of—

"(I) 160 percent of the greater of—

"(aa) the current liability of the plan determined in accordance with the principles of section 431(c)(6)(D), or

"(bb) the present value of plan liabilities as determined under section 438, over

"(II) the fair market value of the plan's assets, projected to the end of the plan year.

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''(ii) SPECIAL RULES FOR PREDECESSOR MULTIEMPLOYER PLAN TO COMPOSITE PLAN.—

''(I) IN GENERAL.—Except as provided in subclause (II), if an employer contributes to a composite plan with respect to its employees, contributions by that employer to a multiemployer defined benefit plan with respect to some or all of the same group of employees shall be deductible under sections 162 and this section, subject to the limits in subparagraph (D).

''(II) TRANSITION CONTRIBUTION.—The full amount of a contribution to satisfy the transition contribution requirement (as defined in section 440A(d)) and allocated to the legacy defined benefit plan for the plan year shall be deductible for the employer's taxable year ending with or within the plan year.''.

(f) MINIMUM VESTING STANDARDS.—

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(1) YEARS OF SERVICE UNDER COMPOSITE PLANS.—

(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 203 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053) is amended by inserting after subsection (f) the following:

''(g) SPECIAL RULES FOR COMPUTING YEARS OF SERVICE UNDER COMPOSITE PLANS.—

''(1) IN GENERAL.—In determining a qualified employee's years of service under a composite plan for purposes of this section, the employee's years of service under a legacy plan shall be treated as years of service earned under the composite plan. For purposes of such determination, a composite plan shall not be treated as a defined benefit plan pursuant to section 801(d).

''(2) QUALIFIED EMPLOYEE.—For purposes of this subsection, an employee is a qualified employee if the employee first completes an hour of service under the composite plan (determined without regard to the provisions of this subsection) within the 12-month period immediately preceding or the 24-month period immediately following the date the em-

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ployee ceased to accrue benefits under the legacy plan.

''(3) CERTIFICATION OF YEARS OF SERVICE.—For purposes of paragraph (1), the plan sponsor of the composite plan shall rely on a written certification by the plan sponsor of the legacy plan of the years of service the qualified employee completed under the defined benefit plan as of the date the employee satisfies the requirements of paragraph (2), disregarding any years of service that had been forfeited under the rules of the defined benefit plan before that date.

''(h) SPECIAL RULES FOR COMPUTING YEARS OF SERVICE UNDER LEGACY PLANS.—

''(1) IN GENERAL.—In determining a qualified employee's years of service under a legacy plan for purposes of this section, and in addition to any service under applicable regulations, the employee's years of service under a composite plan shall be treated as years of service earned under the legacy plan. For purposes of such determination, a composite plan shall not be treated as a defined benefit plan pursuant to section 801(d).

''(2) QUALIFIED EMPLOYEE.—For purposes of this subsection, an employee is a qualified employee

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if the employee first completes an hour of service under the composite plan (determined without regard to the provisions of this subsection) within the 12-month period immediately preceding or the 24-month period immediately following the date the employee ceased to accrue benefits under the legacy plan.

''(3) CERTIFICATION OF YEARS OF SERVICE.—For purposes of paragraph (1), the plan sponsor of the legacy plan shall rely on a written certification by the plan sponsor of the composite plan of the years of service the qualified employee completed under the composite plan after the employee satisfies the requirements of paragraph (2), disregarding any years of service that has been forfeited under the rules of the composite plan.''.

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(a) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(14) SPECIAL RULES FOR DETERMINING YEARS OF SERVICE UNDER COMPOSITE PLANS.—

''(A) IN GENERAL.—In determining a qualified employee's years of service under a composite plan for purposes of this subsection,

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the employee's years of service under a legacy plan shall be treated as years of service earned under the composite plan. For purposes of such determination, a composite plan shall not be treated as a defined benefit plan pursuant to section 437(d).

''(B) QUALIFIED EMPLOYEE.—For purposes of this paragraph, an employee is a qualified employee if the employee first completes an hour of service under the composite plan (determined without regard to the provisions of this paragraph) within the 12-month period immediately preceding or the 24-month period immediately following the date the employee ceased to accrue benefits under the legacy plan.

''(C) CERTIFICATION OF YEARS OF SERVICE.—For purposes of subparagraph (A), the plan sponsor of the composite plan shall rely on a written certification by the plan sponsor of the legacy plan of the years of service the qualified employee completed under the legacy plan as of the date the employee satisfies the requirements of subparagraph (B), disregarding any years of service that had been forfeited

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under the rules of the defined benefit plan before that date.

"(15) SPECIAL RULES FOR COMPUTING YEARS OF SERVICE UNDER LEGACY PLANS.—

"(A) IN GENERAL.—In determining a qualified employee's years of service under a legacy plan for purposes of this section, and in addition to any service under applicable regulations, the employee's years of service under a composite plan shall be treated as years of service earned under the legacy plan. For purposes of such determination, a composite plan shall not be treated as a defined benefit plan pursuant to section 437(d).

"(B) QUALIFIED EMPLOYEE.—For purposes of this paragraph, an employee is a qualified employee if the employee first completes an hour of service under the composite plan (determined without regard to the provisions of this paragraph) within the 12-month period immediately preceding or the 24-month period immediately following the date the employee ceased to accrue benefits under the legacy plan.

"(C) CERTIFICATION OF YEARS OF SERVICE.—For purposes of subparagraph (A), the

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plan sponsor of the legacy plan shall rely on a written certification by the plan sponsor of the composite plan of the years of service the qualified employee completed under the composite plan after the employee satisfies the requirements of subparagraph (B), disregarding any years of service that has been forfeited under the rules of the composite plan.''.

(2) REDUCTION OF BENEFITS.—

(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 203(a)(3)(E)(ii) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(E)(ii)) is amended—

(i) in subclause (I) by striking ''4244A'' and inserting ''305(e), 803,''; and

(ii) in subclause (II) by striking ''4245'' and inserting ''305(e), 4245,''.

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(a)(3)(F) of the Internal Revenue Code of 1986 is amended—

(i) in clause (i) by striking ''section 418D or under section 4281 of the Employee Retirement Income Security Act of

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1974'' and inserting ''section 432(e) or 439 or under section 4281 of the Employee Retirement Income Security Act of 1974''; and

(ii) in clause (ii) by inserting ''or 432(e)'' after ''section 418E''.

(3) ACCRUED BENEFIT REQUIREMENTS.—

(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 204(b)(1)(B)(i) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(b)(1)(B)(i)) is amended by inserting '', including an amendment reducing or suspending benefits under section 305(e), 803, 4245 or 4281,'' after ''any amendment to the plan''.

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(b)(1)(B)(i) of the Internal Revenue Code of 1986 is amended by inserting '', including an amendment reducing or suspending benefits under section 418E, 432(e) or 439, or under section 4281 of the Employee Retirement Income Security Act of 1974,'' after ''any amendment to the plan''.

(4) ADDITIONAL ACCRUED BENEFIT REQUIREMENTS.—

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(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 204(b)(1)(H)(v) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(b)(1)(H)(v)) is amended by inserting before the period at the end the following: ", or benefits are reduced or suspended under section 305(e), 803, 4245, or 4281".

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(b)(1)(H)(iv) of the Internal Revenue Code of 1986 is amended—

(i) in the heading by striking "BENEFIT" and inserting "BENEFIT AND THE SUSPENSION AND REDUCTION OF CERTAIN BENEFITS"; and

(ii) in the text by inserting before the period at the end the following: ", or benefits are reduced or suspended under section 418E, 432(e), or 439, or under section 4281 of the Employee Retirement Income Security Act of 1974".

(5) ACCRUED BENEFIT NOT TO BE DECREASED BY AMENDMENT.—

(A) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 204(g)(1) of the

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Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(g)(1)) is amended by inserting after ''302(d)(2)'' the following: '', 305(e), 803, 4245,''.

(B) INTERNAL REVENUE CODE OF 1986.—Section 411(d)(6)(A) of the Internal Revenue Code of 1986 is amended by inserting after ''412(d)(2),'' the following: ''418E, 432(e), or 439,''.

(g) CERTAIN FUNDING RULES NOT APPLICABLE.—

(1) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 305 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1085) is amended by adding at the end the following:

''(k) LEGACY PLANS.—Sections 302, 304, and 305 shall not apply to an employer that has an obligation to contribute to a plan that is a legacy plan within the meaning of section 805(a) solely because the employer has an obligation to contribute to a composite plan described in section 801 that is associated with that legacy plan.''.

(2) INTERNAL REVENUE CODE OF 1986.—Section 432 of the Internal Revenue Code of 1986 is amended by adding at the end the following:

''(k) LEGACY PLANS.—Sections 412, 431, and 432 shall not apply to an employer that has an obligation to

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contribute to a plan that is a legacy plan within the meaning of section 440A(a) solely because the employer has an obligation to contribute to a composite plan described in section 437 that is associated with that legacy plan.''.

(h) TERMINATION OF COMPOSITE PLAN.—Section 403(d) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1103(d) is amended—

(1) in paragraph (1), by striking ''regulations of the Secretary.'' and inserting ''regulations of the Secretary, or as provided in paragraph (3).''; and

(2) by adding at the end the following:

''(3) Section 4044(a) of this Act shall be applied in the case of the termination of a composite plan by—

''(A) limiting the benefits subject to paragraph (3) thereof to benefits as defined in section 802(b)(3)(B); and

''(B) including in the benefits subject to paragraph (4) all other benefits (if any) of individuals under the plan that would be guaranteed under section 4022A if the plan were subject to title IV.''.

(i) GOOD FAITH COMPLIANCE PRIOR TO GUIDANCE.—Where the implementation of any provision of law added or amended by this division is subject to issuance

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of regulations by the Secretary of Labor, the Secretary of the Treasury, or the Pension Benefit Guaranty Corporation, a multiemployer plan shall not be treated as failing to meet the requirements of any such provision prior to the issuance of final regulations or other guidance to carry out such provision if such plan is operated in accordance with a reasonable, good faith interpretation of such provision.

SEC. 106. EFFECTIVE DATE.

Unless otherwise specified, the amendments made by this division shall apply to plan years beginning after the date of the enactment of this Act.

DIVISION W—OTHER MATTERS

SEC. 199991. HOME ENERGY AND WATER SERVICE CONTINUITY.

Any entity receiving financial assistance pursuant to [this Act] shall, to the maximum extent practicable, establish or maintain in effect policies to ensure that no home energy service or public water system service to an individual or household, which is provided or regulated by such entity, is disconnected or interrupted during the emergency period described in section 1135(g)(1)(B) of the Social Security Act. For purposes of this section, the term ''home energy service'' means a service to provide home energy, as such term is defined in section 2604 of

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the Low-Income Home Energy Assistance Act of 1981, and electric service, as that term is used in the Public Utility Regulatory Policies Act of 1978, and the term ''public water system'' has the meaning given that term in section 1401 of the Safe Drinking Water Act. Nothing in this section shall be construed to require forgiveness of outstanding debt owed to an entity or to absolve an individual of any obligation to an entity for service.

SEC. 199992. LOW-INCOME HOUSEHOLD DRINKING WATER AND WASTEWATER ASSISTANCE.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $1,500,000,000 to the Secretary to carry out this section. Such sums shall remain available until expended.

(b) LOW-INCOME HOUSEHOLD DRINKING WATER AND WASTEWATER ASSISTANCE.—The Secretary shall make grants to States and Indian Tribes to assist low-income households, particularly those with the lowest incomes, that pay a high proportion of household income for drinking water and wastewater services.

(c) USE OF LIHEAP RESOURCES.—In carrying out this section, the Secretary, States, and Indian Tribes, as applicable, shall use the existing processes, procedures, policies, and systems in place to carry out the Low-Income Home Energy Assistance Act of 1981, as the Secretary

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determines appropriate, including by using the application and approval process under such Act to the maximum extent practicable.

(d) ALLOTMENT.—

(1) FACTORS.—The Secretary shall allot amounts appropriated pursuant to this section to a State or Indian Tribe taking into account—

(A) the percentage of households in the State, or under the jurisdiction of the Indian Tribe, that are low-income, as determined by the Secretary;

(B) the average State or Tribal drinking water and wastewater service rates; and

(C) the extent to which the State or Indian Tribe has been impacted by the public health emergency.

(2) NOTIFICATION TO CONGRESS.—Not later than 15 days after determining an amount to allot to each State or Indian Tribe pursuant to paragraph (1), and prior to making grants under this section, the Secretary shall notify Congress of such allotment amounts.

(e) DETERMINATION OF LOW-INCOME HOUSEHOLDS.—

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(1) MINIMUM DEFINITION OF LOW-INCOME.—In determining whether a household is considered low-income for the purposes of this section, a State or Indian Tribe shall—

(A) ensure that, at a minimum, all households within 150 percent of the Federal poverty line are included as low-income households; and

(B) consider households that have not previously received assistance under the Low-Income Home Energy Assistance Act of 1981 in the same manner as households that have previously received such assistance.

(2) HOUSEHOLD DOCUMENTATION REQUIREMENTS.—States and Indian Tribes shall—

(A) to the maximum extent practicable, seek to limit the income history documentation requirements for determining whether a household is considered low-income for the purposes of this section; and

(B) for the purposes of income eligibility, accept proof of job loss or severe income loss dated after February 29, 2020, such as a layoff or furlough notice or verification of application of unemployment benefits, as sufficient to dem-

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onstrate lack of income for an individual or household.

(f) APPLICATIONS.—Each State or Indian Tribe desiring to receive a grant under this section shall submit an application to the Secretary, in such form as the Secretary shall require.

(g) STATE AGREEMENTS WITH DRINKING WATER AND WASTEWATER PROVIDERS.—To the maximum extent practicable, a State that receives a grant under this section shall enter into agreements with community water systems, municipalities, nonprofit organizations associated with providing drinking water and wastewater services to rural and small communities, and Indian Tribes, to assist in identifying low-income households and to carry out this section.

(h) ADMINISTRATIVE COSTS.—A State or Indian Tribe that receives a grant under this section may use up to 15 percent of the granted amounts for administrative costs.

(i) FEDERAL AGENCY COORDINATION.—In carrying out this section, the Secretary shall coordinate with the Administrator of the Environmental Protection Agency and consult with other Federal agencies with authority over the provision of drinking water and wastewater services.

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(j) AUDITS.—The Secretary shall require each State and Indian Tribe receiving a grant under this section to undertake periodic audits and evaluations of expenditures made by such State or Indian Tribe pursuant to this section.

(k) REPORTS TO CONGRESS.—The Secretary shall submit to Congress a report on the results of activities carried out pursuant to this section—

(1) not later than 1 year after the date of enactment of this section; and

(2) upon disbursement of all funds appropriated pursuant to this section.

(l) DEFINITIONS.—In this section:

(1) COMMUNITY WATER SYSTEM.—The term ''community water system'' has the meaning given such term in section 1401 of the Safe Drinking Water Act (42 U.S.C. 300f).

(2) INDIAN TRIBE.—The term ''Indian Tribe'' means any Indian Tribe, band, group, or community recognized by the Secretary of the Interior and exercising governmental authority over a Federal Indian reservation.

(3) MUNICIPALITY.—The term ''municipality'' has the meaning given such term in section 502 of

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the Federal Water Pollution Control Act (33 U.S.C. 1362).

(4) PUBLIC HEALTH EMERGENCY.—The term ''public health emergency'' means the public health emergency described in section 1135(g)(1)(B) of the Social Security Act.

(5) SECRETARY.—The term ''Secretary'' means the Secretary of Health and Human Services.

(6) STATE.—The term ''State'' means a State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

SEC. 199993. DELAY OF STRATEGIC PETROLEUM RESERVE SALE.

(a) BIPARTISAN BUDGET ACT OF 2015.—Section 404 of the Bipartisan Budget Act of 2015 (42 U.S.C. 6239 note) is amended—

(1) in subsection (e), by striking ''2020'' and inserting ''2022''; and

(2) in subsection (g), by striking ''2020'' and inserting ''2022''.

(b) FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020.—Title III of division C of the Further Consolidated Appropriations Act, 2020 (Public Law 116–94) is amend-

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ed in the matter under the heading ''Department of Energy—Energy Programs—Strategic Petroleum Reserve'' by striking ''*Provided*, That'' and all that follows through the period at the end and inserting the following: ''*Provided*, That, as authorized by section 404 of the Bipartisan Budget Act of 2015 (Public Law 114–74; 42 U.S.C. 6239 note), the Secretary of Energy shall draw down and sell not to exceed a total of $450,000,000 of crude oil from the Strategic Petroleum Reserve in fiscal year 2020, fiscal year 2021, or fiscal year 2022: *Provided further*, That the proceeds from such drawdown and sale shall be deposited into the 'Energy Security and Infrastructure Modernization Fund' during the fiscal year in which the sale occurs and shall be made available in such fiscal year, to remain available until expended, for necessary expenses to carry out the Life Extension II project for the Strategic Petroleum Reserve.''.

SEC. 199994. EXPANSION OF DOL AUTHORITY TO POSTPONE CERTAIN DEADLINES.

Section 518 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1148) is amended by striking ''or a terroristic or military action (as defined in section 692(c)(2) of such Code), the Secretary may'' and inserting ''a terroristic or military action (as defined in section 692(c)(2) of such Code), or a public health emergency

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declared by the Secretary of Health and Human Services pursuant to section 319 of the Public Health Service Act, the Secretary may''.

SEC. 199995. PROVIDING BUREAU OF THE CENSUS ACCESS TO INSTITUTIONS OF HIGHER EDUCATION.

(a) IN GENERAL.—Notwithstanding any other provision of law, including section 444 of the General Education Provisions Act (commonly known as the ''Family Educational Rights and Privacy Act of 1974''), an institution of higher education may, in furtherance of a full and accurate decennial census of population count, provide to the Bureau of the Census information requested by the Bureau for purposes of enumeration for the 2020 decennial Census.

(b) APPLICATION.—

(1) INFORMATION.—Only information requested on the official 2020 decennial census of population form may be provided to the Bureau of the Census pursuant to this section. No institution of higher education may provide any information to the Bureau on the immigration or citizenship status of any individual.

(2) GROUP QUARTERS.—Only students who, according to guidance from the Bureau, are living in

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group quarters may be included in the data provided to the Bureau under this section.

(3) NOTICE REQUIRED.—Before information can be provided to the Bureau, the institution of higher education shall give public notice of the categories of information which it plans to provide and shall allow 10 days after such notice has been given for a parent or student to inform the institution that any or all of the information designated should not be released without the parent or student's prior consent. No institution of higher education shall provide the Bureau with the information of any individual who has objected or whose legal guardian has objected to the provision of such information.

(4) USE OF INFORMATION.—Information provided to the Bureau pursuant to this section may only be used for the purposes of enumeration for the 2020 decennial census of population.

(c) SUNSET.—The authority provided in this section shall expire on December 31, 2020.

(d) DEFINITIONS.—In this section:

(1) GROUP QUARTERS.—The term ''group quarters'' means housing units owned or operated by an institution of higher education.

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(2) INSTITUTION OF HIGHER EDUCATION.—The term ''institution of higher education'' has the meaning given that term in section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002).

SEC. 199996. BUDGETARY EFFECTS.

(a) STATUTORY PAYGO SCORECARDS.—The budgetary effects of division B and each succeeding division shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

(b) SENATE PAYGO SCORECARDS.—The budgetary effects of division B and each succeeding division shall not be entered on any PAYGO scorecard maintained for purposes of section 4106 of H. Con. Res. 71 (115th Congress).

(c) CLASSIFICATION OF BUDGETARY EFFECTS.—Notwithstanding Rule 3 of the Budget Scorekeeping Guidelines set forth in the joint explanatory statement of the committee of conference accompanying Conference Report 105–217 and section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985, the budgetary effects of division B and each succeeding division shall not be estimated—

(1) for purposes of section 251 of such Act; and

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(2) for purposes of paragraph (4)(C) of section 3 of the Statutory Pay-As-You-Go Act of 2010 as being included in an appropriation Act.

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UNITED STATES POSTAL SERVICE®

Headquarters COVID Town Hall

April 28th, 2020

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COVID 19 CORONAVIRUS DISEASE

Opening Remarks

Megan J. Brennan
Postmaster General and Chief Executive Officer

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UNITED STATES POSTAL SERVICE®

Election Mail

General Election outreach to States

- Expected surge in absentee ballots
- Contact all 50 states, prioritizing 19 states with excuse required to vote with absentee ballot
- Educate states on absentee ballot envelope design and mailing requirements
- Election Mail Teams will be comprised of HQ, Area, and District staff with election mail expertise
- Efforts in progress to support increased use of absentee ballots for primaries

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Legal Landscape

- Continued daily legal support to the COVID-19 Command Team and COVID-19 Work Group.
- Continued advice on the parameters and implementation of the Families First Coronavirus Response Act.
- Providing legal advice related to the staggered reopening of the country particularly as it pertains to quarantines, shelter in place orders and travel restriction orders
- Assist in the negotiations with Treasury of the CARES Act loan
- Continued advice on legislative initiatives, pricing, new products and revenue protection

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Employee Response

Continue to support our employees as the nation ramps back up for business

- Employee health, safety and wellness
- Partnership with Unions and Management Associations
- Targeted fast track hiring
- Telework approach

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Operational Continuity

Continue to deliver vital goods and services as we help the country transition

- Economic Impact Payment
- Medications
- Package platform utilization
- Manage to workload and employee availability

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Technology Enabled

Continue to leverage technology to enable the Postal Service to achieve its mission

- Resume Equipment Deployment
- Accelerate eCommerce Initiatives
- Increase Telework Effectiveness
- Expand Identity Verification Services
- Continue IT Modernization

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UNITED STATES POSTAL SERVICE®

Business Continuity

Continue to ensure health of critical business processes to drive Postal operations

- Cash
- Supply Management
- Gift Cards

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UNITED STATES POSTAL SERVICE ®

Customer Continuity

Continue to meet our customers where they are to provide creative, meaningful and effective mailing & shipping solutions

- Daily outreach for customer/consumer/industry support and solution development
- Pursue new sales opportunities for COVID based products
- Develop products, services and solutions for COVID recovery and post COVID

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE®

Communications

Continue to communicate with our employees, customers and stakeholders

- COVID-19 Blue and LiteBlue sites
- HERO Messaging
- Field Positive Feedback
- Social Media
- Media Stories

AMERICAN OVERSIGHT

COVID Command

Continue to support and coordinate all of Postal response to COVID-19

- Integrated transition plan
- Coordinated & prioritized solutions
- Speed & thoroughness in decision making
- Removal of barriers & allocation of resources
- Navigating the new normal

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Thank You

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UNITED STATES POSTAL SERVICE®

Headquarters COVID Town Hall

April 28th, 2020

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COVID 19 CORONAVIRUS DISEASE

USPS-20-1215-A-008183

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Megan J. Brennan
Postmaster General and Chief Executive Officer

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USPS-20-1215-A-008187

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Thank You

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<AUTODATE>

To Whom It May Concern,

This letter is to provide information to you regarding the functions being performed by Contract Postal Units, Community Post Offices, and Village Post Offices in support of the essential government services being provided by the United States Postal Service ("USPS or "Postal Service") to the American people. These facilities are under contract with the Postal Service to provide access to postal products and services in support of the Postal Service's ongoing operations.

The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the Coronavirus Disease 2019 (COVID)-19 pandemic. The Postal Service is an entity of the federal government, and the continued provision of postal services to the American people is designated as an essential function under federal law.

The Postal Service relies on its suppliers to provide this critical government service. The Postal Service's network of contractor-operated retail facilities enables the Postal Service to provide the American people with the ability to reasonably access postal services in communities throughout the United States, in conformance with federal law. Many of these contractor-operated facilities also provide postal delivery services, by providing P.O Boxes.

Postal and shipping workers, including those in the private sector, are also considered essential critical infrastructure workers under recent guidance issued by the Department of Homeland Security. Guidance issued by the White House and CDC has also indicated that such industries have a special responsibility to maintain normal work schedules.

Therefore, the Postal Service considers that the continued operations of this network of contractor-operated facilities is vital to the Postal Service's continued performance of its essential functions.

Questions regarding this letter may be directed to the Supply Management group within the Postal Service at (insert phone number).

USPS Supply Management
475 L'Enfant Plaza SW
Washington, DC 20260

AMERICAN OVERSIGHT

March 19, 2020

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We, the undersigned organizations, applaud the Administration and Congress for their swift actions to mitigate the impact of the unfolding Coronavirus pandemic. As our nation deals with this unprecedented public health crisis, we would like to emphasize to you and our senior government leaders that the transportation and goods movement industry stands ready and able to play a pivotal role in promoting economic growth while assisting with pandemic healthcare relief.

Commercial transportation firms will be essential in our country's ability to restore economic health, vitality and a return to everyday life. As the federal, state and local governments take steps to limit the spread of the Coronavirus, it is crucial that such actions do not inadvertently encumber the vital role of package and mail delivery services. We therefore write to encourage you, the Vice President, and the Coronavirus Task Force to reaffirm that transportation and shipping service providers, to include air, ground and ocean networks, are critical industries that should not be hindered by unnecessary restrictions impeding our ability to deliver.

Transportation service providers and shipping/postal operators have already been recognized by the Department of Homeland Security and Presidential Policy Directives as Critical Infrastructure industries. All of these firms utilize sophisticated networks of transportation modes including aviation, rail, ocean and truck to provide final-mile delivery for consumer goods, food, medical supplies and devices, among other items. Given the current disruption to the daily life of many Americans, there is even greater demand, and reliance upon, our services. Our organizations have implemented increased measures to ensure the safety of our people, our customers, and the general public.

It is imperative that precautionary actions taken by federal, state or municipal governments do not impose unnecessary burdens or logistical complications on package and mail delivery services, or on the people that provide those services, including our pilots, couriers, hub operators and truck drivers. Such unintended negative consequences will hamper our ability to reach businesses and consumers that are relying upon timely and dependable delivery. Neither restrictive public policies that impede interstate commerce (i.e. – Article I, Section 8 of the U.S. Constitution) should be enacted, nor should new local government initiatives create a regulatory patchwork that hinders operational efficiency.

Mr. President, the spread of the Coronavirus in the U.S. is testing government institutions, challenging private industry, and placing inordinate demands on our fellow citizens. As our nation mobilizes to mitigate the impact of the pandemic, we ask that you and your Coronavirus Task Force reiterate the valuable role our firms play in this regard, and discourage states and localities from implementing public policies that restrict our ability to serve the American people.

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We stand ready and willing to continue this important service to our nation, and will continue to work with federal, state and local governments in a coordinated fashion to help our employees deliver for America in the safest possible manner while also keeping our employees and the customers they serve safe too.

Sincerely,

Chris Spear
President & CEO
American Trucking Associations

Frederick W. Smith
Chairman and CEO
FedEx

David Abney
Chairman and Chief Executive Officer
UPS

Megan J. Brennan
Postmaster General, CEO
United States Postal Service

AMERICAN OVERSIGHT

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FedEx

David Abney
Chairman and Chief Executive Officer
UPS

Megan J. Brennan
Postmaster General, CEO
United States Postal Service

AMERICAN OVERSIGHT

March 19, 2020

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We, the undersigned organizations, applaud the Administration and Congress for their swift actions to mitigate the impact of the unfolding Coronavirus pandemic. As our nation deals with this unprecedented public health crisis, we would like to emphasize to you and our senior government leaders that the transportation and goods movement industry stands ready and able to play a pivotal role in promoting economic growth while assisting with pandemic healthcare relief.

Commercial transportation firms will be essential in our country's ability to restore economic health, vitality and a return to everyday life. As the federal, state and local governments take steps to limit the spread of the Coronavirus, it is crucial that such actions do not inadvertently encumber the vital role of package and mail delivery services. We therefore write to encourage you, the Vice President, and the Coronavirus Task Force to reaffirm that transportation and shipping service providers, to include air, ground and ocean networks, are critical industries that should not be hindered by unnecessary restrictions impeding our ability to deliver.

Transportation service providers and shipping/postal operators have already been recognized by the Department of Homeland Security and Presidential Policy Directives as Critical Infrastructure industries. All of these firms utilize sophisticated networks of transportation modes including aviation, rail, ocean and truck to provide final-mile delivery for consumer goods, food, medical supplies and devices, among other items. Given the current disruption to the daily life of many Americans, there is even greater demand, and reliance upon, our services. Our organizations have implemented increased measures to ensure the safety of our people, our customers, and the general public.

It is imperative that precautionary actions taken by federal, state or municipal governments do not impose unnecessary burdens or logistical complications on package and mail delivery services, or on the people that provide those services, including our pilots, couriers, hub operators and truck drivers. Such unintended negative consequences will hamper our ability to reach businesses and consumers that are relying upon timely and dependable delivery. Neither restrictive public policies that impede interstate commerce (i.e. – Article I, Section 8 of the U.S. Constitution) should be enacted, nor should new local government initiatives create a regulatory patchwork that hinders operational efficiency.

Mr. President, the spread of the Coronavirus in the U.S. is testing government institutions, challenging private industry, and placing inordinate demands on our fellow citizens. As our nation mobilizes to mitigate the impact of the pandemic, we ask that you and your Coronavirus Task Force reiterate the valuable role our firms play in this regard, and discourage states and localities from implementing public policies that restrict our ability to serve the American people.

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We stand ready and willing to continue this important service to our nation, and will continue to work with federal, state and local governments in a coordinated fashion to help our employees deliver for America in the safest possible manner while also keeping our employees and the customers they serve safe too.

Sincerely,

Chris Spear
President & CEO
American Trucking Associations

Frederick W. Smith
Chairman and CEO
FedEx

David Abney
Chairman and Chief Executive Officer
UPS

Megan J. Brennan
Postmaster General, CEO
United States Postal Service

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DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

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			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

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		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

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			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

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		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

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		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

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		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

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		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

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			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

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20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

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			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

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			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

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DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

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			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

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		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

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			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

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			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

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		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

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			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

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		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

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		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

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		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

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		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

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			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

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20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

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			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

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			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

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20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

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			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
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		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
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20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
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AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
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20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

AMERICAN OVERSIGHT

			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

AMERICAN OVERSIGHT

		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

AMERICAN OVERSIGHT

		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

AMERICAN OVERSIGHT

		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

AMERICAN OVERSIGHT

		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

AMERICAN OVERSIGHT

			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

AMERICAN OVERSIGHT

20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

AMERICAN OVERSIGHT

			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

AMERICAN OVERSIGHT

			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

AMERICAN OVERSIGHT

DISCLOSURE COMMITTEE EMAIL INBOX LOG 4/27/2020 DISCLOSURE COMMITTEE MEETING						
REPORT #	**DATE SUBMITTED**	**SUBMITTER**	**TRANSACTION**	**ASSETS INVOLVED**	**FORM 8-K REPORT REQUIRED?**	**REPORT ON FORM 10-Q/10-K**
20/2-1	1/2/2020	Hashim Khan Purchasing & Supply Management Specialist	Postal Service Computer Operations identified ServiceNow as a major platform of the IT technology roadmap to help modernize USPS' IT Service Desk management, IT Customer Service Management, infrastructure and architecture to increase efficiencies by optimizing common services and solutions across the enterprise. The Postal Service is non-competitively renewing the contract with Carahsoft to continue the support of ServiceNow. A recommendation was filed to award Firm Fixed Price (FFP) contract to CarahSoft. The Supplier will be awarded a contract value of $38,461,764 million for five years (1 year base with 3-one year priced options).	$38m over 5 years	No	No
20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

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			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
20/2-5	1/8/2020	Michael P. Gehrke Contracting Officer/Purchasing & Supply Mgmt. Specialist/Team Leader	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years.	$135 million over 7 years	No	No
20/2-6	1/8/2020	Mary Ellen McGowan Purchasing &	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is	$61 million over 2 years	No	No

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		Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	$60.6M.			
20/2-7	1/9/2020	Michelle Davis Purchasing Specialist Supply Management	This noncompetitive Indefinite Delivery indefinite Quantity (IDIQ) contract is to renew IBM software maintenance that is utilized in over 200 major USPS systems based on data from the Enterprise Information Repository (EIR). USPS uses 40 individual IBM product suites to support these 200+ systems. A few of the major software programs include WAS, WebSphere Application Server Network Deployment (WASND) and MQ. WAS and WASND are software that perform the role of a web application server. Together, these products deliver a high performance transaction engine that help build, run, integrate, and manage web based business applications in a large-scale IT environment such as USPS. The contract is a 5 year term and has a minimum contract value of $16.8M and a maximum contract value of $100M.	$100 million over 5 years	No	No
20/2-8	1/10/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT, OS & MTE CMC, MOE Portfolio	The Postal Service has a continuing national requirement for Office Products items, which include Ink Toner, Copy Paper, Pens, Pencils, and other general office supplies. The current national Office Products contracts will expire on January 31, 2020. As stated in Solicitation 3CD-19-A-0003, the USPS intends to award one or more contract(s) to provide Office Products items on a national basis. After careful review of the supplier proposals and market research for the Office Products category, through prudent considerations and collaboration by consensus, the Postal Service is in the final stages of concluding the process for the award of two Indefinite Delivery-Indefinite Quantity (IDIQ) national contracts for a base term of three (3) years, with two, 2-year options to ensure continuation of supply for Office Products items. The	$310 million over 7 years	No	No

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			current contracts with incumbent suppliers Office Depot and Staples are due to expire on January 31, 2020. After a best value determination, the Postal Service intends to award two contracts with a total period of performance of seven (7) years for an estimated total value of $310,000,000. The actual value will depend on savings realized through ongoing volume leveraging, product standardization efforts, and the results of dynamic competition among the contracted suppliers throughout the contract term. Final contract award is subject to mandatory review and approval processes.			
20/2-9	1/13/2020	Daniel Holleran, Team Lead (A) National Programs Category Management Team Facility Services CMC	The U.S. Postal Service Supply Management Facility Services Category Management Center intends to award two (2) national, indefinite delivery indefinite quantity (IDIQ) contracts for Vertical Transportation Equipment (VTE) (elevators, escalators, etc.) preventative maintenance. The period of performance of the contracts will consist of a two-year base period and four (4) two-year option periods for a maximum of ten (10) years.	$250 million over 10 years split evenly between 2 companies	No	No
20/2-10	1/15/2020	Mary Ellen McGowan Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to exercise the first of two (2), two-year renewal options for the vehicle fleet tire IDIQ contract. The potential dollar amount under the modification is $60.6M. On January 8, 2020 a Contract Material Development Format to exercise a renewal option was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: Goodyear Tire and Rubber Company Dollar Value of the Option: $60,617,120.00 Date of Modification Award: January 15, 2020	$61 million over 2 years	No	No
20/2-11	1/16/2020	Emma Sellars Contracting Officer, Team Lead,	Exercising the third of three (3) optional two (2)-year period, extending the existing EPS products contract from 02/22/2020 through 02/21/2022.	$86 million over 2 years	No	No

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		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

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		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

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		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

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		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

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			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

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20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

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			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

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			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

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20/2-2	1/3/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Pratt Retail Specialties (Pratt) Contract 2DPCON-13-B-0005 and respective Delivery Orders from 02/29/2020 through 02/28/2022. The estimated spend for the two (2)-year period is $62.34 million.	$62.34 million over 2 years	No	No
20/2-3	1/7/2020	Dennis Eppard Acting Manager, Corporate Accounting	I believe that the announcement of the PMG delaying her retirement beyond the original Jan 31, 2020, date is itself an 8-K event, similar to the original announcement on October 16, 2019.	n/a	Yes	Yes
20/2-4	1/7/2020	Betsy Repper (McLellan) Purchasing & Supply Management Specialist	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to	$4.4 billion over 7 years, involving 7 suppliers	No	No

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			achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.			
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		Packaging & Fulfillment CMT	Estimated spend for two (2)-year period: $86,387,889			
20/2-12	1/17/2020	Daniel Holleran, Team Lead (A) Facility Services Category Management Cente	The U.S. Postal Service awarded two Indefinite Delivery Indefinite Quantity (IDIQ) contracts with a fixed unit price per vertical lift equipment to satisfy the Postal Service's Vertical Lift Equipment (VTE) preventative maintenance on a nationwide basis. The period of performance of the contracts consists of a two year base period and four two-year option periods for a maximum of ten years. **Suppliers:** Schindler Elevator Corp 20 Whippany Rd Morristown, NJ 07960-4539 Jones Lang LeSalle Americas Inc. 200 East Randolph Dr Floor 43-48 Chicago, IL 60601-6519	$250 million over 10 years split evenly between 2 companies	No	No
20/2-13	1/21/2020	Michael P. Gehrke Vehicles & Delivery/Industrial Equipment CMC	Based on a noncompetitive solicitation, contract award to support requirements for New and Refurbished Collection Boxes is planned. Models of New and Refurbished Collection Boxes include 1170K Standard Collection Box, 1171K Relay Box, 1170T Large Collection Box, 1170EXP Express Collection Box, 1170V Single Chute Jumbo Collection Box, and 1170S Double Chute Jumbo Collection Box. An Indefinite Delivery – Indefinite Quantity (IDIQ) Fixed Price with Economic Price Adjustment (EPA) contract will be awarded. Base award of three (3) years with two (2) two-year renewal options not to exceed seven (7) years. -- Name of Awardee: Steel Craft Corporation Dollar Value of the Contract: minimum amount of $30M and maximum of $135M Date of Contract Award: January 21st, 2020	$135 million over 7 years	No	No
20/2-14	1/21/2020	Robert John	The USPS will award a modification to exercise an	$224	No	No

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		Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	million over 2 years		
20/2-15	1/27/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $224M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 24 months (February 1, 2020 through January 31, 2022), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. The value of the option period is estimated at $224,000,000, and the face value of the modification is $0.	$224 million over 2 years	No	No
20/2-16	1/31/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 5, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space.	$101 million over 1 year	No	No
20/2-17	2/3/2020	Corey Mathis Purchasing & SM Specialist, Contracting Officer MRO & OP CMT,	The Operational Supplies and MTE CMC, of the Mail and Operational Equipment Portfolio, has awarded contracts to Office Depot and Staples, Inc. for the procurement of Office Products (e.g., Ink Toner, Copy Paper, General Office Supplies, and Miscellaneous	$310 million over 7 years	No	No

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		OS & MTE CMC, MOE Portfolio	Office Supplies) on a national basis per the attached 8-K Reporting Document. The total estimated cost for the 7-year period of performance is $310,000,000, which includes a 3-year base period and two, 2-year option periods. These contracts were awarded based on the approval received from VP of Supply Management. In accordance with the 8-K guidelines, I am forwarding the updated Contract Material Development form and copies of the executed contracts with Office Depot and Staples, Inc. The documents have been reviewed and concurred by Rajeev Thampan, Manager – Operational Supplies and MTE CMC.			
20/2-18	2/5/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	Exercising the third of three (3) optional two (2)-year period, extending the existing Webcor Packaging contract 2DPCON-13-B-0008 and respective Delivery Orders from 02/22/2020 through 02/21/2022. The estimated spend for the two (2)-year period is $86.39 million.	$86.39 million over 2 years	No	No
20/2-19	2/6/2020	Robert John Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a Task Order, estimated at $101M, under the competitively awarded master Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0006 for Media Agency of Record services. The purpose of this purchase is to develop the overarching national marketing campaign strategy for 12 months (February 6, 2020 through January 31, 2021), along with purchasing all associated media to execute this strategy. This includes the purchase of all television commercial spots and digital advertising space. **Supplier:** **Universal McCann** 100 W 33rd Street New York, New York 10001	$101 million over 1 year	No	No
20/2-20	2/7/2020	Emma Sellars Contracting Officer, Team Lead,	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the	$75 million	No	No

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		Packaging & Fulfillment CMT	amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.			
20/2-21	2/10/2020	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there is a modification to Victory's Packaging delivery order 2DPCON-13-C-0006 for the addition of funds for the amount of $75 million. Victory Packaging is the fulfillment and distribution supplier responsible for ordering, warehousing, and distributing standard EPS products to postal facilities and customers. Therefore, the Victory Packaging contract serves as a pass-through agreement for the EPS standard product manufacturers, and is the contract vehicle that is funded for all orders against those manufacturers.	$75 million	No	No
20/2-22	2/28/2020	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded three (3) indefinite delivery indefinite quantity contracts for Emergency Preparedness Response and Recovery Services. All three (3) contracts are identical in scope and capable of servicing the Postal Service across the Continental United States, Alaska, Hawaii and all U.S. territories Contract award and supplier details are: Contract No.: 4ANPCO-20-B-0004 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Louis Berger, US Inc.** 350 Eagleview Blvd Suite 250 Exton, PA 19341-1178 Louis Berger is a large business. Contract No.: 4ANPCO-20-B-0005 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Weston Solutions Inc.** P.O. Box 536121	$375 million	No	No

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			Pittsburgh, PA 15253-5903 Weston Solutions is a large business. Contract No.: 4ANPCO-20-B-0006 Award amount: $125,000,000 (one hundred twenty five million dollars and no cents) **Tetra Tech Inc.** 3375 E Foothill Blvd. Pasadena, CA 91107-6024 Tetra Tech is a large business.			
20/2-23	3/16/2020	Betsy Repper Purchasing Specialist Transportation Services	The purpose of this procurement is to contract for international commercial mail delivery to include in country delivery to the international recipient. The Postal Service's Global Business Solutions group (GB) seeks to enhance the organization's international operational efficiency and reduce costs for shipment of commercial goods within the global marketplace, inclusive of 213 destinating countries, dependencies, and areas of sovereignty. The resulting contracts are targeted to achieve value-added last mile delivery services and increase efficiency required as a result of the announced and planned exit of the United States from the Universal Postal Union (UPU). This is a new sourcing requirement. The United States currently provides international mail delivery through the UPU, a specialized agency of the United Nations that coordinates postal policies among member nations, in addition to a worldwide postal system. The UPU sets the operational, payment system, and security standards for the global postal network, and importantly establishes international postal delivery prices. Although the decision was made for the USPS to remain in the UPU, it is also looking to increase its overall competitiveness through newly developed in-country delivery solutions. Significant opportunities exist within the marketplace to provide value to U.S. merchants and grow USPS exports by improving export compliance, customs clearance, and last mile delivery performance from both a cost and service perspective. USPS therefore intends to secure delivery to the addressee at competitive rates with independently operated, for-profit commercial delivery providers.	$4.4 billion over 7 years and 7 suppliers	No	[for discussion at DC meeting]

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20/2-24	3/17/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio plans to award a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. The value of the contract is expected to be approximately $65 million, with a period of performance of 540 calendar days from the date of Notice To Proceed.	$65 million over 18 months	No	No
20/2-25	3/18/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	This action is to issue a delivery order against the IDIQ contract for the purchase of 13,298 vehicles. The dollar value of the delivery order is $459,406,006. These are commercially available COTS Right Hand Drive delivery vehicles. Delivery is anticipated by March 2022.	$460 million over two years	No	No
20/2-26	3/24/20	McGowan, Mary Ellen Purchasing & Supply Management Specialist Vehicles and Delivery/Industrial Equipment CMC	On March 18, 2020 a Contract Material Development Format for award of a Delivery Order against the COTS RHD IDIQ contract was submitted to the Disclosure Committee. This follow-up email is submitted to provide the following information: Name of Awardee: OEM Systems, LLC Dollar Value of Delivery Order: $459,658,668.00 Date of Award: March 24, 2020	$460 million over two years	No	No
20/2-27	3/25/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases,	$87 million over 2 years	No	No

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			collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months (March 29, 2020 through March 28, 2022).			
20/2-28	3/26/20	Martin Petrey Manager, Facilities Portfolio	The Facilities Construction Category Management Center (CMC) of the Supply Management Facilities Portfolio has awarded a single, guaranteed maximum price with fixed fee design-build contract for the Los Angeles CA Processing and Distribution Center Expansion construction project. Contract award details are: Korte Construction Company d/b/a The Korte Company 5700 Oakland Avenue, Suite 200 St. Louis, MO 63110-1355 The value of the contract is $64,957,460.00. Period of performance is 540 calendar days from the date of Notice to Proceed.	$65 million over 18 months	No	No
20/2-29	3/27/20	John III, Robert Contracting Officer & Team Lead, Advertising & Creative Services (A&CS) CMT	The USPS will award a modification to exercise an option period, estimated at $87.4M, for the competitively awarded Indefinite Delivery, Indefinite Quantity (IDIQ) contract 2ACCSR-13-B-0007 for Creative Advertising Agency of Record services. The purpose of this purchase is to provide creative strategy and development across all mediums required including not limited to television, print, radio, Direct Mail, out-of-home (OOH), digital, and social media, and to execute creative elements and, in some cases, collaborate with other specialty agencies (i.e. Retail Promotions, Multicultural Advertising, Digital, etc.) that are under direct contract with the Postal Service for 24 months. The face value of this modification will be $0. **Supplier:** McCann Erickson 622 Third Avenue New York, New York 10017 The period of performance for Option Period 3 will be March 29, 2020 through March 28, 2022.	$87 million for 24 months	No	No

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			Timing: March 27, 2020			
20/2-30	3/30/20	Emma Sellars Contracting Officer, Team Lead, Packaging & Fulfillment CMT	In this notification, we hereby disclose that there are two new competitive contract awards for the purchase of Priority Mail Boxes (Large Flat Rate, Military Large Flat Rate, Box-4 and Box-7). The contracts will have a three (3)-year base period with two (2), two (2)-year option periods, for a total lifecycle of seven (7) years. The first award will have a potential total lifecycle dollar amount estimated at $241 million while the second award has a potential total lifecycle dollar amount estimated at $44 million. The contract with the supplier responsible for the fulfillment and distribution of the EPS standard products to postal facilities and customers is the contract vehicle that is funded for all orders against the product manufacturers of these boxes. The face value for the new awards will be $0. Funds will only be committed to the IDIQ contract with the fulfillment and distribution supplier, Delivery Order (2DPCON-13-C-0006) level. **Timing:** (Discuss when the purchase/SCM team expects the contractual action to take place) The anticipated date for announcing the contract awards is expected to be 4/03/2020.	$285 million over 7 years	No	No

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DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The $10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings

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of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

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will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.

- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such

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adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%

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- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- UPDATE FOR ADDITIONAL WEEKS?

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

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There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
  - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
  - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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- The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

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approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;
- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

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We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

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[Robert M. Duncan] [Megan J. Brennan]

ALL OTHER BOARD MEMBERS

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DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The $10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings

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of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

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will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.

- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such

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adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%

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- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- UPDATE FOR ADDITIONAL WEEKS?

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

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There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
  - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
  - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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- The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

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approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

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The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

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We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

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[Robert M. Duncan] [Megan J. Brennan]

ALL OTHER BOARD MEMBERS

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DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The $10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings

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of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

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will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.

- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such

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adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%

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- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- UPDATE FOR ADDITIONAL WEEKS?

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

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There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
  - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
  - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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- The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

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approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;
- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

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We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

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[Robert M. Duncan] [Megan J. Brennan]

ALL OTHER BOARD MEMBERS

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DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The $10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

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of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

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will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.

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Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

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All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%

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- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- UPDATE FOR ADDITIONAL WEEKS?

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

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There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
  - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
  - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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- The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

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approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;
- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

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We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

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[Robert M. Duncan] [Megan J. Brennan]

ALL OTHER BOARD MEMBERS

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DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The $10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

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of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

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In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

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All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

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Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

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Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

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However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

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There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
  - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
  - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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- The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

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approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;
- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

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We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

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[Robert M. Duncan] [Megan J. Brennan]

ALL OTHER BOARD MEMBERS

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DRAFT – BOG Chair Letter to Leadership re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

We are writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come. Since taking office, the Board has worked extensively to craft a plan to address the Postal Service's financial condition, a process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The $10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action. However, as detailed below, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. Below, we address our recommendations to Congress for both immediate and longer-term relief, which have been adopted unanimously by the Board.

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings

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of any entity of the Federal Government. Indeed a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

Postal Service Response to the Pandemic

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees

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will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.

- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such

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adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

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The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

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There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
  - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
  - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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- The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be

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approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;
- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;
- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank
- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner.

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We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for the short-term financial relief discussed in this letter is designed to ensure that we can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter, and we look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

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[Robert M. Duncan] [Megan J. Brennan]

ALL OTHER BOARD MEMBERS

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UNITED STATES POSTAL SERVICE

DRAFT – COVID-19 Stimulus Communications Plan v76

Focused Education Campaign

Objective:

As a result of BOG approval of a legislative request and 10-year financial projections and policy options, conduct a communications effort that educates postal stakeholders and the public about the need for significant funding to stabilize long-term Postal Service finances due to the immediate impact of the COVID-19 crisis and our sustained flawed business model.

Summary:

The following plan identifies communications activities already being implemented as the Congress pursues additional stimulus legislation containing postal provisions. The scope of this plan includes key messaging, and stakeholder education and earned media tactics.

Goals:

- Develop and disseminate talking points and statement to postal stakeholders to ensure message and fact-based consistency;
- Build knowledge and a sense of urgency among employees, postal stakeholders and policymakers of financial implications for the Postal Service resulting from the immediate COVID-19 crisis and ourits sustained flawed business model and the funding necessary to mitigate effects – while minimizing potential brand harm;
- Sustain steady communications through the enactment of legislation to ensure heightened interest in the financial health of the Postal Service during a highly cluttered news media environment;
- Heighten awareness of important role of postal employees during the COVID-19 response and subsequent economic recovery, and public support for the organization;

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- Leverage high-level of media inquiries received to date on COVID-19 issues, including major networks, cable shows and major market dailies;

- Monitor and adapt rapidly to opportunities or challenges arising from activities or statements of postal stakeholders and policymakers, protecting non-partisan position of the Postal Service.

Spokespeople

- USPS Executive Team: Megan Brennan, Ron Stroman, Joe Corbett and others as appropriate; Governors Duncan, Barger and Bloom.

Activities

Completed - Week of April 6th

- PMG briefings on financial state and requirements to postal unions and house oversight committee (resulting in encouraging response from Members and staff).;

- Release of initial statement on funding necessity and engagement with influential media.;

- Proactive engagement with media to ensure positive coverage of PMG House briefing and statement (resulting in extensive accurate coverage). The following publications and outlets used the PMG statement as result of engagement: WSJ, NY Times, Washington Post, Gov Exec, Federal News Network, USA Today, NBC News, The Hill, Business Insider, Huff Post and CNN.

- Briefing for Treasury & OMB (Corbett/Grossmann/Elston).

- Bipartisan/Bicameral Oversight Committee Staff Briefing (Stroman/Grossmann)

Completed - Week of April 13th

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- Bipartisan/Bicameral Appropriations Committee Staff Briefing (Stroman/Grossmann) (4/13)
- Union Leadership briefing (4/14)
- Postal Regulatory Commission Briefing (Brennan/Stroman/Marshall) (4/14)
- Briefing for Senator Ron Johnson (Brennan/Stroman/Marshall) (4/14)
- Management Association Briefing (4/15)
- Industry Association Briefing (Brennan, Marshall, Krage Strakko) (4/15)
- Majority Leader McConnell Staff Briefing (Stroman/Grossmann/Elston) (4/15)

MEDIA ACTIVITY

- Pitching to WSJ, NYT and WP for editorials in support of the critical mission of the Postal Service, ~~and to coincide with the likely reveal of House provisions~~including relief in future COVID-19 legislative packages, and highlighting where the Postal Service and administration have worked well together (this will require calls with PMG, possibly with BOG members);
- Writing and Pitching Op-Eds
  - WSJ (Gov Duncan) (needs to happen first to balance current coverage)
  - NYT or USA Today (PMG)
  - Politico or The Hill (Gov Williams)
- ~~Conservative Radio (Fox Business) Interviews -- (Gov Barger)~~
- ~~Liberal/Progressive Radio (CNBC) Interviews -- (Gov Bloom)~~
- Dissemination of materials to postal stakeholders,~~;~~ internal audiences,~~;~~

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- ~~Soft launch of new USPS.com webpage on COVID-19 – place on all releases moving forward (with new FAQ section regarding financial impacts.);~~
- ~~Possible pitching of spokespeople for cable news programs (dependent upon success of stakeholder earned media activities);~~ and
- ~~Possible first airing of n~~National television advertisement about postal commitment to deliver during COVID-19.

Weeks of April 20 and 27

BRIEFINGS TO BE CONSIDERED/SCHEDULED

- Chief of Staff to the President (Duncan)
  - ~~Chairman Duncan~~
- Treasury Background Briefing (Kipp Kranbuhl) (Duncan)
- Staff briefings Minority Leader Schumer, Speaker Pelosi and Minority Leader McCarthy (Stroman/Grossmann)
- Treasury Secretary Mnuchin (Duncan/Martinez/Elston)
- Speaker Pelosi (Brennan/Stroman~~loom~~)
- Senate Majority Leader Mitch McConnell (Duncan)
- House Minority Leader Kevin McCarthy (Barger)
  - ~~Governor Barger~~
- Senate Minority Leader Chuck Schumer (Bloom)
- House Majority Leader Steny Hoyer (Bloom/Williams)
  - ~~Governor Williams and Governor Bloom~~

BRIEFING MEMBERS OF CONGRESS

Commented [MTJ-WD1]: I believe Governor Bloom said that he did not have any relationship with Pelosi, and preferred not to have this assignment.

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- GR Reps work with AVPs and DMs to identify members with favorable relationships and discuss impact of COVID-19 and legislative requests

MEDIA ACTIVITY

- ~~Statement release and pitching of national media regarding House bill passage;~~

- ~~PMG video (possibly with union leaders) about commitment to serve (social/digital/news media distribution) and position regarding necessity of funding;~~

- BOG Chairman~~PMG~~ and PMG Radio interviews – following on theme of op-ed~~; Satellite tours with the PMG~~, possibly including other Governors, if appropriate. ~~;~~

- ~~Proactive pitching of cable and radio news shows – with likely change in focus to reflect Senate consideration of House provisions; and~~

Ongoing

- If needed, possible media call with PMG and BOG Chair to provide new information regarding financial distress (recent volume declines, for example), as a means of heightening awareness of needs;

- Statements to mark milestones in legislative process ~~(Senate passage)~~;

- Media interviews as necessary to correct misperceptions;

- Active engagement with stakeholders to ensure message discipline and accuracy;

- In the event the stimulus hasn't been enacted by mid-May, leverage open BOG session and financial call to reiterate argumentation and update on volume declines.

Pros and Cons

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- **Pros** – Focuses media and policymakers on urgent Postal Service financial state and needs; can reinforce perceived value and strong public support for the organization. Ideally, while the Postal Service is directly playing a role as an advocate for the financial stability of the organization, there will be other voices amplifying key facts and messages.

- **Cons** – There is always a great risk to the brand in focusing public attention to financial problems and of the need for what may be characterized as a bailout – although this is highly mitigated by the fact that nearly every industry is hard hit and experiencing significant problems. Nevertheless, mail and package senders may lose disproportionate confidence in the Postal Service as a result of survivability and financial failure questions, and make over reactive decisions to minimize investment in their use of the mail. There is also the risk of the Postal Service getting caught between WH and congressional policy agendas, and becoming the focus of sustained public criticism as a result.

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AMERICAN OVERSIGHT

DRAFT – GOVERNORS Letter to Leadership re COVID-19 v1:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

We are writing to share with you the perspective of the Board of Governors of the United States Postal Service as we address the challenges of the Coronavirus Disease 2019 (COVID-19) pandemic, which is having profound impacts on the Postal Service even as our public service mission to the American people is more important than ever. We also want to provide you with our recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which our Board has unanimously approved. Those recommendations are set forth in the white paper which is attached to this letter.

As you know, our Board is comprised of both Republicans and Democrats, and we take great pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come.

The Board has been holding meetings and briefings at regular intervals to receive the latest information and to provide strategic direction to management on responding to the pandemic. We, along with the Postal Service management team and our dedicated employees, remain focused on achieving our mission in these difficult times, by continuing to provide the American people with prompt, reliable, and efficient postal services. We are also committed to doing whatever we can to leverage the Postal Service's unrivaled network to assist in the Government's response to this national emergency.

Since taking office, the Board has also worked extensively to craft a plan to address the Postal Service's financial condition. This process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The $10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action.

However, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. The Board has unanimously adopted recommendations to Congress for both immediate and longer-term relief, which is discussed more fully in the attached White Paper, and which the bipartisan Board unanimously endorses. We urge the Congress and the Administration to adopt these recommendations.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable

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view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for financial relief that is more fully described in the attached White Paper is designed to ensure that the Postal Service can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

ALL OTHER BOARD MEMBERS

AMERICAN OVERSIGHT

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Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

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ALL OTHER BOARD MEMBERS~~GOVERNORS~~

AMERICAN OVERSIGHT

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ALL OTHER BOARD MEMBERS

AMERICAN OVERSIGHT

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The Board has been holding meetings and briefings at regular intervals to receive the latest information and to provide strategic direction to management on responding to the pandemic. We, along with the Postal Service management team and our dedicated employees, remain focused on achieving our mission in these difficult times, by continuing to provide the American people with prompt, reliable, and efficient postal services. We are also committed to doing whatever we can to leverage the Postal Service's unrivaled network to assist in the Government's response to this national emergency.

Since taking office, the Board has also worked extensively to craft a plan to address the Postal Service's financial condition. This process that has taken on new urgency considering the impact of the COVID-19 pandemic on the Postal Service. The $10 billion of additional borrowing authority provided in the CARES Act is a good start, and we also thank the Administration and Congress for taking that important action.

However, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. The Board has unanimously adopted recommendations to Congress for both immediate and longer-term relief, which is discussed more fully in the attached White Paper, and which the bipartisan Board unanimously endorses. We urge the Congress and the Administration to adopt these recommendations.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable

AMERICAN OVERSIGHT

view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be assured that the Board fully recognizes that it is vital to the achievement of the Postal Service's mission that there is no actual or appearance of political bias or partiality on the part of the Postal Service. As such, we will be vigilant to ensure that the Postal Service does not endorse the political activities of any group, and we will continue to take appropriate legal and other actions to ensure that no group uses our trademarks or other intellectual property in connection with their political activities to suggest or infer that the Postal Service supports their political viewpoints. The Postal Service will remain politically neutral, nonpartisan, unbiased, and impartial, and we will not allow this great American institution to be misused as a part of the partisan political fray.

We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for financial relief that is more fully described in the attached White Paper is designed to ensure that the Postal Service can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

ALL OTHER BOARD MEMBERS

AMERICAN OVERSIGHT

DRAFT – GOVERNORS Letter to Leadership re COVID-19 v1:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

We are writing to share with you the perspective of the Board of Governors of the United States Postal Service as we address the challenges of the Coronavirus Disease 2019 (COVID-19) pandemic, which is having profound impacts on the Postal Service even as our public service mission to the American people is more important than ever.

As you know, our Board is comprised of both Republicans and Democrats, and we take pride in operating in a very bipartisan manner. We thank President Trump for appointing, and the Senate for confirming, a Board whose members bring unique capabilities, diverse perspectives, and broad experiences, and who are all committed to putting personal politics aside to represent the public interest and to ensure that the Postal Service continues to provide its essential services for the American people, both today and in the years to come.

The Board has been holding meetings and briefings at regular intervals to receive the latest information and to provide strategic direction to management on responding to the pandemic. We, along with the Postal Service management team and our dedicated employees, remain focused on achieving our mission in these difficult times, by continuing to provide the American people with prompt, reliable, and efficient postal services. We are also committed to doing whatever we can to leverage the Postal Service's unrivaled network to assist in the Government's response to this national emergency.

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However, this additional authority is not sufficient to address the near-term liquidity crisis that the Postal Service is facing as a result of the pandemic, which requires Congress to take further immediate action to ensure our continued ability to provide our critical services. The Board has unanimously adopted recommendations to Congress for both immediate and longer-term relief, which is discussed more fully in a separate letter that is being sent to you from Postmaster General Brennan, and which the Board fully endorses. We urge the Congress and the Administration to adopt these recommendations.

We are proud of the essential services that the Postal Service provides to the American people, and of the fact that the Postal Service consistently receives the highest public approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of USPS, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with the American people is based in no small part on the Postal Service's nonpartisan, nonpolitical and equalitarian nature. In that regard, you can be

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We are proud of the heroism shown by our employees during this pandemic, by their steadfast determination to continue working every day to provide our vital service to the American people. Our request to Congress for financial relief that is more fully described in the letter to you from the Postmaster General is designed to ensure that the Postal Service can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

Please let us know if you have any questions regarding this letter or our request for additional financial relief. We look forward to continuing to work with you and the Administration in addressing the Postal Service's financial challenges, and in preserving this great American institution.

[Robert M. Duncan]

ALL OTHER GOVERNORS

AMERICAN OVERSIGHT

DRAFT – GOVERNORS Letter to Leadership re COVID-19 v1:

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The Honorable ____
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[Robert M. Duncan]

ALL OTHER BOARD MEMBERS

AMERICAN OVERSIGHT

DRAFT – GOVERNORS Letter to Leadership re COVID-19 v1:

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[Robert M. Duncan]

ALL OTHER BOARD MEMBERS

AMERICAN OVERSIGHT

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the public and to protect our employees as our nation responds to the COVID-19 pandemic.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services. We intend to act calmly and consistently based upon the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials as we provide our vital service.

In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

<u>Keeping our employees safe</u>. The essential services we provide are only possible due to the collective and individual efforts of the men and women who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and

AMERICAN OVERSIGHT

are continually sharing the latest information throughout our organization. Specific actions we have taken include:

- Updating our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we have entered into MOUs with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19, and have expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, are also working tirelessly to implement the leave provisions recently enacted by Congress into federal law.

- Working to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This is a matter of the highest priority for the Postal Service. We have already shipped 15 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries.

- Updating our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanding the use of telework for those employees who are able to perform their jobs remotely.

- Issuing a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and

AMERICAN OVERSIGHT

employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account for contingencies and local conditions, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. Further, we have also donated and delivered 500,000 N-95 masks (which are different from the surgical ask that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and want to provide the most current information. Our government relations team will continue to be in frequent contact with you and your staffs to provide updates concerning our plans and thinking, as events dictate. That said, if you have questions, issues or concerns, you can leverage [Government Relations e-mail here]. Please place COVID-19 in the subject line. We have established a dedicated team to monitor that site and to respond to any inquiries expeditiously.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public and our employees, and deliver for the nation.

AMERICAN OVERSIGHT

Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Robert M. Duncan] [Megan J. Brennan]

AMERICAN OVERSIGHT

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v10:

DATE

The Honorable ____
XXX
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Dear Representative/Senator ___,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the public and to protect our employees as our nation responds to the COVID-19 pandemic.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

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In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

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I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the public and to protect our employees as our nation responds to the COVID-19 pandemic.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services. We intend to act calmly and consistently based upon the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials as we provide our vital service.

In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the men and women who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and

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are continually sharing the latest information throughout our organization. Specific actions we have taken include:

- Updating our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we have entered into MOUs with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19, and have expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, are also working tirelessly to implement the leave provisions recently enacted by Congress into federal law.

- Working to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This is a matter of the highest priority for the Postal Service. We have already shipped 15 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, by eliminating the customer signature requirement for certain deliveries.

- Updating our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanding the use of telework for those employees who are able to perform their jobs remotely.

- Issuing a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

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Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account ~~to account~~ for contingencies and local conditions, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. Further, we have also donated and delivered 500,000 N-95 masks (which are different from the surgical ask that our employees utilize) that were in excess of our needs to ~~Further, we have committed 500,000 N95 masks to~~ the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and want to provide the most current information. Our government relations team will continue to be in frequent contact with you and your staffs~~and~~ to provide updates concerning our plans and thinking, as events dictate. That said, i~~I~~f you ~~do~~ have questions, issues or concerns, you~~l~~ can~~ask that you~~ leverage [Government Relations e-mail here]. Please place COVID-19 in the subject line. We have established a dedicated team to monitor that site and to respond to any inquiries expeditiously~~get you answers promptly~~.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public and our employees, and deliver for the nation.

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Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Robert M. Duncan] [Megan J. Brennan]

AMERICAN OVERSIGHT

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the public and to protect our employees as our nation responds to the COVID-19 pandemic.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services. We intend to act calmly and consistently based upon the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials as we provide our vital service.

In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

<u>Keeping our employees safe</u>. The essential services we provide are only possible due to the collective and individual efforts of the men and women who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and

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are continually sharing the latest information throughout our organization. Specific actions we have taken include:

- Updating our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we have entered into MOUs with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19, and have expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, are also working tirelessly to implement the leave provisions recently enacted by Congress into federal law.

- Working to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This is a matter of the highest priority for the Postal Service. We have already shipped 15 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and “cough/sneeze” barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries.

- Updating our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanding the use of telework for those employees who are able to perform their jobs remotely.

- Issuing a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and

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employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account for contingencies and local conditions, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, given our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. Further, we have also donated and delivered 500,000 N-95 masks (which are different from the surgical ask that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and want to provide the most current information. Our government relations team will continue to be in frequent contact with you and your staffs to provide updates concerning our plans and thinking, as events dictate. That said, if you have questions, issues or concerns, you can leverage [Government Relations e-mail here]. Please place COVID-19 in the subject line. We have established a dedicated team to monitor that site and to respond to any inquiries expeditiously.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public and our employees, and deliver for the nation.

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Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Robert M. Duncan] [Megan J. Brennan]

AMERICAN OVERSIGHT

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v8:

DATE

The Honorable ____
XXX
XX
X

Dear Representative ___,

I am writing to apprise you of actions the United States Postal Service is taking to meet the needs of the public as the nation responds to the COVID-19 pandemic. I also want to apprize you of the significant financial challenges we face that are being significantly exacerbated by the effect that the pandemic is having on the economy and on our business. Those financial challenges threaten our ability to remain liquid and to continue to provide the essential public service as a part of this nation's critical infrastructure.

While Americans contend with social distancing and quarantines, we want to assure you that the mail continues to be a safe and reliable means of communication and package delivery. As you hear from constituents, we hope the following information will be useful to you and your staff in addressing any questions or concerns.

Our board and management team, and the 630,000 men and women of the Postal Service, are highly focused on our mission of service to the nation, sustaining America's economic activity, and providing postal delivery services to the public. The Postal Service operates by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. The postal system is used to deliver, among other things, important governmental information and benefits, including Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

~~However, the economic downtown caused by the coronavirus is beginning to erode the volume and revenue of the United States Postal Service. Without emergency funding, we estimate that the Postal Service could run out of cash and may have to limit or cease operation by the end of this fiscal year. We urge support for the Postal Service provisions contained in draft House stimulus bill which includes $20B of emergency funding and debt forgiveness of $15B.~~

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for our residential and business customers throughout this national emergency, and to ensuring that the American public can confidently depend upon our mail and shipping channel.

In this regard, we would like to share with you some measures we are implementing in response to the COVID-19 outbreak:

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- Keeping our employees safe. Our ability to deliver and function starts with the health and well-being of our employees. We are working closely with the Department of Health and Human Services, the Centers for Disease Control and Prevention (CDC), and other public health officials to ensure that we have their latest guidance. We are sharing the latest information throughout our organization, via video, e-mail, internal newsletter, stand-up talks and through our HR functions – and we will continue to do so. We are encouraging healthy behaviors and protocols including frequent hand washing, use of sanitizers, and additional cleaning of workspaces, and are encouraging any employee who feels they are sick to stay home. We have worked with our postal unions to temporarily expand leave options for our employees. To date, there have been relatively few employees who have tested positive for COVID-19.

- Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are additionally reinforcing workplace behaviors to ensure that contact with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. To reduce health risks, we also are temporarily modifying customer signature requirements. We are also adapting procedures to ensure that we are able to serve all locations effectively and without interruption. We intend to act calmly and consistently based upon the advice of the medical and public health professionals.

- Network integrity/continuity of operations. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect disruption or degradation in the services we provide. If, for some reason, we need to curtail operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of strong hurricanes, flooding, wildfire and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.

- Business impacts. The Postal Service is undertaking all reasonable measures to minimize impacts to our business customers. We have experienced only minor operational limitations, almost entirely related to international flow of mail resulting from logistical constraints. With regard to our overall business, we are seeing some changes due to the fact that many more people are now working from home or spending more time in the home. For instance, we are recording higher package volumes as people order more items for delivery. While we have seen no immediate change in mail volumes in the past months, we did see significant mail volume declines last week, and anticipate that the impacts of expected economic retrenchment may have a significant impact on our mail volumes in the near future.

- All-government ~~E~~emergency response. The Postal Service continues to play an integral role in national emergency response and preparedness. Given the public facing nature of the Postal Service, our large retail network, and our role as a frequent touchpoint

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between the American people and the federal government, we have been doing our part to message to our customers and the communities we serve by displaying the relevant CDC posters in our Post Office lobbies, and using the digital message boards (available in our larger Post Offices) to convey health and safety messaging in a more interactive format. We also worked with the Administration to help design and deliver a postcard from the President of the United States to every American household that includes am imbedded code that links to the CDC's website. ~~, and yesterday~~ Further, we have committed 500,000 N95 masks to Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and to provide the most current information. Our government relations team will continue to be in frequent contact and to provide accurate updates concerning our plans and thinking, as events dictate. If you do have questions, issues or concerns, I ask that you leverage [Government Relations e-mail here]. Please place COVID-19 in the subject line. We have established a dedicated team to get you answers promptly.

All this said, it would be irresponsible of us if we did not also convey to you that the COVID-10 pandemic presents an existential threat to the future of the Postal Service. In that regard~~However~~, the economic downtown caused by the coronavirus is beginning to erode the volume and revenue of the United States Postal Service. Without emergency funding, we estimate that the Postal Service could run out of cash and may have to limit or cease operation by the end of this fiscal year. We urge support for the Postal Service provisions contained in draft House stimulus bill which includes $20B of emergency funding and debt forgiveness of $15B.

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The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis. When the men and women of the Postal Service deliver after a natural disaster, it is often the first sign of a return to normalcy. The public takes confidence from our regular, daily role in their community and in their lives.

As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public, bind the nation together, and with your help meet the needs of America's communities, and deliver for the nation.

We want to express our sincere gratitude to you for your support for the Postal Service, and for your
continued leadership and dedication as we all confront the realities of this pandemic.

[Robert M. Duncan] [Megan J. Brennan]

AMERICAN OVERSIGHT

DRAFT – PMG/BOG Chair Letter to Congress re COVID-19 v9:

DATE

The Honorable ____
XXX
XX
X

Dear Representative ___,

I am writing to share with you all of the actions the United States Postal Service is taking to meet the needs of the public as the nation responds to the COVID-19 pandemic. I also want to apprise you of the significant financial challenges we face that are being significantly exacerbated by the effect that the pandemic is having on the economy and on our business. Those financial challenges threaten our ability to remain liquid and to continue to provide the essential public service as a part of this nation's critical infrastructure.

While Americans contend with social distancing and quarantines, we want to assure you that the mail continues to be a safe and reliable means of communication and package delivery. As you hear from constituents, we hope the following information will be useful to you and your staff in addressing any questions or concerns.

Our board and management team, and the 630,000 men and women of the Postal Service, are highly focused on our mission of service to the nation, sustaining America's economic activity, and providing postal delivery services to the public. The Postal Service operates by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. The postal system is used to deliver, among other things, important governmental information and benefits, including Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for our residential and business customers throughout this national emergency, and to ensuring that the American public can confidently depend upon our mail and shipping channel.

In this regard, we would like to share with you some measures we are implementing in response to the COVID-19 outbreak:

- Keeping our employees safe. Our ability to deliver and function starts with the health and well-being of our employees. We are working closely with the Department of Health and Human Services, the Centers for Disease Control and Prevention (CDC), and other public health officials to ensure that we have their latest guidance. We are sharing the

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latest information throughout our organization, via video, e-mail, internal newsletter, stand-up talks and through our HR functions – and we will continue to do so. We are encouraging healthy behaviors and protocols including frequent hand washing, use of sanitizers, and additional cleaning of workspaces, and are encouraging any employee who feels they are sick to stay home. We have worked with our postal unions to temporarily expand leave options for our employees. To date, there have been relatively few employees who have tested positive for COVID-19.

- Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are additionally reinforcing workplace behaviors to ensure that contact with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. To reduce health risks, we also are temporarily modifying customer signature requirements. We are also adapting procedures to ensure that we are able to serve all locations effectively and without interruption. We intend to act calmly and consistently based upon the advice of the medical and public health professionals.

- Network integrity/continuity of operations. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect disruption or degradation in the services we provide. If, for some reason, we need to curtail operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of strong hurricanes, flooding, wildfire and other disruptive events. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified. We also are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country.

- Business impacts. The Postal Service is undertaking all reasonable measures to minimize impacts to our business customers. We have experienced only minor operational limitations, almost entirely related to international flow of mail resulting from logistical constraints. With regard to our overall business, we are seeing some changes due to the fact that many more people are now working from home or spending more time in the home. For instance, we are recording higher package volumes as people order more items for delivery. While we have seen no immediate change in mail volumes in the past months, we did see significant mail volume declines last week, and anticipate that the impacts of expected economic retrenchment may have a significant impact on our mail volumes in the near future.

- All-government emergency response. The Postal Service continues to play an integral role in national emergency response and preparedness. Given the public facing nature of the Postal Service, our large retail network, and our role as a frequent touchpoint between the American people and the federal government, we have been doing our part to message to our customers and the communities we serve by displaying the relevant CDC posters in our Post Office lobbies, and using the digital message boards (available in our larger Post Offices) to convey health and safety messaging in a more interactive format. We also worked with the Administration to help design and deliver a postcard from the President of the United States to every American household that includes am

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imbedded code that links to the CDC's website. Further, we have committed 500,000 N95 masks to Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

Open channel of communications. While our team is focused on our employees, our customers, and execution of our core mission, we also recognize that Members of Congress are interacting daily with constituents about their needs and to provide the most current information. Our government relations team will continue to be in frequent contact and to provide accurate updates concerning our plans and thinking, as events dictate. If you do have questions, issues or concerns, I ask that you leverage [Government Relations e-mail here]. Please place COVID-19 in the subject line. We have established a dedicated team to get you answers promptly.

All this said, it would be irresponsible of us if we did not also convey to you that the COVID-10 pandemic presents an existential threat to the future of the Postal Service. In that regard, the economic downtown caused by the coronavirus is beginning to erode the volume and revenue of the United States Postal Service. Without emergency funding, we estimate that the Postal Service could run out of cash and may have to limit or cease operation by the end of this fiscal year. We urge support for the Postal Service provisions contained in draft House stimulus bill which includes $20B of emergency funding and debt forgiveness of $15B.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis. When the men and women of the Postal Service deliver after a natural disaster, it is often the first sign of a return to normalcy. The public takes confidence from our regular, daily role in their community and in their lives.

As we adapt to the challenges posed by COVID-19, we will continually strive to earn the trust and confidence of the public, bind the nation together, and with your help meet the needs of America's communities, and deliver for the nation.

We want to express our sincere gratitude to you for your support for the Postal Service, and for your
continued leadership and dedication as we all confront the realities of this pandemic.

[Robert M. Duncan] [Megan J. Brennan]

AMERICAN OVERSIGHT

DRAFT – PMG Letter to Leadership re COVID-19 v10:

DATE

The Honorable ____
XXX
XX
X

Dear Representative/Senator ___,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this letter explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

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In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

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Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

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Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%
- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- UPDATE FOR ADDITIONAL WEEKS?

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.

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- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
  - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
  - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.
- Long-term impact - Fiscal Year 2022 and beyond
  - The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and

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our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;

- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal

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Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;

- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank

- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress

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eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by our bipartisan Board of Governors in a unanimous fashion.

Please let me know if you have any questions regarding this letter, and on behalf of the entire Board of Governors and the Postal Service we look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

[Megan J. Brennan]

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DRAFT – WHITE PAPER ~~PMG Letter t~~for Leadership re COVID-19 v10:

~~**DATE,**~~

~~**The Honorable ____**~~
~~**XXX**~~
~~**XX**~~
~~**X**~~

~~**Dear Representative/Senator ___,**~~
FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF,

~~I am writing~~This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this letter explains in detail.

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Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%
- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- UPDATE FOR ADDITIONAL WEEKS?

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in

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the U.S, but throughout the world, ripple through the economy, thus reducing package volume.

- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an “official” recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
  - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
  - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.

- Long-term impact - Fiscal Year 2022 and beyond
  - The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of

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this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;

- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;

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- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank

- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our

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unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by theour bipartisan Board of Governors in a unanimous fashion.

Please let usme know if you have any questions regarding this letter. , and on behalf of tThe entire Board of Governors and the entire Postal Service we looks forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

[Megan J. Brennan]

AMERICAN OVERSIGHT

DRAFT – PMG Letter to Governors/Mayors re COVID-19 v1:

DATE

The Honorable ____
XXX
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Dear XXXXX,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the American people and to keep our communities safe as our nation responds to the COVID-19 pandemic.

The Postal Service and our 630,000 employees are a part of every State and community throughout the United States, and we remain highly focused on our mission of binding our nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses in all communities throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services. We intend to act calmly and consistently based upon the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials as we provide our vital service.

In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the men and women who work for the Postal Service; our employees are also, of course, members of your States and communities. We are doing everything that we can to protect the health and safety of our employees while they are performing their critical jobs in your communities, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, we are working closely with HHS,

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CDC, and other public health officials to receive their latest guidance on appropriate workplace practices, and are adjusting our policies accordingly. Among other things, we have updated our leave policies to ensure that employees have the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place provisions. We are working to overcome the challenges in the supply chain to ensure that our employees have access to hand sanitizer, and receive surgical masks and gloves upon request. We have also updated our cleaning policies to ensure that all of our facilities are cleaned in a manner consistent with CDC guidance.

Keeping the public safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. We are reinforcing workplace behaviors to ensure that contact amongst our employees and with members of the public reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries.

Network integrity/continuity of operations. The Postal Service is conducting organization-wide efforts to respond to evolving operating conditions, and to anticipate and prepare for customer and community needs throughout the country. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account for contingencies and local impacts, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or community, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events.

All-government emergency response. The Postal Service is also playing an integral role in the Federal Government's national emergency response, and wants to assist all levels of government in any way we can in response to the pandemic. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA). The Postal Service has unique capabilities in supporting an all-government response, given our public-facing retail and delivery network that serves all residents in communities throughout the nation. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. We have also donated and delivered 500,000 N-95 masks (which are different from the surgical ask that our employees utilize) that were in

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Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Megan J. Brennan]

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CDC, and other public health officials to receive their latest guidance on appropriate workplace practices, and are adjusting our policies accordingly. Among other things, we have updated our leave policies to ensure that employees have the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place provisions. We are working to overcome the challenges in the supply chain to ensure that our employees have access to hand sanitizer, and receive surgical masks and gloves upon request. We have also updated our cleaning policies to ensure that all of our facilities are cleaned in a manner consistent with CDC guidance.

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Network integrity/continuity of operations. The Postal Service is conducting organization-wide efforts to respond to evolving operating conditions, and to anticipate and prepare for customer and community needs throughout the country. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account for contingencies and local impacts, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or community, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events.

All-government emergency response. The Postal Service is also playing an integral role in the Federal Government's national emergency response, and wants to assist all levels of government in any way we can in response to the pandemic. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA). The Postal Service has unique capabilities in supporting an all-government response, given our public-facing retail and delivery network that serves all residents in communities throughout the nation. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. We have also donated and delivered 500,000 N-95 masks (which are different from the surgical ask that our employees utilize) that were in

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excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, the Postal Service is committed to serving the needs of each community in our nation.

Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Megan J. Brennan]

AMERICAN OVERSIGHT

DRAFT – PMG Letter to Governors/Mayors re COVID-19 v1:

DATE

The Honorable ____
XXX
XX
X

Dear XXXXX,

I am writing to share with you the actions the United States Postal Service is taking to meet the needs of the American people and to keep our communities safe as our nation responds to the COVID-19 pandemic.

The Postal Service and our 630,000 employees are a part of every State and community throughout the United States, and we remain highly focused on our mission of binding our nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods purchased online.

To ensure that we continue providing this critical government service, we have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses in all communities throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services. We intend to act calmly and consistently based upon the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials as we provide our vital service.

In this regard, the specific measures we are implementing in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the men and women who work for the Postal Service; our employees are also, of course, members of your States and communities. We are doing everything that we can to protect the health and safety of our employees while they are performing their critical jobs in your communities, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, we are working closely with HHS,

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CDC, and other public health officials to receive their latest guidance on appropriate workplace practices, and are adjusting our policies accordingly. Among other things, we have updated our leave policies to ensure that employees have the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place provisions. We are working to overcome the challenges in the supply chain to ensure that our employees have access to hand sanitizer, and receive surgical masks and gloves upon request. We have also updated our cleaning policies to ensure that all of our facilities are cleaned in a manner consistent with CDC guidance.

Keeping the public safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to continue to provide service effectively and safely. We are reinforcing workplace behaviors to ensure that contact amongst our employees and with members of the public reflect the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, by eliminating the customer signature requirement for certain deliveries.

Network integrity/continuity of operations. The Postal Service is conducting organization-wide efforts to respond to evolving operating conditions, and to anticipate and prepare for customer and community needs throughout the country. We are actively monitoring all aspects of our business operations and functions, and we are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant disruption or degradation in the services we provide, though we do anticipate that we may need to adjust local operations at times to account ~~to account~~ for contingencies and local impacts, which may have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or community, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events.

All-government emergency response. The Postal Service is also playing an integral role in the Federal Government's national emergency response, and wants to assist all levels of government in any way we can in response to the pandemic. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA). The Postal Service has unique capabilities in supporting an all-government response, given our public-facing retail and delivery network that serves all residents in communities throughout the nation. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relays the CDC guidance and includes an imbedded code that links to the CDC's website. We have also donated and delivered 500,000 N-95 masks (which are different from the surgical ask that our employees utilize) that were in

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excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses.

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. As we adapt to the challenges posed by COVID-19, the Postal Service is committed to serving the needs of each community in our nation.

Please let me know if you have any questions or concern regarding this letter, and please let me know if there are any other ways that the Postal Service can support you during these difficult times.

[Megan J. Brennan]

AMERICAN OVERSIGHT

DRAFT – PMG May 2020 Open Session Script v3 (1,713 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. Thank you for joining us.

I'd like to begin by adding my thanks – and my admiration and respect – for the men and women of the Postal Service.

The Postal Service is very proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages.

This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

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In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services, and we are honored to continue to serve that role today.

This mission has never been more important, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

It is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

In that regard, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do each and every day to deliver for America.

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We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.

We are deeply grateful to the public for these many uplifting messages of support – it means a lot to all of us in the Postal Service.

[PAUSE]

That said, I am saddened to also inform you that many of our employees have been exposed to COVID, and many have become ill as a result. While most have and will recover, a number have succumbed to the virus.

It is incredibly difficult for us in the Postal Service to lose friends and colleagues in this way. I would like to express my deepest condolences and sympathies to the families, friends and coworkers of those who have fallen.

It says a lot about our employees – and all those throughout the country working in essential services roles – that they do the heroic work of keeping the nation functioning. We take some comfort in knowing that because we keep delivering, the public is better able to shelter-in-place and to reduce the spread of COVID-19.

[PAUSE]

However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a

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significant loss in needed revenues, which threatens our ongoing ability to provide our essential federal service.

The immediate concern facing policymakers is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are a result of the COVID-19 pandemic, to ensure continued service to the American people in the near term.

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Oversight and Government Reform Committee, and separately to the Chairman of our Senate Oversight Committee.

For scheduling reasons, members of my team likewise provided similar briefings to staff of the minority leader of our Senate Oversight Committee and to other interested Congressional stakeholder.

In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term, and we described the devastating impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

AMERICAN OVERSIGHT

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause extreme near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

It is inescapable that we are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital in the economic recovery.

For that reason, we presented to Congress our request for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months; a modernization grant to help us update our infrastructure so that we can survive this situation and confront future ones over the longer term, and which can serve as a catalyst as America's economy emerges from the pandemic; and unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic, and that is our focus right now.

AMERICAN OVERSIGHT

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is critical, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current COVID-19 crisis, it is a situation which we will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing.

Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term viability.

AMERICAN OVERSIGHT

At the appropriate time, we will seek additional reform measures to fix our business model and to make us sustainable long-term.

The financial relief provided from these additional reforms, along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.

In the interim, as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude for the heroism and commitment of the men and women of the Postal Service, who continue to serve the American public during this pandemic.

It is an honor and a privilege to work alongside all of my postal colleagues and to share in our mission of service to the nation, which binds us all together.

Thank you.

And with that, I'll turn it back over to Chairman Duncan.

AMERICAN OVERSIGHT

DRAFT – PMG May 2020 Open Session Script v5 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. Thank you for joining us.

I'd like to begin by adding my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

The 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages throughout this country.

This items we handle include supplies that sustain us, prescription medications, benefit checks and other critical materials such as medical information, financial statements, absentee ballots and Census surveys.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

AMERICAN OVERSIGHT

In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services--a mission proudly accepted each and every day.

This mission has never been more important, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

It is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

A recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

This is a credit to the men and women of the Postal Service who go to work every day to serve their communities.

AMERICAN OVERSIGHT

Throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do to deliver for America.

We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.

We are deeply grateful to the public for these many uplifting messages of support – it means a lot to all of us in the Postal Service.

[PAUSE]

That said, I am saddened to also inform you that a number of our employees have become ill with the virus and some have succumbed to it.

I would like to express my deepest condolences and sympathies to the families, friends and coworkers of those who have died.

Hopefully, they can take some comfort in knowing that because we keep delivering, the public is better able to shelter-in-place and to reduce the spread of COVID-19.

It says a lot about our employees – and all those throughout the country working in essential services roles – that they do the heroic work of keeping the nation functioning.

[PAUSE]

AMERICAN OVERSIGHT

However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a significant loss in needed revenues which we anticipate will deepen, and which threatens our ongoing ability to provide our essential federal service.

The immediate concern is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are and will result from the COVID-19 pandemic, to ensure continued service to the American people in the near term.

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Oversight and Government Reform Committee, and separately to the Chairman and Ranking Member of our Senate Oversight Committee.

In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term, and we described the devastating impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

AMERICAN OVERSIGHT

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause extreme near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

It is inescapable that we are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital in the economic recovery.

Our request of Congress is for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

We also request a modernization grant to help us update our infrastructure so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy emerges from the pandemic.

AMERICAN OVERSIGHT

Finally, we seek unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic, and that is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is critical, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current COVID-19 crisis, it is a situation which policy makers will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us that we are prohibited

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from reducing, and yet we also lack the autonomy to diversify our products or to control pricing for products that generate the majority of our revenue

To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model, which, along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.

In the interim, as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.

[PAUSE]

As many of you know, Governor David C. Williams announced his resignation from the Board of Governors, effective April 30, 2020.

I worked with Governor Williams during his time on the Board, and in his prior capacity as the Inspector General for the Postal Service, and I always appreciated his passion, his perspective, and his creativity.

I thank him for his service and wish him the best.

AMERICAN OVERSIGHT

Also, I would like to send my heartfelt congratulation to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the tremendous business acumen and insights that he has acquired over a very successful 35-year business career.

I know that he is excited about the opportunity, extremely focused, and very committed to the long-term success of the Postal Service

I can assure you that I will do everything I can to support Louis and ensure a seamless transition, and I am confident that he will be very successful in the role.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public during this pandemic, and I thank you for all of the support you have provided me during my postal career.

It is a privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

And with that, I'll turn it back over to Chairman Duncan.

AMERICAN OVERSIGHT

DRAFT – PMG May 2020 Open Session Script v5 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. Thank you for joining us.

I'd like to begin by adding my thanks – and my admiration and respect – for the men and women of the Postal Service.

The Postal Service is very proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages.

This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

AMERICAN OVERSIGHT

In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services, and we are honored to continue to serve that role today.

This mission has never been more important, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

It is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

In that regard, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do each and every day to deliver for America.

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We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.

We are deeply grateful to the public for these many uplifting messages of support – it means a lot to all of us in the Postal Service.

[PAUSE]

That said, I am saddened to also inform you that many of our employees have been exposed to COVID, and many have become ill as a result. While most have and will recover, a number have succumbed to the virus.

It is incredibly difficult for us in the Postal Service to lose friends and colleagues in this way. I would like to express my deepest condolences and sympathies to the families, friends and coworkers of those who have fallen.

It says a lot about our employees – and all those throughout the country working in essential services roles – that they do the heroic work of keeping the nation functioning. We take some comfort in knowing that because we keep delivering, the public is better able to shelter-in-place and to reduce the spread of COVID-19.

[PAUSE]

However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a

AMERICAN OVERSIGHT

significant loss in needed revenues, which threatens our ongoing ability to provide our essential federal service.

The immediate concern facing policymakers is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are a result of the COVID-19 pandemic, to ensure continued service to the American people in the near term.

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Oversight and Government Reform Committee, and separately to the Chairman of our Senate Oversight Committee.

For scheduling reasons, members of my team likewise provided similar briefings to staff of the minority leader of our Senate Oversight Committee and to other interested Congressional stakeholder.

In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term, and we described the devastating impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

AMERICAN OVERSIGHT

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause extreme near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

It is inescapable that we are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital in the economic recovery.

For that reason, we presented to Congress our request for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months; a modernization grant to help us update our infrastructure so that we can survive this situation and confront future ones over the longer term, and which can serve as a catalyst as America's economy emerges from the pandemic; and unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic, and that is our focus right now.

AMERICAN OVERSIGHT

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is critical, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current COVID-19 crisis, it is a situation which we will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing.

Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term viability.

AMERICAN OVERSIGHT

At the appropriate time, we will seek additional reform measures to fix our business model and to make us sustainable long-term.

The financial relief provided from these additional reforms, along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.

In the interim, as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.

(PAUSE)

As many of you know, Governor David C. Williams announced his resignation from the Board of Governors, effective April 30, 2020.

I worked very closely with Governor Williams during his time on the Board, and in his prior capacity as the Inspector General for the Postal Service, and I always appreciated his passion, his perspective, and his creativity.

One thing that was always clear to me was that Governor Williams always wanted what we best for the Postal Service, the mailing industry, and most importantly, the American people.

AMERICAN OVERSIGHT

I thank him for his service.

In addition, I would like to send my heartfelt congratulation to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

I have spoken to him several times already, and can tell you that Louis DeJoy brings tremendous enthusiasm, energy, and business acumen to the role.

I am a very confident that he will be a tremendous success, and I can assure you that I will do everything I can to ensure a seamless transition.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude for the heroism and commitment of the men and women of the Postal Service, who continue to serve the American public during this pandemic.

It is an honor and a privilege to work alongside all of my postal colleagues and to share in our mission of service to the nation, which binds us all together.

Thank you.

And with that, I'll turn it back over to Chairman Duncan.

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DRAFT – PMG May 2020 Open Session Script v5 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. Thank you for joining us.

I'd like to begin by adding my thanks – and my admiration and respect – for the men and women of the Postal Service.

The Postal Service is very proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages.

This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

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In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services, and we are honored to continue to serve that role today.

This mission has never been more important, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

It is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

In that regard, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do each and every day to deliver for America.

AMERICAN OVERSIGHT

We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.

We are deeply grateful to the public for these many uplifting messages of support – it means a lot to all of us in the Postal Service.

[PAUSE]

That said, I am saddened to also inform you that many of our employees have been exposed to COVID, and many have become ill as a result. While most have and will recover, a number have succumbed to the virus.

It is incredibly difficult for us in the Postal Service to lose friends and colleagues in this way. I would like to express my deepest condolences and sympathies to the families, friends and coworkers of those who have fallen.

It says a lot about our employees – and all those throughout the country working in essential services roles – that they do the heroic work of keeping the nation functioning. We take some comfort in knowing that because we keep delivering, the public is better able to shelter-in-place and to reduce the spread of COVID-19.

[PAUSE]

However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a

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significant loss in needed revenues, which threatens our ongoing ability to provide our essential federal service.

The immediate concern facing policymakers is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are a result of the COVID-19 pandemic, to ensure continued service to the American people in the near term.

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Oversight and Government Reform Committee, and separately to the Chairman of our Senate Oversight Committee.

For scheduling reasons, members of my team likewise provided similar briefings to staff of the minority leader of our Senate Oversight Committee and to other interested Congressional stakeholder.

In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term, and we described the devastating impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

AMERICAN OVERSIGHT

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause extreme near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

It is inescapable that we are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital in the economic recovery.

For that reason, we presented to Congress our request for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months; a modernization grant to help us update our infrastructure so that we can survive this situation and confront future ones over the longer term, and which can serve as a catalyst as America's economy emerges from the pandemic; and unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic, and that is our focus right now.

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We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is critical, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current COVID-19 crisis, it is a situation which we will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing.

Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term viability.

AMERICAN OVERSIGHT

At the appropriate time, we will seek additional reform measures to fix our business model and to make us sustainable long-term.

The financial relief provided from these additional reforms, along with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.

In the interim, as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service, enabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.

(PAUSE)

As many of you know, Governor David C. Williams announced his resignation from the Board of Governors, effective April 30, 2020.

I worked very closely with Governor Williams during his time on the Board, and in his prior capacity as the Inspector General for the Postal Service, and I always appreciated his passion, his perspective, and his creativity.

One thing that was always clear to me was that Governor Williams always wanted what we best for the Postal Service, the mailing industry, and most importantly, the American people.

AMERICAN OVERSIGHT

I thank him for his service.

In addition, I would like to send my heartfelt congratulation to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

I have spoken to him several times already, and can tell you that Louis DeJoy brings tremendous enthusiasm, energy, and business acumen to the role.

I am a very confident that he will be a tremendous success, and I can assure you that I will do everything I can to ensure a seamless transition.

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I would like to close, as I opened, by again extending my gratitude for the heroism and commitment of the men and women of the Postal Service, who continue to serve the American public during this pandemic.

It is an honor and a privilege to work alongside all of my postal colleagues and to share in our mission of service to the nation, which binds us all together.

Thank you.

And with that, I'll turn it back over to Chairman Duncan.

AMERICAN OVERSIGHT

Thank you, Chairman Duncan

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

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The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We also provided Congress with our immediate legislative request, to help the Postal Service deal with the direct impacts of the pandemic. The request was unanimously approved by our Board of Governors.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

AMERICAN OVERSIGHT

We also request modernization funding so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

(PAUSE)

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress, along with continued management initiatives to drive greater efficiency and increase profitable revenue, will provide the Postal Service with positive cash flow over the next ten years.

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I join the Chairman in thanking David Williams for his service on the Board and wish him the best.

Also, I would like to send my heartfelt congratulations to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the business acumen and insights that he has acquired over a successful 35-year professional career.

I can assure you that I will do everything I can to support Louis and ensure a seamless transition.

I also know postal employees throughout the organization will support Louis in his efforts to uphold and preserve the Postal Service's cherished role in our nation.

(PAUSE)

AMERICAN OVERSIGHT

I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public.

It has been my privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

I thank you for all of the support you have provided me during my postal career.

And with that, I'll turn it back over to Chairman Duncan.

AMERICAN OVERSIGHT

Thank you, Chairman Duncan

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

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In our briefings, based upon the data that was available to us at the time, we described the significant impacts that we believe the pandemic will have on our business.

The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We also provided Congress with our immediate legislative request, to help the Postal Service deal with the direct impacts of the pandemic. The request was unanimously approved by our Board of Governors.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

AMERICAN OVERSIGHT

We also request modernization funding so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

(PAUSE)

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

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AMERICAN OVERSIGHT

We also request modernization funding so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

(PAUSE)

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

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AMERICAN OVERSIGHT

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Louis will bring the business acumen and insights that he has acquired over a successful 35-year professional career.

I can assure you that I will do everything I can to support Louis and ensure a seamless transition.

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AMERICAN OVERSIGHT

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I thank you for all of the support you have provided me during my postal career.

And with that, I'll turn it back over to Chairman Duncan.

AMERICAN OVERSIGHT

Thank you, Chairman Duncan

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

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We deliver supplies that sustain us, prescription medications, benefit checks and other critical materials such as medical information, financial statements, absentee ballots, and Census surveys.

This fundamental service which our employees provide is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

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The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We also provided Congress with our immediate legislative request, to help the Postal Service deal with the direct impacts of the pandemic. The request was unanimously approved by our Board of Governors.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

AMERICAN OVERSIGHT

We also request modernization funding so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

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While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

AMERICAN OVERSIGHT

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current crisis, it is a situation which policy makers will need to confront in the immediate future.

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We are prohibited from reducing these costs, and yet we also lack the autonomy to diversify our products or to control pricing for products that generate the majority of our revenue.

To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress, along with continued management initiatives to drive greater efficiency and increase profitable revenue, will provide the Postal Service with positive cash flow over the next ten years.

AMERICAN OVERSIGHT

As the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service and enable us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.

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I join the Chairman in thanking David Williams for his service on the Board and wish him the best.

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AMERICAN OVERSIGHT

DRAFT – PMG May 2020 Open Session Script v6 (1,291 words):

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We described the significant impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

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The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this

AMERICAN OVERSIGHT

year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital role in the economic recovery.

Our request of Congress is for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

We also request a modernization grant to help us update our infrastructure so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

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AMERICAN OVERSIGHT

DRAFT – PMG May 2020 Open Session Script v6 (1,245 words):

Thank you, Chairman Duncan, for your kind remarks.

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AMERICAN OVERSIGHT

DRAFT – PMG May 2020 Open Session Script v6 (1,601 words):

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As Louis remarked yesterday, he has a great appreciation for the Postal Service and our dedicated employees who faithfully execute our mission, which he characterized as "the heart and soul" of this institution.

I could not agree with him more, and I can assure you that I will do everything I can to support Louis and ensure a seamless transition.

AMERICAN OVERSIGHT

I also know postal employees throughout the organization will support him in his efforts to uphold and preserve the Postal Service's cherished role in our nation.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public.

It is a privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

I thank you for all of the support you have provided me during my postal career.

And with that, I'll turn it back over to Chairman Duncan.

AMERICAN OVERSIGHT

Thank you, Chairman Duncan

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

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[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Committee on Oversight and Government Reform, and separately to the Chairman and Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs, on our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term.

In our briefings, based upon the data that was available to us at the time, we described the significant impacts that we believe the pandemic will have on our business.

The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We also provided Congress with our immediate legislative request, to help the Postal Service deal with the direct impacts of the pandemic. The request was unanimously approved by our Board of Governors.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

AMERICAN OVERSIGHT

We also request modernization funding so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

(PAUSE)

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

AMERICAN OVERSIGHT

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current crisis, it is a situation which policy makers will need to confront in the immediate future.

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To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress, along with continued management initiatives to drive greater efficiency and increase profitable revenue, will provide the Postal Service with positive cash flow over the next ten years.

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As the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service and enable us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.

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I join the Chairman in thanking David Williams for his service on the Board and wish him the best.

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AMERICAN OVERSIGHT

DRAFT – PMG May 2020 Open Session Script v~~5~~6 (1,601 words):

Thank you, Chairman Duncan, for your kind remarks.

Good morning everyone. ~~Thank you for joining us.~~

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

~~I'd like to begin by~~ I would also ~~adding~~ add my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they ~~steadfastly~~ continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

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~~This items~~ W~~w~~e ~~handle include~~ conveydeliver supplies that sustain us, prescription medications, benefit checks and other critical materials such as medical information, financial statements, absentee ballots, and Census surveys.

Commented [MTJ-WD1]: We use deliver in the previous paragraph, and I also want to use a broader term so that it encompasses all of our craft employees.

AMERICAN OVERSIGHT

This fundamental service which our employees supplyprovide ~~supply~~ is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

Commented [MTJ-WD2]: I am trying to use a different word, since we say provide two paragraphs up, as well as three paragraphs below.

~~In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.~~

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the n~~N~~ation with prompt, secure, and affordable mail and package delivery services--a mission proudly accepted each and every day.

This mission has never been more important, and ~~as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.~~

~~I~~it is more clear than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

AMERICAN OVERSIGHT

A recent survey by the Pew Research Center ~~released on April 9~~ shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

This is a credit to the men and women of the Postal Service who go to work every day to serve their communities.

As Chairman Duncan mentioned, ~~T~~throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do to deliver for America.

~~We have seen hundreds of notes, posters, yard signs, and sidewalk chalk drawings thanking our employees for their work.~~

We are deeply grateful to the public for these many uplifting messages of support – ~~it means a lot to all of us in the Postal Service.~~ It makes~~'s~~ clear to us that~~,~~ the Postal Service matters to the American people.

[PAUSE]

~~That said, I am saddened to also inform you that a number of our employees have become ill with the virus and some have~~ died. ~~succumbed to it.~~

~~I would like to express my deepest condolences and sympathies to their families, friends, and coworkers. of those who have died.~~

AMERICAN OVERSIGHT

~~Hopefully, they can take some comfort in knowing that because we keep delivering, the public is better able to shelter-in-place and to reduce the spread of COVID-19.~~

~~It says a lot about our employees – and all those throughout the country working in essential services roles – that they do the heroic work of keeping the nation functioning.~~

[PAUSE]

~~However, as we continue to perform our vital mission, the national decline in economic activity has led to a rapid drop in mail volumes and a significant loss in needed revenues which we anticipate will deepen, and which threatens our ongoing ability to provide our essential federal service.~~

~~The immediate concern is how to maintain these essential postal services amid the dramatic and unanticipated mail volume declines that are and will result from the COVID-19 pandemic, to ensure continued service to the American people in the near term.~~

[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Committee on Oversight and Government Reform ~~Committee~~, and separately to the Chairman and Ranking Member of the ~~our~~ Senate ~~Oversight~~ Committee on Homeland Security and Governmental Affairs.

AMERICAN OVERSIGHT

In our briefings, based upon the data that was available to us at the time, we provided Congress with our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term.~~, and~~

W~~w~~e described the significant ~~devastating~~ impacts that we believe the pandemic will have on our business.

We also provided Congress with our immediate legislative request to help the Postal Service to deal with those direct impacts of the pandemic.

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

The stark reality is that the pandemic will cause ~~significant~~ meaningful~~extreme~~ near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

~~It is inescapable that~~ W~~w~~e are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital role in the economic recovery.

Our request of Congress is for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

AMERICAN OVERSIGHT

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

We also request a modernization grant to help us update our infrastructure so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.~~emerges from the pandemic~~.

Finally, we seek unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.~~,~~ ~~and~~

Tthat is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is ~~critical~~necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current ~~COVID-19~~ crisis, it is a situation which policy makers will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us.

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To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model.~~,~~ ~~which,~~along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress~~,~~ will provide the Postal Service with positive cash flow over the next ten years.

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~~Aalong with the immediate relief that we are requesting now that is directly related to the pandemic, will provide the Postal Service with positive cash flow over the next ten years.~~

~~In the interim, A~~as the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service~~, .~~enabling us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.

~~Eenabling us to continue to fulfill our indispensable mission during the pandemic, and to play an effective role in the nation's economic recovery.~~

[PAUSE]

~~As many of you know, Governor David C. Williams announced his resignation from the Board of Governors, effective April 30, 2020.~~
I join the Chairman in thanking David Williams for his service on the Board and wish him the best.
~~I worked with David Governor Williams during his time on the Board, and in his prior capacity as the Inspector General for the Postal Service, and I always appreciated his passion, his perspective, and his creativity.~~

~~I thank him for his service and wish him the best.~~

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Also, I would like to send my heartfelt congratulations to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the ~~tremendous~~ business acumen and insights that he has acquired over a ~~very~~ successful 35-year professional ~~business~~ career.

As Louis remarked yesterday, he has a great appreciation for the Postal Service and our dedicated employees who faithfully execute our mission, which he characterized as "the heart and soul" of this institution.

I could not agree with him more, and I ~~I know that he is excited about the opportunity, extremely focused, and very committed to the long-term success of the Postal Service~~

~~I~~ can assure you that I will do everything I can to support Louis and ensure a seamless transition, ~~.,~~ ~~and I am confident that he will be very successful in the role.~~ I know postal employees throughout the organization will support him in his efforts to upholding and preserve the Postal Service's cherished role in our nation.~~....~~

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The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this

AMERICAN OVERSIGHT

year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We are at a critical juncture in the life of the Postal Service – at a time when America needs the Postal Service to sustain communities and play a vital role in the economic recovery.

Our request of Congress is for immediate relief to address the direct impacts to our business from the COVID-19 pandemic.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

We also request a modernization grant to help us update our infrastructure so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

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That is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

[PAUSE]

To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current crisis, it is a situation which policy makers will ultimately need to confront.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us.

We are prohibited from reducing these costs, and yet we also lack the autonomy to diversify our products or to control pricing for products that generate the majority of our revenue

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To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model. along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress will provide the Postal Service with positive cash flow over the next ten years.

As the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service and enable us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.

[PAUSE]

I join the Chairman in thanking David Williams for his service on the Board and wish him the best.

Also, I would like to send my heartfelt congratulations to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

Louis will bring the business acumen and insights that he has acquired over a successful 35-year professional career.

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As Louis remarked yesterday, he has a great appreciation for the Postal Service and our dedicated employees who faithfully execute our mission, which he characterized as “the heart and soul” of this institution.

I could not agree with him more, and I can assure you that I will do everything I can to support Louis and ensure a seamless transition.

I also know postal employees throughout the organization will support him in his efforts to uphold and preserve the Postal Service’s cherished role in our nation.

(PAUSE)

I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public.

It is a privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

I thank you for all of the support you have provided me during my postal career.

And with that, I’ll turn it back over to Chairman Duncan.

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Thank you, Chairman Duncan

Good morning everyone.

I also want to express my deep condolences to the families, friends and coworkers of our postal colleagues that have passed as result of COVID-19. My thoughts and prayers are with you.

I would also add my thanks – and my admiration and respect – for the men and women of the Postal Service.

Postal employees embody the spirit of public service as they continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure.

The 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages throughout this country.

We deliver supplies that sustain us, prescription medications, benefit checks and other critical materials such as medical information, financial statements, absentee ballots, and Census surveys.

This fundamental service which our employees provide is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities.

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The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the nation with prompt, secure, and affordable mail and package delivery services--a mission proudly accepted each and every day.

This mission has never been more important, and it is clearer than ever how consequential the postal system is in meeting America's social, informational, and economic needs.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government.

A recent survey by the Pew Research Center shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service.

This is a credit to the men and women of the Postal Service who go to work every day to serve their communities.

As Chairman Duncan mentioned, throughout the nation, in community after community, we have seen expressions of gratitude for the work our employees do to deliver for America.

We are deeply grateful to the public for these many uplifting messages of support –It makes clear to us that the Postal Service matters to the American people.

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[PAUSE]

Several weeks ago, I provided a briefing to members and staff of the House Committee on Oversight and Government Reform, and separately to the Chairman and Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs, on our financial projections that we anticipate will directly result from the impact of COVID-19, both in the short and longer term.

In our briefings, based upon the data that was available to us at the time, we described the significant impacts that we believe the pandemic will have on our business.

The stark reality is that the pandemic will cause meaningful near-term and long-term implications from the steep decline in revenue we will suffer this year, and in the coming years, that endanger our ability to fulfill our universal service mission, absent Congressional intervention.

We also provided Congress with our immediate legislative request, to help the Postal Service deal with the direct impacts of the pandemic. The request was unanimously approved by our Board of Governors.

We seek a significant appropriation to help offset the volume and revenue losses resulting from the pandemic over the next 18 months.

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We also request modernization funding so that we can weather the longer term economic impacts of the pandemic and position the Postal Service to maintain and update our critical infrastructure to continue to support the nation.

Modernizing our infrastructure has an added benefit of serving as a catalyst as America's economy opens up.

Finally, we seek unrestricted access to borrowing.

(PAUSE)

While we continue to evaluate the data as we fight through the pandemic each week, our fundamental conclusions which formed the basis of our legislative request remain unchanged.

Based upon our review of the business landscape, it is certain that immediate funding is necessary to sustain the Postal Service and to mitigate the impacts of the pandemic.

That is our focus right now.

We will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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To be clear, however, while short-term action by Congress to address the liquidity crisis caused by the pandemic is necessary, it is also true that the Postal Service faces long-standing financial challenges stemming from a broken business model that is imposed upon us by law and that leaves us financially unsustainable.

While we do not believe that our business model challenges can be thoughtfully resolved in the midst of the current crisis, it is a situation which policy makers will need to confront in the immediate future.

Mail volumes continue to decline, but our ability to adjust to such volume declines is hampered by an inflexible statutory and regulatory structure that imposes legally mandated, unaffordable costs on us.

We are prohibited from reducing these costs, and yet we also lack the autonomy to diversify our products or to control pricing for products that generate the majority of our revenue.

To ensure the long-term viability of the Postal Service, Congress must adopt reforms to our business model along with the immediate relief that we are requesting now that is directly related to the pandemic.

These combined actions by Congress, along with continued management initiatives to drive greater efficiency and increase profitable revenue, will provide the Postal Service with positive cash flow over the next ten years.

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As the Congress and the Administration take steps to support businesses and industries around the country, we strongly encourage action to shore up the finances of the Postal Service and enable us to continue to fulfill our indispensable mission and to play an effective role in the nation's economic recovery.

[PAUSE]

I join the Chairman in thanking David Williams for his service on the Board and wish him the best.

Also, I would like to send my heartfelt congratulations to Louis DeJoy, who will succeed me to become the 75th Postmaster General of the United States.

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I would like to close, as I opened, by again extending my gratitude to the men and women of the Postal Service for the vital service they continue to provide to the American public.

It has been my privilege to work alongside all of my postal colleagues and to share in our ongoing mission of service to the nation.

I thank you for all of the support you have provided me during my postal career.

And with that, I'll turn it back over to Chairman Duncan.

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UNITED STATES POSTAL SERVICE®

POSTAL NEWS

DRAFT

FOR IMMEDIATE RELEASE
April XX, 2020

Contact: XXXXX
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usps.com/news

U.S. Postal Service to Deliver Face Coverings to Every American Household

Historic Delivery of 650 Million Face Coverings is in Partnership with the White House Coronavirus Task Force, the Department of Health and Human Services and a Consortium of Textile Manufacturers

WASHINGTON — The U.S. Postal Service today announced it will distribute 650 million reusable cotton face coverings on behalf of the Department of Health and Human Services (HHS) to every residential delivery point in America, beginning in areas which HHS has identified as experiencing high transmission rates of COVID-19 and to workers providing essential services throughout the nation during this pandemic.

This unprecedented undertaking is being done in partnership with the White House Coronavirus Task Force~~, the Department of Health and Human Services (~~HHS~~)~~ and a consortium of textile manufacturers. Project: America Strong sub-task force within the Federal Emergency Management Agency (FEMA) Unified Command Structure, is complementing the Administration's whole-of-nation response to COVID-19

The first shipments are expected to reach U.S. households as early as April xx.

"The United States Postal Service is proud to partner with the White House Coronavirus Task Force, the Department of Health and Human Services and a consortium of textile manufacturers in delivering on this critical national initiative," said Postmaster General and CEO Megan J. Brennan. "Our organization is uniquely suited to undertake this historic mission of delivering face coverings to every American household in the fight against the COVID-19 virus. Our employees have been providing essential service to the American people throughout~~on the frontlines of~~ this crisis delivering vital goods and services and serving as a lifeline for millions of people as this pandemic~~tragedy~~ has unfolded. Today, we stand ready to deliver, as we have for 240 years, ~~to the American public to~~ help our country combat the pandemic."

The Postal Service will utilize its unrivaled distribution network to deliver the face coverings. Letter carriers, rural carriers and others will deliver one pack of five face coverings to each residential delivery point and PO Box. The packs will arrive labeled with a generic Postal Service barcode, not a specific address, and will include HHS instructions on proper use.

HHS will determine the delivery points and timetable by counties within select geographic areas. Orleans and Jefferson parishes in Louisiana will be the first areas to receive face coverings, followed by King County, WA; Wayne County, MI, and New York.

The Postal Service provides a vital public service that is a part of this nation's critical infrastructure.

The Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.

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For U.S. Postal Service media resources, including broadcast-quality video and audio and photo stills, visit the *USPS Newsroom*. Follow us on *Twitter*, *Instagram*, *Pinterest*, and *LinkedIn*. Subscribe to the *USPS YouTube channel*, like us on *Facebook* and enjoy our *Postal Posts blog*. For more information about the Postal Service, visit *usps.com* and *facts.usps.com*.

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Draft - Reactive Media Statement

The United States Postal Service is proud to partner with the White House Coronavirus Task Force, the Department of Health and Human Services (HHS), and ~~the~~ a consortium of textile manufacturers in delivering on this critical national initiative of distributing xxx million reusable cotton face coverings to every household in America, beginning in some of the areas experiencing the highest transmission rates of COVID-19.

The packs will arrive labeled with a generic Postal Service barcode, not a specific address, and HHS instructions on proper use. They will include five reusable face cloths, which can be used up to 15 times each.

This effort will be rolled out in phases with HHS determining the order of delivery locations. Today's announcement is another example of the Postal Service's critical role in delivering for America during the COVID-19 crisis. With our unrivaled network, which includes 630,000 employees, 31,000 Post Offices and delivery 6 days a week to 160 million addresses, the Postal Service is uniquely positioned to provide nationwide support during this historic crisis.

~~Recently, the Postal Service also strongly encouraged its employees to follow additional CDC recommendations, advising people to wear cloth face coverings in public settings where other social distancing measures are difficult to maintain. We continue to follow the strategies and measures of the CDC.~~

Commented [KRC1]: This paragraph does not seem to fit with the main purpose of this statement and takes away from the effort. ¶
¶
Also, if the media sees carriers and clerks in the area not wearing face coverings, this message probably won't land well.

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DRAFT – WHITE PAPER for Leadership re COVID-19 v10:

FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF

This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this White Paper explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

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appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.

- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to

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continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

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Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%
- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
- UPDATE FOR ADDITIONAL WEEKS?

However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

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The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
    - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.

- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
    - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
    - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
    - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.

- Long-term impact - Fiscal Year 2022 and beyond
    - The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

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However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;

- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;

- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank

- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

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As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of

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Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

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FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF

This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this White Paper explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

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appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.

- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to

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continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

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Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%
- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
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However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

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The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
    - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.

- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
    - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
    - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
    - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.

- Long-term impact - Fiscal Year 2022 and beyond
    - The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

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However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

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Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

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appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

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Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

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Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
- The week of March 29th total delivered mail volume declined by 24.2%
- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
- The week of April 5th total delivered package volume increased by 20.7%.
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However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

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The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
    - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.

- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
    - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
    - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
    - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.

- Long-term impact - Fiscal Year 2022 and beyond
    - The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

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However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;

- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;

- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank

- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

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As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of

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our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by the bipartisan Board of Governors in a unanimous fashion.

Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

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DRAFT – WHITE PAPER for Leadership re COVID-19 v10:

FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF

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Impact of the Pandemic on the Postal Service's Financial Condition

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our essential universal service mission, the COVID-19 pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

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Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with mail volumes, the impact of the last recession (i.e., the Great Recession) on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to the Postal Service regarding their short-term plans.

The first known is what is currently happening with mail volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. During the first week of the COVID-impact (March 16-March 21), the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%, and these declines have accelerated significantly since then, as follows:

- The week of March 22nd total delivered mail volume declined by 7.5%
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- The week of April 5th total delivered mail volume declined by 32.2%.
- UPDATE FOR ADDITIONAL WEEKS?

Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (March 16-March 21), the Postal Service saw delivered package volume decline by 1.0%, but since then packages have grown significantly, as follows:

- The week of March 22nd total delivered package volume grew by 5.0%
- The week of March 29th total delivered package volume increased by 11.8%
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However, package growth cannot fully counteract the impact of the mail volume declines we are experiencing. In addition, although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

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The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During the Great Recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the Great Recession caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

- Short-term impact - Postal Q3 & Q4 (April – September)
    - We expect a significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19 which will cause projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at

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which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.

- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
    - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
    - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
    - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.

- Long-term impact - Fiscal Year 2022 and beyond
    - The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

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However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;

- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;

- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank

- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

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As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of

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our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by the bipartisan Board of Governors in a unanimous fashion.

Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

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DRAFT – WHITE PAPER for Leadership re COVID-19 v10:

FINANCIAL IMPACTS ON THE POSTAL SERVICE AS A RESULT OF THE PANDEMIC, AND CORRESPONDING REQUEST FOR RELIEF

This White Paper is drafted to share with you the actions the United States Postal Service is taking to meet the needs of the American public and to protect our employees and customers as our nation responds to the Coronavirus Disease 2019 (COVID-19) pandemic, and to also inform you of the serious impacts that the pandemic is having on the Postal Service's financial condition. The pandemic has resulted in a near-term liquidity crisis that requires immediate action by Congress to ensure the Postal Service's continued ability to provide our critical services. Our bipartisan Board of Governors has unanimously approved a set of recommendations for short-term financial relief to counteract the direct impacts of the pandemic on the Postal Service, which this White Paper explains in detail.

Postal Service Response to the Pandemic

The Board and Postal Service management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as Americans shelter in place, work from home, or otherwise practice social distancing. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people. In addition, the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy, and the postal sector is also designated by the Department of Homeland Security as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the men and women of the Postal Service accept, process, transport, and deliver important mail and vital packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.

The Board has also been holding meetings and briefings at regular intervals to receive the latest information and provide strategic direction to management on responding to the pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. We are fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our mailing and shipping services, both today and in the future. As we provide our vital service, we have been adjusting our policies and operating procedures in a manner consistent with the advice of the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and other public health officials.

In this regard, the specific measures we have implemented in response to the COVID-19 outbreak include the following:

Keeping our employees safe. The essential services we provide are only possible due to the collective and individual efforts of the dedicated public servants who work for the Postal Service. We are doing everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To achieve this goal, the COVID-19 Command Response team at Headquarters is working closely with HHS, CDC, and other public health officials to receive their latest guidance on

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appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include the following:

- Updated our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have been actively encouraging any employee who feels sick to stay home. To facilitate their ability to do so, we entered into MOUs even in advance of the Families First Coronavirus Response Act with our unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19. We expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country. While we have taken these steps on our own initiative, we have also ensured that employees will also receive the emergency leave authorized by the Families First Coronavirus Response Act, in addition to what they otherwise have accrued.

- Worked to overcome the challenges in the supply chain to ensure that our employees have ready access to hand sanitizer, and that they receive surgical masks and gloves upon request. This has been a matter of the highest priority for the Postal Service throughout the pandemic. We have shipped over 18 million masks throughout the country to ensure that they are available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforced workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing, and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have also changed our delivery procedures to ensure the appropriate social distancing between our letter carriers and customers, such as by eliminating the customer signature requirement for certain deliveries. We are strongly encouraging the use of facial coverings in those environments where social distancing is difficult to maintain, and will continue to evaluate our policies in that regard in light of the evolving circumstances.

- Updated our cleaning policies to ensure that all cleaning in our facilities occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanded the use of telework for those employees who are able to perform their jobs remotely.

- Issued and continue to issue a daily cadence of communications to employees to ensure they have the latest information and guidance.

Keeping our customers safe. The CDC, the World Health Organization, as well as the U.S. Surgeon General have all said that there is very low risk that this virus is being spread through mail, which should be a comfort to the public. We are also adapting procedures to ensure that we are able to

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continue to provide service effectively and safely. As noted above, we are reinforcing workplace behaviors to ensure that contact between our employees and customers reflect the best guidance regarding healthy interactions, social distancing, and risk minimization. We are additionally taking steps to ensure that customers can safely come to our retail facilities, such as by limiting the number of individuals who can be in a lobby at any one time, and employing floor tape to ensure that customers waiting in line can maintain the appropriate distance from one another, and from the retail counter.

Network integrity/continuity of operations. The Postal Service is undertaking all reasonable measures to minimize impacts to our customers. Following our normal protocol, we began daily operational assessments and responses as the situation in China was first identified, and are coordinating organization-wide efforts to respond to evolving conditions, and to anticipate and prepare for customer and community needs throughout the country. We are highly confident in our ability to process and deliver the nation's mail and packages throughout this emergency. We do not expect significant lasting disruption or degradation in the services we provide in the domestic market, though we do anticipate that adjusting local operations in certain areas may be necessary to account for absent employees and other local contingencies, and that such adjustments will likely have temporary service impacts. If, for some reason, we need to curtail or adjust operations in a particular facility or area, activation of localized continuity of operations plans will be implemented to provide required support – similar to planning we implement in the wake of hurricanes, flooding, wildfires and other disruptive events. In addition, given the impact of the pandemic on the availability of transportation, we have also been required to temporarily adjust our service standards for certain of our package products, and we have had to curtail operations to some foreign destinations where transportation is unavailable.

All-government emergency response. The Postal Service is playing an integral role in national emergency response and preparedness. The Postal Service is participating in the National Response Coordination Center (NRCC) headed by the Federal Emergency Management Agency (FEMA), and will continue to assist FEMA and other agencies in the whole-of-government response to the pandemic. The Postal Service has unique capabilities in this regard, because of our role as the most frequent touchpoint between the American people and the federal government through our nationwide retail and delivery network. For instance, we have leveraged our network to communicate CDC guidance to the public, both by displaying CDC posters in our retail facilities, by providing key information through our digital message boards in our large Post Offices, and by working with the Administration to help design and deliver a postcard from the President to every American household that relayed the key CDC guidance and that informed the recipients about the CDC's COVID-19 specific website.

Further, we have also donated and delivered 500,000 N-95 masks (which are different from the masks that our employees utilize) that were in excess of our needs to the Department of Health and Human Services for the Strategic National Stockpile for distribution to hospitals and other critical uses. Additionally, we are prepared to assist as necessary with the distribution of other personal protective equipment as a part of the Administration's pandemic response. Finally, we will be delivering information concerning the stimulus checks that were provided as a part of the CARES Act, and we will also be delivering the physical checks to those who will not be receiving them through direct deposit.

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- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
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There are three significant components to the COVID-19 impact that are unknown and make the effects of the pandemic on mail volumes extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the Great Recession, a large portion of mail volume never returned and we suffered a permanent decline from FY2007 levels of over 20%).

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These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the Great Recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months, and for the longer-term:

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    - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.
    - For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels. As noted, current projections by economists suggest the economic impact of the pandemic will be worse than the Great Recession (when we permanently lost over 20% of volumes.
    - For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.

- Long-term impact - Fiscal Year 2022 and beyond
    - The longer-term projection suggests a return to a "new normal" of about 75% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines that we were experiencing prior to the pandemic will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections, while severe, should not be considered a worst case, because it is conceivable that the impact of COVID-19 on mail volumes could be even more dire than we are anticipating.

Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. Our current projections, which are based upon the assumptions set forth herein, indicate that the Postal Service will be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that time, the Postal Service would have less than one payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term note that was available to us under our existing statutory borrowing authority. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing. We anticipate that this borrowing will be provided to us and that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

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However, even with this additional $10B, the Postal Service will continue to face a liquidity crisis in the near-term. Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct result of the impacts of the COVID-19 pandemic. Based upon our current projections, we will run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections, directly due to the COVID-19 pandemic.

The Postal Service will continue to take aggressive action to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. However, due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act, our ability to significantly reduce expenses in the short-run is limited. For instance, any savings associated with reduced workhours are diminished because the new leave provisions of the Families First Coronavirus Relief Act have added additional costs to the Postal Service that are estimated to be approximately $600M-$900M, depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying the pandemic, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

Legislative Relief Sought from Congress

There is an immediate need for Congress to give the Postal Service relief to address the direct impacts that the COVID-19 pandemic has had and will have on our financial condition, so that we can ensure our continued ability to operate in the near term. To address the impacts of the pandemic, we seek the following four items from Congress:

- $25B in funds to cover the estimated COVID-19 losses over the next two years;

- $25B in funds for modernization, to address the long-term undercapitalization of the Postal Service that has been exacerbated by the pandemic, which will help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic and ensure that our critical infrastructure will be ready to support the Nation for current and future needs;

- Satisfaction of our $14.4B in outstanding debt to the Federal Financing Bank

- Unrestricted borrowing authority up to $25B, by consolidating our existing borrowing authority of $15B under Title 39 of the United States Code, and $10B under the CARES Act, based on streamlined procedures, and by eliminating the $3B annual borrowing limitation.

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As noted above, we estimate that the impact of COVID-19 will increase our net losses over the next 18 months by approximately $23B. Our request for $25B is intended to cover these losses, with a small cushion to account for contingencies, and hence to ensure our continued ability to operate in the near term. In this regard, our projections are not the worst case that could happen: in fact, we are not sure where the bottom is in terms of volume declines. As a result, it is important to build in some cushion to help ensure we remain liquid.

The longer-term impact of COVIID-19 is estimated at almost $55B. In particular, the severe impact that the pandemic will have on our cash flows over the longer-term, due to the permanent shift in volumes, will exacerbate the fact that we are severely undercapitalized, by requiring us to further defer critically important capital investments. Modernizing our operations and infrastructure, such as through the purchase of new delivery vehicles, automated mail processing equipment, and other capital investments, is essential to our ability to continue providing our vital services to the American people in a prompt, reliable, and efficient manner. We therefore are requesting $25B to address the impact that the pandemic will have on our ability to modernize our critical operations infrastructure. This will not only have a direct benefit to the American people in terms of ensuring our ability to provide our services, but will also act as a stimulus to the economy as our Nation recovers from the pandemic, as these funds will be used to purchase goods from suppliers in the private sector.

Finally, eliminating our current debt and creating a streamlined borrowing process moving forward will give the Postal Service immediate financial relief, as well as critical flexibility to ensure our continued ability to operate in the short-term. We propose that future borrowings from Treasury or the Federal Financing Bank occur through the framework of the note purchase agreement through which we borrowed funds from Federal Financing Bank for the past two decades. The note purchase agreement provided a streamlined mechanism for such borrowings, and gives the Postal Service needed certainty as to its ability to readily access cash. In addition, the agreement sets forth reasonable and appropriate terms and conditions that protects the interests of both the Postal Service and Treasury.

While this immediate action by Congress is critical to ensuring that we can withstand the direct impacts of the pandemic in the near term, it is important to note that it will not resolve the fundamental problems with the Postal Service's business model, or restore the Postal Service to longer-term financial stability. In fact, this short-term relief will only allow us to maintain operations until **2023**, if provided in full.

The Postal Service operates under a statutory and regulatory structure that does not give us sufficient flexibility to reduce costs and increase revenue to meet the challenges of the secular decline in the use of the mail. The Board also believes that it is important that Congress eventually act to address these business model issues, to ensure that the Postal Service can be financially stable over the next 10 years, though to be clear this is not something we are seeking immediately. That said, within the next 12-18 months, the Board also recommends that Congress will need to enact financial reforms that give us greater pricing and product flexibility, as well as the ability to address our retiree health benefits program, which is not properly integrated with Medicare, and our unaffordable pension payment obligations. Absent such reforms, which we believe have broad support among postal stakeholders, it would be necessary for the Board to adopt more significant and controversial structural reforms to ensure our ability to survive over the next 10 years.

Conclusion

The lives of the American public have changed dramatically over the last several weeks, and it is during difficult times when the true value of the Postal Service to the nation is most evident. One of

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our strengths as an organization is our stabilizing role in a crisis: the American people take confidence from our regular, daily role in their community and in their lives. The Postal Service remains committed to providing our critical services to the American, both today and for the years to come. The legislative recommendations discussed herein are presented with this goal in mind, and are fully endorsed by the bipartisan Board of Governors in a unanimous fashion.

Please let us know if you have any questions regarding this White Paper. The Board of Governors and the entire Postal Service look forward to continuing to work with you and the Administration to protect and strengthen the Postal Service.

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Draft April 16, 2020 (3.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #1.0)
- Cash flows
- RPW (currently reconciled with RPW draft V2.0)
- Contingent liabilities
- Workers compensation (initial review complete)
- RHB, FERS and CSRS content tailored (potential impact from Board of Actuaries discount rate decision, not yet reflected in document or general ledger)
- Liquidity has gone through first review
- Related party transactions

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 16, 2020 (3.0)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No ¨ Not Applicable þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨ Not Applicable þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer ¨
Smaller reporting company ¨	Emerging growth company ¨	Not applicable þ

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,861	$ 17,492	$ 37,212	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,863**	**17,495**	**37,217**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,615	1,470	3,230	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,129**	**19,557**	**42,208**	**40,783**
Loss from operations	**(4,266)**	**(2,062)**	**(4,991)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,292)**	**$ (2,082)**	**$ (5,040)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,617	1,461
Supplies, advances and prepayments	246	178
Total current assets	**11,322**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,337	—
Other assets	548	481
Total assets	**$ 30,486**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,018	$ 2,571
Retirement benefits	9,776	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,020	2,228
Deferred revenue-prepaid postage	2,116	2,225
Operating lease liabilities	1,170	—
Customer deposit accounts	1,174	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,423**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,321	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	741	649
Long-term debt	11,000	11,000
Total liabilities	**107,058**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,704)	(74,664)
Total net deficiency	**(76,572)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,486**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30,	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31,	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,292)	(4,292)
Balance, March 31,	**$ 3,132**	**$ (79,704)**	**$ (76,572)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,040)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	27	—
Increase in other assets	(67)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	107	—
(Decrease) increase in other noncurrent liabilities	(43)	33
Changes in current assets and liabilities:		
Receivables, net	(156)	(362)
Other current assets	(68)	(48)
Retirement benefits	1,350	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	293	75
Deferred revenue-prepaid postage and other deferred revenue	(123)	219
Net cash provided by operating activities	**1,037**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(15)	(25)
Net cash used in financing activities	**(15)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-

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of-use (“ROU”) asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* (“ASC 840”), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE			
Operating lease right-of-use	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities,	—	3,255	3,255
Total liabilities and net	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service’s *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service’s *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

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USPS-20-1215-A-008834

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

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USPS-20-1215-A-008835

Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service and has continued to process and deliver mail and packages during the pandemic as a part of the nation's critical infrastructure.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. H~~,~~ ~~h~~owever the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon~~nder~~ favorable terms.

The Postal Service estimates that the COVID-19 pandemic will increase its net operating loss by more than $22.0 billion over the next eighteen months, and by over $54.0 billion over the longer term, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service will require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity will continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with

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this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020.

The Postal Service drew $3.4 billion on a revolving credit facility with the FFB, that survived the expiration of the ~~under a~~ Note Purchase Agreement ("NPA"). This borrowing transpired in early April 2020~~, prior to that revolving credit facility's expiration~~. This credit facility has a maximum term of up to one year and its interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $82.9 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will be unlikely to have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

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In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which account for approximately 66% of the Postal Service's annual operating revenues, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first half of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service have recently begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

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(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$7,241**	**$6,879**	**$6,918**	**$ 34,395**	**$55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.
[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of~~Notwithstanding~~ the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

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Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,395	$ 6,286	$ 12,867	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other	1,059	1,043	1,931	1,966
Total operating revenue	**$ 17,861**	**$ 17,492**	**$ 37,212**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	505	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,116**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,581**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	55
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 307	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,396	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 41	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 60	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.
[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.
[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.
[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

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For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

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Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's (“EEOC”) Office of Federal Operations (“OFO”) certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO’s order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

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The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

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The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-	3.1%	12.8%	3.1%	11.9%
FERS-	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 946	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits	404	360	$ 809	$ 720
FERS unfunded retirement benefits	265	240	530	479
Total retirement benefits	**$ 1,615**	**$ 1,470**	**$ 3,230**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

The Postal Service's total liability for retirement benefits was $9.8 billion and $8.4 billion at March 31, 2020, and September 30, 2019, respectively.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

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In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from OPM's original projections due to changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.6 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it

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defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
PSRHBF unfunded liability	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health	1,000	1,000	2,000	2,000
Total retiree health benefits	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

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Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

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The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

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The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020 Finance Leases	Operating Leases	Total Leases
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

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The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020	
Finance Leases:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows - interest on lease liability	$ 6	
Financing cash flows - principal repayments	$ 21	
Right-of-use assets obtained in exchange for lease payments	$ —	
Weighted-average remaining lease term - finance leases	7.24 years	
Weighted-average discount rate - finance leases	6.30	%
Operating Leases:		
Operating cash flows from operating leases	$ 606	
Right-of-use assets obtained in exchange for operating lease	$ 172	
Weighted-average remaining lease term - operating leases	5.34 years	
Weighted-average discount rate - operating leases	1.70	%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

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The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating expenses* in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

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As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

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The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

(in millions)	March 31, 2020		September 30, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

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Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These ~~statements~~ risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* ("PAEA") classifies our products into two broad categories: Market-Dominant and Competitive "products," however, we use the term "services" in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS"), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund ("PSRHBF"). We must coordinate with the U.S. Office of Personnel Management ("OPM") to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

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As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. New. ~~and c~~Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, products that sustain us, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Furthermore, the anticipated weakness in the U.S. economy due to the pandemic has resulted in significant interest rate declines, which have caused an increase in certain of our noncontrollable operating expenses.

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On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3 billion annual limit on new borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. , ~~h~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon~~nder~~ favorable terms.

We estimate that the COVID-19 pandemic will increase our net operating loss by more than $22.0 billion over the next eighteen months, and by over $54.0 billion over next ten years, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $369 million, or 2.1%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $351 million, or 6.5%, with a volume growth of 16 million pieces, or 1.1%, driven largely by the January 2020 price increases applicable to certain Competitive services and e-commerce growth resulting from COVID-19; and
- *First-Class Mail* revenue increase of $109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%. Revenue growth was the result of the January 2020 price increases applicable to certain *First-Class Mail* services.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 605 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 50 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.6 billion, or 13.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $145 million, or 9.9%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;

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- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.3 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, increased $9 million, and was~~or~~ essentially flat, compared to the same period last year. The increase in operating revenue was due to an increase in Shipping and Packages revenue of $497 million, or 4.2%, despite a volume decline of 68 million pieces, or 2.1%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services. The increase in operating revenue was largely offset by the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $59 million, or 0.5%, with a volume decline of 634 million pieces, or 2.2%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.4 billion, or 3.5%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $274 million, or 9.3%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to increased spending on rent and utilities, and supplies and services; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards

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Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.0 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 2020	Six Months Ended March 2019
Net loss	**$ (4,292)**	**$ (2,082)**	**$ (5,040)**	**$ (3,619)**
PSRHBF unfunded liability amortization	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	404	360	809	720
FERS unfunded liability amortization expense[4]	265	240	530	479
Controllable loss	**$ (773)**	**$ (806)**	**$ (1,159)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period

Our controllable loss decreased $33 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $369 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $76 million.

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Our controllable loss increased $250 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first quarter of 2020.

The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Operating Revenue:				
First-Class Mail[1]	$ 6,395	$ 6,286	$ 12,867	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other[4]	1,059	1,043	1,931	1,966
Total operating revenue	**$ 17,861**	**$ 17,492**	**$ 37,212**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,172	14,235	28,490	29,124
Marketing Mail[2]	17,039	17,644	37,341	39,687
Shipping and Packages[3]	1,488	1,472	3,226	3,294
International	193	214	433	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	80	70	174	161
Total volume	**33,993**	**34,798**	**71,794**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020*, First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of

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our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020*, First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 32% of our revenue for the three months ended March 31, 2020, which was a 1% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. Furthermore, due to the COVID-19 pandemic our *First-Class Mail* volume began to decline significantly in March 2020, and it may never fully recover. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically shown revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

However, our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert additional volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19.

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We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%, compared to the same period last year. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $59 million, or 0.5%, and volume declined 634 million pieces, or 2.2%, compared to the same period last year. The most significant factor contributing to the declining trend in *First-Class Mail* volume was the continuing migration from mail to electronic communication and transaction alternatives. The increase in revenue and decline in volume for the three months ended March 31, 2020, as well as revenue declining at a slower rate than volume for the six months ended March 31, 2020, are due to the January 2020 price increase applicable to Market-Dominant services.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in March 2020, and it may never fully recover. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 605 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover. A protracted

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loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,614	$ 2,520	$ 5,592	$ 5,489
Parcel Services[2]	1,764	1,619	3,949	3,726
First-Class Package Services[3]	1,204	1,087	2,440	2,252
Package Services	206	211	413	430
Total Shipping and Packages	**$ 5,788**	**$ 5,437**	**$ 12,394**	**$ 11,897**
Shipping and Packages Volume:				
Priority Mail Services[1]	270	273	573	594
Parcel Services[2]	718	699	1,626	1,643
First-Class Package Services[3]	355	341	727	724
Package Services	145	159	300	333
Total Shipping and Packages	**1,488**	**1,472**	**3,226**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically shown revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday retail shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 6.5%, with a volume growth of 1.1%, compared to the same period last year. The volume increased due to growth in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.2%, despite a volume decline of 2.1%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by e-commerce growth resulting from the COVID-19 pandemic.

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Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 45% of the total for the three and six months ended March 31, 2020, compared to approximately 46% for the same period last year. However, Priority Mail Services accounted for approximately 18% of the total Shipping and Packages volume for both the three months ended March 31, 2020, a 1% decrease from the same period last year, and approximately 18% of the total Shipping and Packages volume for the six months ended March 31, 2020, essentially unchanged from the same period last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 3.7%, despite a volume decline of 1.1%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 1.9%, despite a volume decline of 3.5%, compared to the same period last year. Revenue grew despite the volume declines for the periods due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform more of the sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.0%, on volume growth of 2.7%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.0%, despite a volume decline of 1.0%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to e-commerce growth from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three months ended March 31, 2020, and despite the volume decline for the six months ended March 31, 2020, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels ~~at~~ the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

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For the three months ended March 31, 2020, First-Class Package Services revenue increased 10.8%, on volume growth of 4.1%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 8.3%, on volume growth of 0.4%, compared to the same period last year. Revenue grew greater than volume largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 2.4% on a volume decline of 8.8%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 4.0% on a volume decline of 9.9%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 3.2%, despite a volume decline of 9.8%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.8%, despite a volume decline of 8.5%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 10.7% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have depressed this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue increased 1.5%, but decreased 1.8% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

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We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments, approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

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Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2019, a reduction in our share of health insurance premiums, increased flexibility to use mail handler assistant employees, elimination of non-career casual employees, and enhanced benefits for non-career mail handler assistant employees. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The contract includes modest general wage increases over the life of the agreement with a COLA base month of July 2018, a reduction in our share of health insurance premiums, and wage improvements for postal support employees. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended

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March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

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Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
FERS normal costs	$ 946	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits	404	360	809	720
FERS unfunded retirement benefits	265	240	530	479
Total retirement benefits	**$ 1,615**	**$ 1,470**	**$ 3,230**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 9.9% and 9.3% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

Our expense for FERS normal costs is reported within *Retirement benefits* in the accompanying unaudited *Statements of Operations*. We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.7% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS. Accordingly, we have accrued $404 million and $809 million for the three and six months ended March 31, 2020, for the CSRS amortization expense. Likewise, we have accrued $265 million and $530 million for the three and six months ended March 31, 2020, for the FERS amortization expense.

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Our expense for CSRS and FERS unfunded retirement benefits amortization is reported within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 11.5% and 11.7% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher OPM projected annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the original projected amounts, due to changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of

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changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

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Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

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Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover.

Notwithstanding our $15.0 billion statutory debt limit, and $3 billion annual limitation on new borrowing,the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. ~~, h~~However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided ~~under~~ upon favorable terms.

We estimate that the COVID-19 pandemic will increase our net operating loss by more than $22.0 billion over the next eighteen months, and by over $54.0 billion over the next ten years, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if the Postal Service is

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unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Over half of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $147 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

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In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our ~~operations for the foreseeable future~~.

We drew $3.4 billion in early April 2020, on a revolving credit facility with the FFB that survived the expiration of ~~under~~ the NPA ~~in early April 2020, prior to that facility's expiration~~. This revolving credit facility has a maximum term of up to one year and its interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of ~~Notwithstanding~~ our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we will unlikely have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

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With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020 and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of~~Notwithstanding~~ our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-

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Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $7.6 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.16 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task

AMERICAN OVERSIGHT

Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent ~~pursuant~~ to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, ~~or if a school/child care is closed,~~ as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 26, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

~~H.R. 6379, the *Take Responsibility for Workers and Families Act,* introduced on March 23, 2020, would provide $25.0 billion to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic, eliminate debt owed to the FFB and authorize us to borrow money from the U.S. Treasury in an amount not to exceed $15.0 billion to carry out our duties and responsibilities. The bill was referred to the House Committees on Appropriations, Budget and Ways & Means~~.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

THIRD-PARTY SERVICE ORGANIZATION'S CYBER INTRUSION INCIDENT

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As previously reported, in October 2019, a third-party service organization that we use for our metered postage revenue experienced a ransomware attack. We are reliant on certain information from this third-party service provider to record such revenue. In response to this event, the third-party service provider informed us that it is conducting an investigation and found no evidence that the data provided by the service provider and that we use was impacted by the ransomware attack.

We also conducted an investigation and performed procedures to determine whether the attack impacted our reported revenue amounts, financial reporting systems or our information technology environment. We have concluded that the incident did not result in a material impact to our financial results for the six months ended March 31, 2020, or the year ended September 30, 2019.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

AMERICAN OVERSIGHT

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

AMERICAN OVERSIGHT

USPS-20-1215-A-008885

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

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Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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USPS-20-1215-A-008887

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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USPS-20-1215-A-008890

Draft April 21, 2020 (4.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020

10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with RPW draft V2.0, then adjusted in Other for post-close Mail-in-Transit entry)
- Contingent liabilities
- Workers compensation (initial review complete)
- FERS and CSRS content tailored (impact from Board of Actuaries discount rate decision on CSRS and FERS is reflected in document and financials)
- Finalizing COVID-19 impact (particularly on liquidity)
- Related party transactions

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

AMERICAN OVERSIGHT

Draft April 21, 2020 (3.3)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No ¨ Not Applicable þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨ Not Applicable þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨	Non-accelerated filer ¨
Smaller reporting company ¨	Emerging growth company ¨	Not applicable þ

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30,	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31,	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31,	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	186	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,037**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(15)	(25)
Net cash used in financing activities	**(15)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-

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of-use (“ROU”) asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both interest and amortization expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* (“ASC 840”), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE			
Operating lease right-of-use	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities,	—	3,255	3,255
Total liabilities and net	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service’s *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service’s *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

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Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-13 Fair Value Measurement

In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software

In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY

The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

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Cash

The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with

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this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April, 1 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement (“NPA”). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility’s interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service’s statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* (“PAEA”), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $82.9 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and

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its liquidity concerns, the Postal Service will be unlikely to have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, during March 2020, some of these customers increased their volume to the Postal Service's network due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

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The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$7,241**	**$6,879**	**$6,918**	**$ 34,395**	**$55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.
[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

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Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,395	$ 6,286	$ 12,867	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other	1,039	1,043	1,911	1,966
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

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Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.
[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.
[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.
[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31,		September 30,	
	2020	2019	2019	2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

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For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

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Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

Reasonably Possible Contingencies

The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation

As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's (“EEOC”) Office of Federal Operations (“OFO”) certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO’s order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

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The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

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The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	Postal Service Contributions	Employee Contributions	Postal Service Contributions
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-	3.1%	12.8%	3.1%	11.9%
FERS-	4.4%	11.7%	4.4%	10.7%

Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits	495	360	$ 899	$ 720
FERS unfunded retirement benefits	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

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FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the

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allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

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The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
PSRHBF unfunded liability	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health	1,000	1,000	2,000	2,000
Total retiree health benefits	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as

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common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

	As of March 31, 2020		
(in millions)	**Finance Leases**	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020	
Finance Leases:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows - interest on lease liability	$ 6	
Financing cash flows - principal repayments	$ 21	
Right-of-use assets obtained in exchange for lease payments	$ —	
Weighted-average remaining lease term - finance leases	7.24 years	
Weighted-average discount rate - finance leases	6.30	%
Operating Leases:		
Operating cash flows from operating leases	$ 606	
Right-of-use assets obtained in exchange for operating lease	$ 172	
Weighted-average remaining lease term - operating leases	5.34 years	
Weighted-average discount rate - operating leases	1.70	%

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Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

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The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating expenses* in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

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The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

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The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* ("PAEA") classifies our products into two broad categories: Market-Dominant and Competitive "products," however, we use the term "services" in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS"), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund ("PSRHBF"). We must coordinate with the U.S. Office of Personnel Management ("OPM") to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

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We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

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Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $351 million, or 6.5%, with a volume growth of 16 million pieces, or 1.1%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%. Revenue growth was the result of the January 2020 price increases applicable to certain *First-Class Mail* services.

The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 605 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 50 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

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- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $59 million, or 0.5%, with a volume decline of 634 million pieces, or 2.2%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

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The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $497 million, or 4.2%, despite a volume decline of 68 million pieces, or 2.1%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 2020	Six Months Ended March 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Operating Revenue:				
First-Class Mail[1]	$ 6,395	$ 6,286	$ 12,867	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other[4]	1,039	1,043	1,911	1,966
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,172	14,235	28,490	29,124
Marketing Mail[2]	17,039	17,644	37,341	39,687
Shipping and Packages[3]	1,488	1,472	3,226	3,294
International	193	214	433	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	80	70	174	161
Total volume	**33,993**	**34,798**	**71,794**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 32% of our revenue for the three months ended March 31, 2020, which was a 1% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

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Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. Furthermore, due to the COVID-19 pandemic our *First-Class Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

However, our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

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For the three months ended March 31, 2020, *First-Class Mail* revenue increased $109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%, compared to the same period last year. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $59 million, or 0.5%, and volume declined 634 million pieces, or 2.2%, compared to the same period last year. The most significant factor contributing to the declining trend in *First-Class Mail* volume was the continuing migration from mail to electronic communication and transaction alternatives. The increase in revenue and decline in volume for the three months ended March 31, 2020, as well as revenue declining at a slower rate than volume for the six months ended March 31, 2020, are due to the January 2020 price increase applicable to Market-Dominant services.

Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 605 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

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(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,614	$ 2,520	$ 5,592	$ 5,489
Parcel Services[2]	1,764	1,619	3,949	3,726
First-Class Package Services[3]	1,204	1,087	2,440	2,252
Package Services	206	211	413	430
Total Shipping and Packages	**$ 5,788**	**$ 5,437**	**$ 12,394**	**$ 11,897**
Shipping and Packages Volume:				
Priority Mail Services[1]	270	273	573	594
Parcel Services[2]	718	699	1,626	1,643
First-Class Package Services[3]	355	341	727	724
Package Services	145	159	300	333
Total Shipping and Packages	**1,488**	**1,472**	**3,226**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 6.5%, with a volume growth of 1.1%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.2%, despite a volume decline of 2.1%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 45% of the total for the three and six months ended March 31, 2020, compared to approximately 46% for the same period last year. However, Priority Mail Services accounted for approximately 18% of the total

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Shipping and Packages volume for both the three months ended March 31, 2020, a 1% decrease from the same period last year, and approximately 18% of the total Shipping and Packages volume for the six months ended March 31, 2020, essentially unchanged from the same period last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 3.7%, despite a volume decline of 1.1%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 1.9%, despite a volume decline of 3.5%, compared to the same period last year. Revenue grew despite the volume declines for the periods due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.0%, on volume growth of 2.7%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.0%, despite a volume decline of 1.0%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three months ended March 31, 2020, and despite the volume decline for the six months ended March 31, 2020, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 10.8%, on volume growth of 4.1%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 8.3%, on volume growth of 0.4%, compared to the same period last year. Revenue grew greater than volume largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 2.4% on a volume decline of 8.8%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 4.0% on a volume decline of 9.9%, compared to the same period last year. Revenue declined at a slower rate

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than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 3.2%, despite a volume decline of 9.8%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.8%, despite a volume decline of 8.5%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union (“UPU”), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as “terminal dues”.

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked its provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 10.7% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 0.4%, and 2.8% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management’s control.

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We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

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As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

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For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March 31,	
(in millions)	**2020**	**2019**	**2020**	**2019**
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits	495	360	899	720
FERS unfunded retirement benefits	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

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Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions. Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

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We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

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The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

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Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and	230	192	410	408

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Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Over half of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments

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due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $147 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank (“FFB”), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement (“NPA”) with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

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If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

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Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020 and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $7.6 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the

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remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

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As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 26, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

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DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Draft April 21, 2020 (3.3)

Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan
Megan J. Brennan
Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;

4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and

5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

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Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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USPS-20-1215-A-008957

Draft April 21, 2020 (4.0)

UNITED STATES POSTAL SERVICE

FORM 10-Q

For the quarterly period ended March 31, 2020
10-Q Draft - Cover Memo

Significant outstanding items as of the date of this draft:

- Closed financials (currently reconciled with Prelims #2.0)
- RPW (reconciled with RPW draft V2.0, then adjusted in Other for post-close Mail-in-Transit entry)
- Contingent liabilities
- Workers compensation (initial review complete)
- FERS and CSRS content tailored (impact from Board of Actuaries discount rate decision on CSRS and FERS is reflected in document and financials)
- Finalizing COVID-19 impact (particularly on liquidity)
- Related party transactions

Other outstanding items:

- Legislative Update - Initial draft is in.
- Other support
- Final formatting, page numbering, table of contents

Highlighting key:

- Yellow: Item or sentence requiring update, confirmation or third-party validation
- Green: Date, number or other reference that requires linking to master or support workbook in Wdesk
- Orange: Entire section awaiting update or third-party deliverable
- Purple: Linked number or reference that requires confirmation of source data
- Blue: Section or paragraph selected for elimination or move to another section; or
- Magenta: Internal comment for reviewers (to be removed when resolved)

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Draft April 21, 2020 (3.3)

UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 10-Q

QUARTERLY REPORT PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the *Securities Exchange Act of 1934* during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐ Not Applicable ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	Not applicable ☑

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of May 7, 2020: N/A

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UNITED STATES POSTAL SERVICE
STATEMENTS OF OPERATIONS
(UNAUDITED)

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Revenue:				
Operating revenue	$ 17,841	$ 17,492	$ 37,192	$ 37,203
Other revenue	2	3	5	9
Total revenue	**17,843**	**17,495**	**37,197**	**37,212**
Operating expenses:				
Compensation and benefits	11,804	11,685	24,312	24,383
Retirement benefits	1,818	1,470	3,433	2,956
Retiree health benefits	1,225	1,275	2,450	2,550
Workers' compensation	2,997	771	2,795	1,658
Transportation	2,008	2,000	4,405	4,342
Other operating expenses	2,480	2,356	5,016	4,894
Total operating expenses	**22,332**	**19,557**	**42,411**	**40,783**
Loss from operations	**(4,489)**	**(2,062)**	**(5,214)**	**(3,571)**
Interest and investment income	33	39	74	73
Interest expense	(59)	(59)	(123)	(121)
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
BALANCE SHEETS

(in millions)	March 31, 2020 (Unaudited)	September 30, 2019
Current Assets:		
Cash and cash equivalents	$ 8,987	$ 8,795
Restricted cash	472	366
Receivables, net	1,542	1,461
Supplies, advances and prepayments	237	178
Total current assets	**11,238**	**10,800**
Property and equipment, net	14,279	14,352
Operating lease right-of-use assets	4,349	—
Other assets	556	481
Total assets	**$ 30,422**	**$ 25,633**
Current Liabilities:		
Compensation and benefits	$ 3,019	$ 2,571
Retirement benefits	9,979	8,385
Retiree health benefits	49,655	47,205
Workers' compensation	1,343	1,359
Payables and accrued expenses	2,028	2,228
Deferred revenue-prepaid postage	2,135	2,225
Operating lease liabilities	1,173	—
Customer deposit accounts	1,099	1,119
Other current liabilities	1,151	1,190
Total current liabilities	**71,582**	**66,282**
Workers' compensation, noncurrent	18,622	17,170
Operating lease liabilities, noncurrent	3,329	—
Employees' accumulated leave, noncurrent	1,951	2,064
Other noncurrent liabilities	733	649
Long-term debt	11,000	11,000
Total liabilities	**107,217**	**97,165**
Net Deficiency:		
Capital contributions of the U.S. government	3,132	3,132
Deficit since 1971 reorganization	(79,927)	(74,664)
Total net deficiency	**(76,795)**	**(71,532)**
Total liabilities and net deficiency	**$ 30,422**	**$ 25,633**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CHANGES IN NET DEFICIENCY
(UNAUDITED)

For the three and six months ended March 31, 2019

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2018	**$ 3,132**	**$ (65,769)**	**$ (62,637)**
Cumulative effect adjustments for adoption of new accounting pronouncements	—	(82)	(82)
Net loss	—	(1,537)	(1,537)
Balance, December 31, 2018	**$ 3,132**	**$ (67,388)**	**$ (64,256)**
Net loss	—	(2,082)	(2,082)
Balance, March 31, 2019	**$ 3,132**	**$ (69,470)**	**$ (66,338)**

See accompanying notes to the unaudited financial statements.

For the three and six months ended March 31, 2020

(in millions)	Capital Contributions of U.S. Government	Accumulated Deficit Since Reorganization	Total Net Deficiency
Balance, September 30, 2019	**$ 3,132**	**$ (74,664)**	**$ (71,532)**
Net loss	—	(748)	(748)
Balance, December 31, 2019	**$ 3,132**	**$ (75,412)**	**$ (72,280)**
Net loss	—	(4,515)	(4,515)
Balance, March 31, 2020	**$ 3,132**	**$ (79,927)**	**$ (76,795)**

See accompanying notes to the unaudited financial statements.

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UNITED STATES POSTAL SERVICE
STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in millions)	Six Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net loss	$ (5,263)	$ (3,619)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	854	841
Loss (gain) on disposals of property and equipment, net	4	(1)
Lease expense	15	—
Increase in other assets	(75)	(12)
Increase in noncurrent workers' compensation	1,452	292
(Decrease) increase in noncurrent deferred appropriations and other revenue	(3)	15
Net lease liabilities	118	—
(Decrease) increase in other noncurrent liabilities	(51)	33
Changes in current assets and liabilities:		
Receivables, net	(81)	(362)
Other current assets	(59)	(48)
Retirement benefits	1,594	1,201
Retiree health benefits	2,450	2,550
Payables, accrued expenses and other	186	75
Deferred revenue-prepaid postage and other deferred revenue	(104)	219
Net cash provided by operating activities	**1,037**	**1,184**
Cash flows from investing activities:		
Purchases of property and equipment	(741)	(659)
Proceeds from sales of property and equipment	17	18
Net cash used in investing activities	**(724)**	**(641)**
Cash flows from financing activities:		
Issuance of notes payable	—	24,300
Payments on notes payable	—	(26,500)
Payments on finance lease obligations and other	(15)	(25)
Net cash used in financing activities	**(15)**	**(2,225)**
Net increase (decrease) in cash, cash equivalents and restricted cash	298	(1,682)
Cash, cash equivalents and restricted cash - beginning of period	9,161	10,336
Cash, cash equivalents and restricted cash - end of period	**$ 9,459**	**$ 8,654**
Supplemental cash flow disclosures:		
Cash paid for interest	$ 118	$ 121

See accompanying notes to the unaudited financial statements.

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NOTES TO UNAUDITED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

Interim Financial Statements

The accompanying unaudited interim financial statements of the United States Postal Service (the "Postal Service") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of the U.S. Securities and Exchange Commission Regulation S-X. These financial statements should be read in conjunction with the Postal Service's financial statements for the year ended September 30, 2019, included in its Annual Report on Form 10-K ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019, and do not include all information and footnotes which are normally included in the Annual Report. Except as otherwise specified, all references to years are to fiscal years beginning October 1 and ending September 30, and quarters are quarters within fiscal years 2020 and 2019.

In the opinion of management, the accompanying unaudited interim financial statements reflect all material adjustments, including recurring adjustments, necessary to fairly present the financial position as of March 31, 2020, the results of operations for the three and six months ended March 31, 2020, and 2019, the changes in net deficiency for the six months ended March 31, 2020, and 2019, and cash flows for the six months ended March 31, 2020, and 2019. Operating results for the three and six months ended March 31, 2020, are not necessarily indicative of the results that may be expected for all of 2020. Mail volume and revenue are historically greatest in the first quarter of the year, which includes the holiday mailing season.

Reclassifications

Certain reclassifications have been made to the financial statements for the three and six months ended March 31, 2019, as well as subsequent footnotes, to conform to the current period presentation. Specifically, certain retirement benefit expenses have been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*. In addition, unfunded retirement benefits amortization expenses associated with the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS") have been reclassified from *Unfunded retirement benefits amortization* to *Retirement benefits* within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

The liabilities associated with these retirement benefits have also been reclassified from *Compensation and benefits* and separately identified as *Retirement benefits* within *Current liabilities* in the balance sheets. In addition, the unfunded retirement benefits liabilities associated with CSRS and FERS have been reclassified from *Unfunded retirement benefits* to *Retirement benefits* within *Current liabilities* in the balance sheets. Corresponding reclassifications have been made within *Changes in current assets and liabilities* in the accompanying unaudited *Statements of Cash Flows*.

These reclassifications had no effect on previously reported total operating expenses, loss from operations or net loss. See *Note 9 - Retirement Plans* for further disclosure pertaining to retirement benefits.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"). The new standard requires an entity to record most leases in its balance sheets but continue to recognize expenses in its statements of operations in a manner similar to current accounting practices. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term. Expenses associated with operating leases are recognized on a straight-line basis and include embedded interest and amortization components. The Postal Service recognizes expenses associated with operating leases as rent expense or transportation expense within *Other operating expenses* or *Transportation*, respectively, in the statements of operations. The Postal Service recognizes expenses associated with finance leases (formerly capital leases under previous guidance) with both interest and amortization

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expenses and presents these separately in the statements of operations. As such, finance leases generally have higher expenses in the earlier periods of the lease term.

The Postal Service adopted ASC 842 for its 2020 fiscal year (beginning October 1, 2019). In connection with the adoption of ASC 842, the Postal Service has made necessary changes to relevant policies, processes, information systems and internal controls. For transition purposes, the Postal Service has elected the option not to restate comparative financial statements under the modified retrospective transition model. This option allows the application of the standard to all leases in effect as of the effective date (October 1, 2019) or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, *Leases* ("ASC 840"), with related ASC 840 disclosures provided in *Note 12 - Leases*.

In implementing ASC 842, the Postal Service has elected the package of practical expedients which permits carrying forward historical accounting positions around lease identification, lease classification and initial direct costs for all leases commencing prior to October 1, 2019. The Postal Service has also made a policy election to not separate the lease and non-lease components for all types of underlying assets and to exclude its short-term leases from the ROU asset and lease liability balances.

The Postal Service adopted ASC 842 on October 1, 2019. The implementation of ASC 842 resulted in an opening balance sheet adjustment, as of October 1, 2019, to recognize $4.4 billion in right-of-use assets and lease liabilities relating to operating leases as follows:

(in millions)	As reported on September 30, 2019	Adjustments	Balance on October 1, 2019
CONDENSED BALANCE SHEETS:			
Operating lease right-of-use assets	$ —	$ 4,364	$ 4,364
Total assets	**$ 25,633**	**$ 4,364**	**$ 29,997**
Operating lease liabilities	$ —	$ 1,129	$ 1,129
Other current liabilities	1,190	(20)	1,170
Operating lease liabilities, noncurrent	—	3,255	3,255
Total liabilities and net deficiency	**$ 25,633**	**$ 4,364**	**$ 29,997**

The implementation of ASC 842 did not have a material impact on the Postal Service's *Statement of Operations* or *Statement of Cash Flows* and did not have any impact on the Postal Service's *Statement of Changes in Net Deficiency*. See *Note 12 - Leases* and *Item 4. Controls and Procedures* for additional disclosures pertaining to ASC 842.

Accounting Pronouncements Issued but not Adopted

Accounting Standards Update 2016-13 Financial Instruments - Credit Losses

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments - Credit Losses*, which has since been codified in ASC 326, *Financial Instruments - Credit Losses* ("ASC 326"). The new standard requires entities to measure expected credit losses on financial instruments and other commitments by replacing the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

The Postal Service intends to adopt ASC 326 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's valuation of its receivables. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

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Accounting Standards Update 2018-13 Fair Value Measurement
In August 2018, the FASB issued Accounting Standards Update 2018-13 *Fair Value Measurement: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which has since been codified in ASC 820, *Fair Value Measurement* ("ASC 820"). The new standard modifies the disclosure requirements for fair value measurements by adding, modifying or removing certain disclosures.

The Postal Service intends to adopt ASC 820 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The standard is applicable to the Postal Service's fair value measurements of its revenue forgone installment receivable and its long-term debt, as described further in *Note 13 - Fair Value Measurement*. Under ASC 820, certain disclosures are required to be applied on a retrospective basis and others on a prospective basis. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

Accounting Standards Update 2018-15 Intangibles - Goodwill and Other - Internal-Use Software
In August 2018, the FASB issued Accounting Standards Update 2018-15 *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) - Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which has since been codified in ASC Subtopic 350-40, *Intangibles - Goodwill and Other - Internal-Use Software* ("ASC 350-40"). This is an update to a standard the FASB issued in April 2015 for entities evaluating the accounting for fees paid by a customer in a cloud computing (hosting) arrangement by providing guidance for determining when such arrangement includes a software license.

If a cloud computing arrangement includes a license for internal-use software, then the software license is accounted for by the customer in accordance with ASC 350-40. This generally means that an intangible asset is recognized for the software license and, to the extent that the payments attributable to the software license are made over time, a liability also is recognized. If a cloud computing arrangement does not include a software license, the entity should account for the arrangement as a service contract. This generally means that the fees associated with the hosting element (service) of the arrangement are expensed as incurred.

The Postal Service intends to adopt ASC 350-40 for its 2021 fiscal year (beginning October 1, 2020) and the quarters therein. The Postal Service is currently evaluating the impact of adopting this standard on its financial statements and related disclosures.

NOTE 3 - LIQUIDITY
The Postal Service's liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity.

Cash
The Postal Service generates its cash almost entirely through the sale of postal products and services. As of March 31, 2020, and September 30, 2019, the Postal Service held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. See *Note 6 - Cash, Cash Equivalents and Restricted Cash* for further disclosures pertaining to cash.

The *Postal Reorganization Act*, as amended by Public Laws 101-227 and 109-435 (the "PRA"), authorizes the Postal Service to raise cash through the issuance of debt obligations. The Postal Service is limited by statute to annual net increases in debt of $3.0 billion calculated as of the end of each fiscal year, and total debt of $15.0 billion. In 1974, the Postal Service began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury.

COVID-19 Considerations
In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic, which has since spread throughout the U.S. Given its mandate to provide universal postal services to the nation, the Postal Service provides an essential service as part of the nation's critical infrastructure and has continued to process and deliver mail and packages during the pandemic.

The Postal Service expects the COVID-19 pandemic to have a material effect on its financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The

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Postal Service relies on the sale of postal products and services to fund its operations, and these sales declined significantly in late March 2020 as a result of the pandemic, and the impact has continued to worsen since then. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding the $15.0 billion statutory debt limit, and the $3.0 billion limit on annual borrowing, the *CARES Act* allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon. However the Postal Service has no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

The Postal Service estimates that the COVID-19 pandemic may increase its net operating loss by more than $22.0 billion over the next eighteen months, threatening its ability to operate. If the Postal Service is able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, it expects that it will have sufficient liquidity to continue operations through April 2021. However, if the Postal Service is unable to secure this $10.0 billion in financing, it expects to be able to continue to operate only through September 2020.

Given these COVID-19 considerations, the Postal Service may require an additional injection of liquidity, provided by either the U.S. government or other sources, or through additional defaults, to remain a going concern. While the COVID-19 disruption is expected to be temporary, its duration remains uncertain, and the Postal Service expects that its liquidity may continue to worsen if the nation experiences a prolonged period of disruption.

Subsequent Events

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, the Postal Service began deferring these payments in April 2020, and intends to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

On April, 1 2020, the Postal Service drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the Note Purchase Agreement ("NPA"). In order to comply with the annual net increase limit, the Postal Service must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, the Postal Service must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

Debt

As of both March 31, 2020, and September 30, 2019, the Postal Service had a combination of fixed-rate and floating-rate notes outstanding with various maturities totaling $11.0 billion. As of March 31, 2020, the Postal Service's statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with the annual debt net increase limit.

In 1999, the Postal Service entered into the NPA with the FFB to establish standardized procedures for issuing debt. Under the NPA, the Postal Service was able to issue a series of notes and revolving credit line facilities with established terms and conditions by providing two days prior notice. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of the Postal Service's outstanding debt as of March 31, 2020, all of which was issued under the NPA. As a contractual matter, the FFB continued to lend to the Postal Service under each commitment and line of credit until it expired. If the Postal Service is unable to renew or replace the NPA with the FFB, it has no assurance that it could obtain alternative debt financing on comparable terms.

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Liquidity Concerns

The Postal Service is constrained by laws and regulations, including the *Postal Accountability and Enhancement Act* ("PAEA"), which restrict revenue sources and mandate certain expenses.

The Postal Service is required, either by law or by union contract, to participate in U.S. government pension and health and benefits programs for employees and retirees, including the Federal Employees Health Benefit ("FEHB") program, CSRS and FERS, which the Office of Personnel Management ("OPM") administers. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under CSRS and FERS, as well as FERS normal costs, described in greater detail below and in *Note 9 - Retirement Plans*. Additionally, the PAEA established the Postal Service Retiree Health Benefits Fund ("PSRHBF") and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail below and in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

The Postal Service reported operating expenses of approximately $80 billion in 2019 and has incurred cumulative net losses of $82.9 billion from 2007 through March 31, 2020.

Notwithstanding the challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, the Postal Service projects continuing annual net losses in the future. As a result of these losses and its liquidity concerns, the Postal Service will be unlikely to have sufficient liquidity to meet all of its existing legal obligations when due while also reducing its debt and making the critical infrastructure investments that have been deferred in recent years.

In the event that circumstances leave the Postal Service with insufficient liquidity, it would likely be required to implement additional contingency plans to ensure that its primary mission is fulfilled and that mail deliveries continue. These measures may require the Postal Service to prioritize payments to the FFB, employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as has been done in the past.

Business Model Challenges and Constraints

Market-Dominant services, which accounted for approximately 66% of the Postal Service's annual operating revenues in 2019, are currently subject to a price cap as measured by the Consumer Price Index for All Urban Consumers ("CPI-U"). However, the Postal Service's costs are not similarly constrained. A large portion of its cost structure cannot be altered expeditiously due to the Postal Service's universal service obligation. Further, the number of delivery points continues to grow by approximately one million per year, which drives up delivery costs. When combined with the impact of lower mail volume, the average number of pieces delivered per delivery point per day has decreased from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a decline of approximately 39%, and a further significant decline is expected in 2020.

Many employee and retiree benefit costs are mandated by law and cannot be altered without legislative change. Under current law, the Postal Service is generally unable to increase prices sufficiently to offset increased costs, and is likewise constrained by law from reducing many of its costs or from pursuing many alternate sources of revenue.

Aside from its universal service obligation, a significant factor contributing to Postal Service losses is the ongoing decline in the volume of Market-Dominant products and services, and those declines are being exacerbated by the COVID-19 pandemic. Specifically, declines in *First-Class Mail* are largely the result of changes in consumers' and businesses' use of mail resulting from the continuing migration to electronic communication and transactional alternatives, which have taken place over the last decade and are expected to continue. After experiencing relatively flat volume between 2009 and 2016, beginning in 2017, *Marketing Mail* volume has generally been challenged by commercial mailers' increasing use of digital and mobile advertising, and more recently by the COVID-19 pandemic, although this class has benefited from strong political and election mail volumes, particularly in the second half of 2018 and the first quarter of 2019.

The Postal Service's Shipping and Packages category has historically provided revenue and volume growth as a result of its successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition

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which significantly impacts both revenue and volume. Certain major customers of the Postal Service had begun diverting volume from the Postal Service's network by in-sourcing last-mile delivery. Competitors in the package delivery market are aggressively pricing their products and services in order to fill their networks and grow package density. However, during March 2020, some of these customers increased their volume to the Postal Service's network due to their delivery capacity constraints.

Because the Postal Service provides its services primarily through its employees, its costs are heavily concentrated in wages and benefits for both current employees and retirees. These costs are significantly impacted by contractual wage increases, employee health benefit premium increases, and statutorily mandated retirement and workers' compensation programs. Some of these costs have historically increased at a higher rate than inflation.

Past Due Obligations

The following table presents the total expenses accrued but unpaid by the Postal Service as of September 30, 2019, related to retiree health benefits, CSRS and FERS and the fiscal years in which the accruals were recorded:

(in millions)	2019	2018	2017	2012 to 2016	Total
PSRHBF prefunding fixed amount[1]	$ —	$ —	$ —	$ 33,900	$ 33,900
PSRHBF unfunded benefits amortization	789	815	955	—	2,559
Normal cost of retiree health benefits	3,775	3,666	3,305	—	10,746
CSRS unfunded retirement benefits amortization	1,617	1,440	1,741	—	4,798
FERS unfunded retirement benefits amortization[2]	1,060	958	917	495	3,430
Total expenses accrued but unpaid	**$ 7,241**	**$ 6,879**	**$ 6,918**	**$ 34,395**	**$ 55,433**

[1] The 2012 to 2016 period amount includes $5.8 billion for 2016, $5.7 billion for 2015, $5.7 billion for 2014, $5.6 billion for 2013 and $11.1 billion for 2012.

[2] The 2012 to 2016 period amount includes $247.6 million for 2016, $240.9 million for 2015 and $6.7 million for 2014.

Mitigating Circumstances

The Postal Service continues to pursue strategies within its control to increase operational efficiency and improve liquidity. The Postal Service has managed capital in recent years by spending what it believed was essential to maintain its existing facilities and service levels, to ensure employee safety and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade its facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Irrespective of the challenges resulting from the COVID-19 pandemic, aggressive management of the business operations, as well as legislative and regulatory reforms that will enable it to increase revenue and reduce costs, will all be necessary to restore the Postal Service to financial health.

The Postal Service's status as an independent establishment of the executive branch that does not receive tax dollars for its operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from the Postal Service and the many businesses that provide the printing and mailing services that it supports. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent the Postal Service from significantly curtailing or ceasing operations. The Postal Service continues to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges it faces and the legislative and regulatory changes that are required to restore its financial stability.

NOTE 4 - REVENUE RECOGNITION

The Postal Service generates the majority of its revenue from contracts associated with the processing and delivery of different types of mail and packages, both domestically and internationally, which generally occur over a relatively short period of time (e.g., several days).

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Disaggregation of Revenue

The following table summarizes the Postal Service's disaggregated operating revenue for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019*	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019*
Operating revenue:				
First-Class Mail	$ 6,395	$ 6,286	$ 12,867	$ 12,926
Marketing Mail	3,739	3,833	8,150	8,497
Shipping and Packages	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other	1,039	1,043	1,911	1,966
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**

* Prior period amounts for certain service categories include reclassifications of amounts amongst service categories to conform to current period presentation. These reclassifications are immaterial for each affected category, and had no effect on total operating revenue for the period.

Satisfaction of Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

First-Class Mail, *Marketing Mail*, Shipping and Packages, *International Mail* and *Periodicals* are categorized as Mailing and Shipping services for purposes of satisfying performance obligations. The Postal Service recognizes revenue for Mailing and Shipping services as it fulfills its obligation to process and deliver each mailpiece and the customer mail sender/recipient receives and consumes the benefits of these services.

Other revenue includes *PO Box* services, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and other goods and services. The Postal Service recognizes revenue for the majority of these services over time as the customer receives and consumes the benefits of the service. The revenue for a small portion of certain goods or services in this service category is recognized at a point in time when the goods or services are provided to the customer.

The vast majority of the Postal Service's contracts include only one performance obligation. However, if a contract is separated into more than one performance obligation, the total transaction price for each performance obligation is allocated in an amount based on the estimated relative stand-alone selling prices of the promised goods or services underlying each performance obligation. The majority of the goods or services sold by the Postal Service have observable stand-alone sales prices. Further, payment for the majority of the goods and services is received up front.

If the Postal Service were unable to complete delivery to the destination point, another entity would not need to re-perform the entire portion of delivery already performed by the Postal Service. Accordingly, control from the Postal Service to the customer transfers over time for the vast majority of services the Postal Service offers, and revenue is recognized based on the progress of the completion of the performance obligations.

Variable Consideration

The Postal Service offers certain contracts to its customers that contain various types of customer incentives or other provisions that can either increase or decrease the transaction price. Customer incentives include discounts, money back guarantees, rebates, refunds or incentive payments. The other provisions include performance

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penalties. The Postal Service uses the expected value approach to estimate variable consideration to which it expects to be entitled.

Contract Modifications

The Postal Service considers contract modifications to exist when the modification either creates new enforceable rights and obligations or alters the existing arrangement. Contract modifications do not add distinct services; they are typically used to change the prices that the Postal Service charges its customer for existing services. These contract modifications are accounted for prospectively as the remaining performance obligations are executed.

Principal vs. Agent Consideration

The Postal Service utilizes third parties to assist with the transportation of mailpieces between different points as part of the delivery process. Based on its evaluation of the transfer of control model, the Postal Service has determined that it acts as the principal rather than the agent within these arrangements.

Contract Liabilities

The vast majority of the Postal Service's contract liabilities consist of *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees. *Deferred revenue-prepaid postage* is an estimate of postage that has been sold, but not yet used by customers. The Postal Service recognizes revenue over time as the Postal Service delivers mailpieces. Because payments for postage are collected in advance of the satisfaction of related performance obligations, the Postal Service defers and reports this unearned revenue as *Deferred revenue-prepaid postage* in its balance sheet. Stamp sales and metered postage account for the majority of *Deferred revenue-prepaid postage*. The liability also includes an estimate for mail that is in-transit within the Postal Service network.

The prepaid *PO Box* and Caller Service fees consist of the payments received from customers for *PO Box* fees at the beginning of their contracts. The Postal Service defers and reflects this unearned revenue as prepaid *PO Box* and Caller Service fees within *Other current liabilities* in the accompanying *Balance Sheets*. Revenue is recognized over time as customers use the *PO Box* and Caller Services over the terms of their contracts.

The following table presents the balances of the Postal Service's contract liabilities, including *Deferred revenue-prepaid postage* and prepaid *PO Box* and Caller Service fees, as of March 31, 2020, and September 30, 2019, respectively:

(in millions)	March 31, 2020	September 30, 2019
Deferred revenue-prepaid postage:		
Forever stamps	$ 1,243	$ 1,238
Mail-in-transit	524	555
Metered postage	247	313
Other prepaid postage	121	119
Total deferred revenue-prepaid postage	**2,135**	**2,225**
Prepaid PO Box and Caller Service fees	**465**	**461**
Total deferred revenue	**$ 2,600**	**$ 2,686**

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The following table provides details of revenue recognized for the six months ended March 31, 2020, that was reported in the Postal Service's contract liabilities for deferred revenue as of September 30, 2019:

(in millions)	Six Months Ended March 31, 2020
Revenue recognized in the period from deferred revenue:	
Forever stamps	$ 727
Mail-in-transit	555
Metered postage	313
Other prepaid postage	73
PO Box and Caller Service fees	375

NOTE 5 - RELATED PARTIES

As disclosed throughout this report, the Postal Service has significant transactions with other U.S. government entities, which are considered related parties for accounting purposes.

The following table presents related-party assets and liabilities as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Related-party assets:		
Receivables and advances[1]	$ 232	$ 25
Operating lease right-of-use assets[2]	141	—
Carrying amount of revenue forgone installment receivable[3]	476	466
Related-party liabilities:		
Operating lease liabilities[4]	$ 141	$ —
Other current liabilities[5]	61,568	57,518
Long-term debt	11,000	11,000
Other noncurrent liabilities[6]	18,638	17,187

[1] Current portion within *Receivables, net* and noncurrent portion within *Other assets* in the accompanying *Balance Sheets*.
[2] Amount includes right-of-use assets for operating leases with the General Services Administration ("GSA").
[3] Included within *Other assets* in the accompanying *Balance Sheets*. See further discussion in *Note 13 - Fair Value Measurement*.
[4] Amount includes liabilities for operating leases with the GSA.
[5] Amounts include CSRS, FERS, PSRHBF and current workers' compensation obligations as well as payables to other agencies.
[6] Amounts include noncurrent workers' compensation obligations.

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The following table presents related-party revenue and expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 2020	Six Months Ended March 2019
Related-party operating revenue[1]	$ 539	$ 249	$ 808	$ 486
Related-party operating expenses[2]	$ 4,378	$ 4,238	$ 8,668	$ 8,478
Related-party interest income[3]	$ 33	$ 38	$ 74	$ 72
Related-party interest expense[4]	$ 56	$ 56	$ 117	$ 113

[1] Included within *Operating revenue* in the accompanying unaudited *Statements of Operations*.

[2] Included within *Operating expenses* in the accompanying unaudited *Statements of Operations*.

[3] Represents interest imputed on the revenue forgone installment receivable as well as interest generated on U.S. Treasury instruments and other cash equivalents held with the Federal Reserve Bank of New York. Included within *Interest and investment income* in the accompanying unaudited *Statements of Operations*.

[4] Incurred on debt issued to the FFB, and included within *Interest expense* in the accompanying unaudited *Statements of Operations*.

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of *Cash and cash equivalents* and *Restricted cash* reported in the balance sheets as of March 31, 2020, and 2019, respectively, and as of September 30, 2019, and 2018, respectively (to disclose the opening balances), that sum to the totals of the same such amounts presented in the accompanying unaudited *Statements of Cash Flows* for the six months ended March 31, 2020, and 2019:

(in millions)	March 31, 2020	March 31, 2019	September 30, 2019	September 30, 2018
Cash and cash equivalents	$ 8,987	$ 8,108	$ 8,795	$ 10,061
Restricted cash	472	546	366	275
Total cash, cash equivalents and restricted cash	**$ 9,459**	**$ 8,654**	**$ 9,161**	**$ 10,336**

Restricted cash represents Postal Service cash that is not available for general use. This includes cash originated from forfeitures or seizures related to consumer fraud or other criminal activity related to the mail and either held for third-party beneficiaries or awaiting disposition. *Restricted cash* also includes funds for use in restricted activities such as congressional appropriation for Postal Service obligations to the PRC and the United States Postal Service Office of Inspector General, or that are otherwise restricted.

The Postal Service holds its *Cash and cash equivalents* and *Restricted cash* with the Federal Reserve Bank of New York and invests its excess cash, when available, in highly-liquid, short-term investments issued by the U.S. Department of the Treasury.

NOTE 7 - PROPERTY AND EQUIPMENT, NET

Assets within *Property and equipment, net* in the accompanying *Balance Sheets* are recorded at cost, which includes the interest on borrowings used to finance construction of major capital additions, less allowances for depreciation and amortization. Interest capitalized during both the three and six months ended March 31, 2020, and 2019, was not significant. Fixed assets are depreciated over estimated useful lives ranging from 3 to 40 years using the straight-line method.

The net book values of assets classified as held for sale were approximately $6 million and $10 million as of March 31, 2020, and September 30, 2019, respectively, and are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

For the three months ended March 31, 2020, and 2019, depreciation and amortization expense was $423 million and $424 million respectively, and impairment charges were de minimis. For the six months ended March 31, 2020, and 2019, depreciation and amortization expense was $854 million and $841 million respectively, and impairment charges were de minimis. These items are included within *Other operating expenses* in the accompanying unaudited *Statements of Operations*.

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NOTE 8 - COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

On January 22, 2020, the Postal Service reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in the Postal Service's legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), which established the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

In September 2019, the Postal Service agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The Postal Service and the NALC will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Contingent Liabilities

The Postal Service's contingent liabilities consist primarily of claims resulting from labor and employment matters; asset retirement obligations and environmental matters; property damage and injuries on Postal Service properties; and issues arising from Postal Service contracts, personal claims and traffic accidents. Each quarter, the Postal Service evaluates each claim to determine its potential liability. If the Postal Service determines that an unfavorable outcome from a new claim is both probable and reasonably estimable, it records a liability for the amount. Preexisting claims are also reviewed and adjusted quarterly for resolutions or revisions to prior estimates based on new facts and circumstances.

The Postal Service is from time to time involved in other litigation incidental to the conduct of its business, none of which is expected to be material to its financial condition or operations.

Provision for Losses

The Postal Service has made adequate provision for probable losses arising from all claims. The following table presents contingent liabilities by current and noncurrent portions and by category, as of March 31, 2020, and September 30, 2019:

(in millions)	March 31, 2020	September 30, 2019
Current / noncurrent portions of contingent liabilities:		
Current portion[1]	$ 151	$ 195
Noncurrent portion[2]	170	141
Total contingent liabilities	**$ 321**	**$ 336**
Contingent liabilities by category:		
Labor and employment matters	$ 177	$ 204
Asset retirement obligations	70	57
Tort matters	74	75
Total contingent liabilities	**$ 321**	**$ 336**

[1] Included within *Payables and accrued expenses* in the accompanying *Balance Sheets*.
[2] Included within *Other noncurrent liabilities* in the accompanying *Balance Sheets*.

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Reasonably Possible Contingencies
The Postal Service does not accrue for contingencies which it deems reasonably possible of an unfavorable outcome. These ranged in amount from approximately $175 million to $1.0 billion at March 31, 2020, and from approximately $150 million to $1.0 billion at September 30, 2019.

Class Action Litigation
As previously reported, on January 14, 2010, the Equal Employment Opportunity Commission's ("EEOC") Office of Federal Operations ("OFO") certified the case *McConnell v. Brennan* (first instituted in 2006 as *McConnell v. Potter*) as a class action against the Postal Service, with the class consisting of permanent-rehabilitation and limited-duty Postal Service employees who the Postal Service assessed under the National Reassessment Process ("NRP") between the dates of May 5, 2006, and July 1, 2011. The Postal Service utilized the NRP to ensure employees receiving workers' compensation benefits were placed in jobs consistent with their abilities, and that records regarding employees injured on the job were correct.

The *McConnell* case alleges violations of the Rehabilitation Act of 1973 resulting from the NRP's failure to provide a reasonable accommodation, the NRP's wrongful disclosure of medical information, the NRP's creation of a hostile work environment, and the NRP's adverse impact on disabled employees. The class is seeking injunctive relief and damages of an uncertain amount.

In 2015, the Administrative Judge assigned to handle the *McConnell* case granted in-part both the Class Agent's and the Postal Service's motions for summary judgment. In her decision, the Administrative Judge found that the NRP violated the Rehabilitation Act. The Postal Service appealed this decision to the OFO, and the OFO denied this appeal in 2018. The Postal Service implemented the OFO's order, and notified all class members of their right to file an individual claim for relief. Class members were allowed thirty days to submit claims to the Postal Service's National Equal Employment Opportunity Investigative Services Office. The claims submission deadline has now passed and the dispute process for individual claims is currently underway before a newly assigned EEOC Administrative Judge.

The class members have the right to pursue individual claims. Should they be successful in establishing liability and damages, the ultimate outcome in this case could have a material impact on the Postal Service's financial results.

Other
The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. The Postal Service is the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow the Postal Service to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, the Postal Service officially invoked its provision to self-declare rates beginning in July 2020, creating an obligation to pay the UPU the amount of 40 million Swiss Francs ("CHF"), or approximately $41 million, based on the prevailing exchange rate on March 31, 2020. This amount will be payable over five years in annual increments of 8 million CHF, with the first payment due between July and December 2020.

The Postal Service considers the right to self-declare rates as an intangible asset recorded in *Other assets* in the accompanying unaudited *Balance Sheet* at March 31, 2020, and its amortization starts in July 2020 when the self-declared rates are in effect. The current portion of the obligation is recorded in *Payables and accrued expenses* and the noncurrent portion of the obligation is recorded in *Other noncurrent liabilities* in the accompanying unaudited *Balance Sheet* at March 31, 2020, respectively.

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NOTE 9 - RETIREMENT PLANS

The majority of career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, which OPM administers. These plans provide retirement, death and disability benefits for eligible employees based on specific eligibility and participation requirements, vesting periods and benefit formulas. Each employee's participation in either plan is based on the starting date of employment with the Postal Service or another U.S. government entity.

As government-sponsored benefit plans, CSRS and FERS are not subject to the provisions of the *Employee Retirement Income Security Act of 1974*, as amended. Likewise, because the Postal Service cannot direct the costs, benefits or funding requirements of these plans, it accounts for program expenses under multiemployer plan accounting rules. As such, the Postal Service records required contributions to the plans as an expense in the period in which each contribution is due. For FERS, the Postal Service contributes to the plan an amount established by OPM as the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service, which is considered the FERS normal cost. As further discussed below, the Postal Service is not required to pay the normal cost for those employees who participate in CSRS.

Career employees may also participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. The Postal Service's TSP expenses relate only to its contributions for FERS employees who participate in the TSP.

CSRS provides a basic annuity plan benefit to employees hired before January 1, 1984. CSRS Offset provides Social Security benefits in addition to its basic annuity plan for employees hired between January 1, 1984, and January 1, 1987. CSRS and CSRS Offset employees may also participate in the TSP, although the Postal Service does not match contributions for these participants.

The PAEA suspended the Postal Service's employer contributions to CSRS that would otherwise have been required under *Title 5, Section 8334(a)(1)* of the U.S. Code, although CSRS employees continue to contribute to the plan.

Effective January 1, 1987, FERS covers employees hired since December 31, 1983, and FERS employees are covered by an annuity, Social Security and TSP benefits. For FERS employees who participate in TSP, the Postal Service contributes 1% of basic pay and matches voluntary employee contributions up to an additional 4% of basic pay. The Postal Service recognizes Social Security and TSP expenses as they are incurred and records them within *Compensation and benefits* in the accompanying unaudited *Statements of Operations.* A liability is established for any contribution due and unpaid at the end of each reporting period and is included within *Compensation and benefits* in the accompanying *Balance Sheets*.

FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees ("FERS-RAE"), or FERS - Further Revised Annuity Employees ("FERS-FRAE") depending on whether their date of hire was before, during, or after calendar year 2013, respectively.

The following table presents the employee and employer contributions, as a percentage of employee basic pay, during the three and six months ended March 31, 2020, and 2019:

	March 31, 2020		March 31, 2019	
	Employee Contributions	**Postal Service Contributions**	**Employee Contributions**	**Postal Service Contributions**
CSRS	7.0%	—%	7.0%	—%
FERS	0.8%	14.7%	0.8%	13.7%
FERS-RAE	3.1%	12.8%	3.1%	11.9%
FERS-FRAE	4.4%	11.7%	4.4%	10.7%

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Aside from these different contribution rates, the Postal Service uses the term "FERS employees" to apply to employees within all of the FERS employee categories.

The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 2020	Six Months Ended March 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	$ 899	$ 720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

FERS Normal Costs

The Postal Service records expenses for FERS normal costs within *Retirement benefits* in the accompanying unaudited *Statements of Operations*.

The Postal Service makes payments for FERS normal costs in accordance with its bi-weekly payroll cycle. The employer contributions and employee withholdings not yet remitted to OPM were $209 million and $157 million at March 31, 2020, and September 30, 2019, respectively, and were recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies the Postal Service regarding its revaluation of unfunded CSRS and FERS liabilities. OPM calculates these obligations using Postal Service-specific demographics data and government-wide economic assumptions. The Postal Service records these expenses as *Retirement benefits* in the accompanying unaudited *Statements of Operations*. These amounts may be significantly impacted by changes in actuarial assumptions used to revalue the unfunded liabilities.

In October 2019, OPM provided the Postal Service with an actuarial report indicating the projected annual amortization payments due September 30, 2020, would be $1.6 billion for the CSRS obligation and $1.1 billion for the FERS obligation.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. The Postal Service has estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, the Postal Service accrued additional CSRS and FERS amortization expenses during the three months ended March 31, 2020, to reflect the proportional adjustment between the original OPM estimate and the updated Postal Service estimate as a result of these changes. The Postal Service expects to receive invoices from OPM for the actual amounts due September 30, 2020, during the fourth quarter of 2020, and these invoices may differ from the estimated projections due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

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The amounts the Postal Service has accrued for CSRS and FERS unfunded retirement benefits but has not yet paid are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*. Those accrued but unpaid amounts were approximately $9.8 billion and $8.2 billion at March 31, 2020, and September 30, 2019, respectively.

NOTE 10 - HEALTH BENEFITS PLANS

FEHB Program covers nearly all career employees and also covers non-career employees and retirees who meet certain eligibility requirements. OPM administers FEHB and allocates the cost of funding the program to participating U.S. government employers. Separate from FEHB, the Postal Service offers its own healthcare plan to certain non-career employees who are ineligible for FEHB.

Active Employees

The Postal Service paid 71.9% of healthcare premium costs during both the three months ended March 31, 2020, and 2019. The Postal Service paid 72.0% and 72.3% of healthcare premium costs during the six months ended March 31, 2020, and 2019, respectively. Although OPM determines the actual FEHB premium costs, the allocation of these costs between the Postal Service and most of its employees is determined through agreements with Postal Service labor unions.

Postal Service employee health benefits expense (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Postal Service employee health benefits expense was approximately $1.3 billion for each of the three-month periods ended March 31, 2020, and 2019. Postal Service employee health benefits expense was approximately $2.6 billion for each of the six-month periods ended March 31, 2020, and 2019.These expenses are included within *Compensation and benefits* in the accompanying unaudited *Statements of Operations*.

Retirees

Postal Service retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits. The Postal Service is required to contribute to the PSRHBF an amount estimated to be equal to the employer portion of FEHB insurance premiums for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service (normal cost). The Postal Service is also required to contribute an amount sufficient to fully amortize the unfunded liability of the PSRHBF by 2056. These amounts are based, in part, on each current and prospective retiree's length of federal civilian service occurring on or after July 1, 1971. Each participant's share of premium costs is set by law and is not subject to negotiation with Postal Service labor unions. The Postal Service cannot direct the costs, benefits or funding requirements of the plans. Therefore, it accounts for program expenses using multiemployer plan accounting rules by recording contributions to the plans that will be required by OPM as an expense in the period in which the contributions are due.

The PAEA required the Postal Service to prefund retiree health benefits during years 2007 through 2016 by paying statutorily specified annual amounts ranging from $1.4 billion to $5.8 billion, totaling $54.8 billion, into the PSRHBF, which began paying the Postal Service's share of retiree health benefit premiums in 2017. The Postal Service remains obligated to fund the $33.9 billion in statutorily required PSRHBF prefunding payments that it defaulted on for the years 2012 through 2016, as well as the normal cost and amortization payments of $10.7 billion and $2.6 billion, respectively, that it did not pay for the years 2017 through 2019. As of the date of this report, the Postal Service has not been assessed any penalties associated with these non-payments. The cumulative amount of statutorily specified, normal cost and amortization PSRHBF obligations the Postal Service has accrued is $49.7 billion as of March 31, 2020, inclusive of the $47.2 billion that was unpaid as of September 30, 2019. Given that OPM considers these amounts to be due and payable, the Postal Service reflects the cumulative unpaid amount as a current liability within *Retiree health benefits* in the accompanying *Balance Sheets*.

As required by PAEA, OPM annually performs an actuarial valuation for the purpose of developing a payment schedule for the Postal Service to fund the remaining unfunded PSRHBF obligation in annual payments through the year 2056. Based on preliminary calculations provided by OPM, the amortization payment due September 30, 2020, is estimated to be $900 million.

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Furthermore, the Postal Service is obligated to pay the estimated normal cost of retiree health benefits attributable to the service of its employees during the most recent year. Based on preliminary calculations provided by OPM, the Postal Service has estimated the normal cost payment, also due by September 30, 2020, to be $4.0 billion.

The Postal Service expects to receive the invoice from OPM for with the actual amounts due during the fourth quarter of 2020 and these may differ from the original projected amounts due to changes in discount rates, actuarial assumptions and experience as of the calculation date.

The following table details retiree health benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 2020	Six Months Ended March 2019
PSRHBF unfunded liability amortization[1]	$ 225	$ 275	$ 450	$ 550
Normal cost of retiree health benefits[2]	1,000	1,000	2,000	2,000
Total retiree health benefits expense	**$ 1,225**	**$ 1,275**	**$ 2,450**	**$ 2,550**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to the PSRHBF by September 30 of the respective year, based on information provided by OPM, for the actuarially determined normal cost of retiree health benefits for current employees.

NOTE 11 - WORKERS' COMPENSATION

Postal Service employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. The Postal Service reimburses DOL for all workers' compensation benefits paid to or on behalf of Postal Service employees, plus an administrative fee.

Workers' Compensation Liability

The Postal Service records a liability for its workers' compensation obligations for employees who have been injured on the job and are eligible for benefits, or their qualified survivors. Both the current and noncurrent portions of the workers' compensation liability are recorded in the accompanying *Balance Sheets*. The Postal Service uses an estimation model that utilizes four generally accepted actuarial valuation techniques based upon past claim-payment experience and exposure to claims as measured by total employee hours worked.

Changes in the liability are primarily attributable to the combined impacts of routine changes in actuarial assumptions, new compensation and medical cases, the progression of existing cases and changes in discount (interest) and inflation rates, including long-term COLA rates for compensation claims, and medical rates for medical claims. These rates are updated as of the balance sheet date and factored into the model.

To determine the fair value of the liability each quarter, the Postal Service first estimates the future total cost of workers' compensation claims based on the dates of claim-related injuries, frequency or severity of the injuries, the pattern of historical payments to beneficiaries and the expected trend in future costs. The Postal Service then calculates the amount that would need to be invested at current discount (interest) rates to fully fund the future total cost of claims, and this calculated present value is the recorded value of the workers' compensation liability.

This liability calculation is highly sensitive to changes in discount rates. For example, a 1% increase in the discount rate would decrease the March 31, 2020, liability and related expense by approximately $2.4 billion. Likewise, a 1% decrease in the discount rate would increase the March 31, 2020, liability and related expense by approximately $3.1 billion.

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The following table details the applicable inflation and discount rates for compensation and medical claims used to estimate the workers' compensation liability as of March 31, 2020, and September 30, 2019:

	March 31, 2020	September 30, 2019
Compensation claims liability:		
Discount rate	1.05%	1.90%
Long-term wage inflation rate	2.60%	2.60%
Medical claims liability:		
Discount rate	1.07%	1.91%
Medical inflation rate	3.50%	2.50%

As of March 31, 2020, and September 30, 2019, the Postal Service's total liability for workers' compensation was approximately $20.0 billion and $18.5 billion, respectively. As of March 31, 2020, and September 30, 2019, the current portion of the liability was approximately $1.3 billion and $1.4 billion, respectively, and the noncurrent portion of the liability was approximately $18.7 billion and $17.1 billion, respectively, as reflected in the accompanying *Balance Sheets*.

Workers' Compensation Expense

The impacts of changes in discount rates and inflation rates, as well as the actuarial valuation of new cases and revaluation of existing cases, are components of total workers' compensation expense as recorded in the accompanying unaudited *Statements of Operations*. In addition, the Postal Service pays an administrative fee to DOL, which is considered a component of workers' compensation expense.

The following table presents the components of workers' compensation expense for the three and six months ended March 31, 2020, and 2019:

	Three Months Ended March 31,		Six Months Ended March	
(in millions)	2020	2019	2020	2019
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**

NOTE 12 - LEASES

Postal Service Leases

The Postal Service holds lessee positions in real property leases as well as lessee positions embedded in service contracts involving rights to use transportation equipment and facilities.

Real property leases support retail, delivery, mail processing, maintenance, administrative and support activities. The non-cancellable base terms of these leases typically range from one to five years, with one or more options to renew for additional five-year terms. The lease terms for these arrangements generally range from one to thirty years including any renewal options that are reasonably certain to be exercised. Additionally, certain real property leases contain purchase and termination options. At the commencement of most real property lease arrangements, the Postal Service is not reasonably certain if it will exercise such options. Real property leases include certain variable lease payments associated with non-lease components, such as common area maintenance costs, and non-lease components such as real estate taxes, which are generally charged as a pass-through based on actual amounts incurred by the lessor. The Postal Service records costs associated with real property leases within *Other operating expenses* in the accompanying unaudited *Statements of Operations.*

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Transportation equipment leases apply primarily to vehicles, trailers, and aircraft. The non-cancellable base terms of these leases typically range from two to five years, and may include one or more options to renew for an additional one or two years. The lease terms for these arrangements generally range from two to five years including any renewal options the Postal Service is reasonably certain to exercise. Transportation equipment leases do not contain purchase options, however certain of these leases contain termination options. At the commencement of most transportation lease arrangements, the Postal Service is not reasonably certain if it will exercise such termination options. Certain transportation leases contain variable lease payments based on the volume of activity under the contract. The Postal Service records costs associated with transportation leases within *Transportation* in the accompanying unaudited *Statements of Operations.*

Postal Service leases do not contain any material residual value guarantees or restrictive covenants.

Sublease income was not material to the financial statements for the three and six months ended March 31, 2020.

Balances disclosed herein include those pertaining to certain related-party transactions. See *Note 5 - Related Parties* for additional information on related party transactions.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying unaudited *Balance Sheet* as of March 31, 2020:

(in millions)	As of March 31, 2020		
	Finance Leases	**Operating Leases**	**Total Leases**
2020	$ 28	$ 624	$ 652
2021	49	1,153	1,202
2022	55	961	1,016
2023	18	687	705
2024	22	485	507
Thereafter	82	819	901
Total undiscounted lease payments	**$ 254**	**$ 4,729**	**$ 4,983**
Present value adjustment	(53)	(227)	(280)
Net lease liabilities	**$ 201**	**$ 4,502**	**$ 4,703**

Leases that were entered into but not yet commenced as of March 31, 2020, are not significant to the Postal Service's financial statements.

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Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the three and six months ended March 31, 2020:

(in millions)	Three Months Ended March 31, 2020	Six Months Ended March 31, 2020
Finance lease cost:		
Amortization of right-of-use assets	$ 7	$ 15
Interest on lease liabilities	3	6
Total finance lease cost	**$ 10**	**$ 21**
Operating lease cost	**311**	**759**
Variable lease cost	**190**	**369**
Short-term lease cost	**61**	**103**
Total lease cost	**$ 572**	**$ 1,252**

The following information represents supplemental cash and non-cash information as well as lease term and discount rate information separately for finance leases and operating leases, for the six months ended March 31, 2020:

($ in millions)	Six Months Ended March 31, 2020
Finance Leases:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows - interest on lease liability	$ 6
Financing cash flows - principal repayments	$ 21
Right-of-use assets obtained in exchange for lease payments	$ —
Weighted-average remaining lease term - finance leases	7.24 years
Weighted-average discount rate - finance leases	6.30%
Operating Leases:	
Operating cash flows from operating leases	$ 606
Right-of-use assets obtained in exchange for operating lease liabilities	$ 172
Weighted-average remaining lease term - operating leases	5.34 years
Weighted-average discount rate - operating leases	1.70%

Disclosures Related to Period Prior to ASC 842 adoption

The following table provides details for total rent expense for the years ended September 30, 2019, 2018 and 2017:

(in millions)	2019	2018	2017
Non-cancellable real estate leases[1]	$ 1,034	$ 984	$ 940
GSA facilities leases[2]	29	29	32
Equipment and other short-term rentals	160	159	157
Total rental expense	**$ 1,223**	**$ 1,172**	**$ 1,129**

[1] Sublease income was not material to the financial statements for the years ended September 30, 2019, 2018 and 2017.
[2] GSA leases subject to 120-day cancellation notice.

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The amounts below represent future minimum payments for all non-cancellable leases with original lease terms greater than one year, including leases containing renewal options that have been exercised, as of September 30, 2019:

(in millions)	Operating	Capital
2020	$ 1,214	$ 48
2021	1,061	35
2022	829	21
2023	540	15
2024	352	13
Thereafter	563	59
Total lease obligations	**$ 4,559**	**$ 191**
Less: Interest		46
Total capital lease obligations		**$ 145**
Less: Current portion of capital lease obligations		66
Noncurrent portion of capital lease obligations		**$ 79**

Capital leases, recorded at historical cost within *Property and equipment, net* in the accompanying *Balance Sheets*, were $496 million as of September 30, 2019. Total accumulated amortization related to capital leases was $377 million at September 30, 2019. Amortization expense for capital leases was approximately $33 million and $37 million for the years ended September 30, 2019, and 2018, respectively, and is included within the *Other operating expense* in the respective *Statements of Operations*.

Lease Accounting Policies

Lease Accounting Policy for Comparative Periods

As the lessee, the Postal Service classifies leases which have original lease terms greater than one year and that transfer substantially all the risks and rewards of ownership to the Postal Service, as capital leases. These leases are capitalized on the lease commencement date at the lower of the fair value of the leased assets or the present value of the minimum lease payments. The discount rate used to determine the present value is based on average U.S. Treasury rates. Property acquired under a capital lease is amortized over the lease term. Capital leases are included within *Property and equipment, net* in the accompanying *Balance Sheets*.

The Postal Service classifies all other lease arrangements in which substantially all risks and rewards of ownership are retained by the lessor as operating leases. Rent expense for operating leases is included in *Other operating expenses* in the accompanying unaudited *Statements of Operations* on a straight-line basis over the term of the lease.

Lease Accounting Policy for the Six Months Ended March 31, 2020

The Postal Service determines at the inception of the contract if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Postal Service is assumed to have the right to control the use of the underlying asset if the contract conveys the rights to obtain substantially all of the economic benefits of the underlying asset and the rights to direct how and for what purpose such asset is used during the contract term.

As the lessee, the Postal Service classifies all leases with original lease terms less than one year as short-term leases. The Postal Service classifies all other leases which transfer substantially all the risks and rewards of ownership to the Postal Service as finance leases. Finance lease right-of-use assets are included within *Property and equipment, net* in the accompanying *Balance Sheets*. The current and noncurrent portions of finance lease

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liabilities are included within *Payables and accrued expenses* and *Other noncurrent liabilities,* respectively, within the accompanying *Balance Sheets.* The Postal Service classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The Postal Service considers a lease term to include all non-cancelable periods and renewal periods when the Postal Service is reasonably certain that it will exercise the related renewal option.

For short-term leases, the Postal Service records lease expenses in the statement of operations on a straight-line basis over the lease term.

Leases that do not qualify as short-term are recorded in the balance sheet on the lease commencement date, each as a right-of-use asset and a lease liability.

Lease liabilities are initially measured at the net present value of the lease payments due after the commencement date. For this purpose, lease payments include fixed and in-substance fixed rental payments, variable lease payments that depend on an index or rate, and the price of options that the Postal Service is, at the commencement of the lease, reasonably certain to exercise. Lease liabilities are subsequently increased to reflect the interest accrued and reduced when lease payments are made by the Postal Service.

Right-of-use assets are initially measured at the net present value of the lease payments (including amounts due prior to or on the commencement date), adjusted for the impact of initial direct costs and lease incentives. For finance leases, right-of-use assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, right-of-use assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Right-of-use assets for operating and finance leases are periodically reviewed for impairment losses, following the same process as for other long-lived assets. Impairment losses on long-lived assets are recorded when events or circumstances indicate that an asset's fair value is less than its carrying value. When such a determination is made, the carrying values of the assets are written down to fair value. The Postal Service uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment - Overall*, to determine whether a right-of-use asset is impaired, and if so, the amount of the impairment loss to recognize. No impairment losses have been recognized to date.

The discount rates used in net present value calculations are determined based on the Postal Service's incremental borrowing rates on debt outstanding with the FFB at the beginning of each year, which is approximated as the daily U.S. Treasury Yield Curve Rates for the five-year, 10-year, 20-year and 30-year periods, plus a 12.5 basis point spread.

Variable lease payments, except for those based on an index or rate, are recognized as variable lease expenses in the period in which the obligation for those payments are incurred.

NOTE 13 - FAIR VALUE MEASUREMENT

The Postal Service defines fair value as the price that would be received upon sale of an asset or the price that would be paid to transfer a liability between unrelated parties.

The carrying amounts of certain current assets and liabilities, including cash, accounts receivable, accounts payable and accrued expenses, approximate fair value due to their short-term nature. Assets within *Property and equipment, net* are recorded at cost and measured at fair value on a nonrecurring basis if they are determined to be impaired or classified as assets held for sale.

Noncurrent receivables and long-term debt are measured using a fair value hierarchy model. This model prioritizes observable and unobservable inputs used to measure fair value, and consists of three broad levels, as defined in authoritative literature.

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For the three and six months ended March 31, 2020, no significant transfers between *Level 1* and *Level 2* assets or liabilities transpired. The carrying amount and fair value of the revenue forgone installment receivable and long-term debt are presented for disclosure purposes only in the following table:

	March 31, 2020		September 30, 2019	
(in millions)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Revenue forgone installment receivable*	$ 476	$ 584	$ 466	$ 516
Long-term debt	$ 11,000	$ 11,936	$ 11,000	$ 11,437

* The carrying amount is included within *Other assets* (which includes items in addition to the revenue forgone installment receivable) in the accompanying *Balance Sheets*.

The revenue forgone installment receivable qualifies as a financial instrument in accordance with authoritative literature. To calculate its fair value, the Postal Service recognizes the imputed interest it is owed as interest income and estimates the value of this receivable using the interest method, which converts future cash flows to a single discounted amount using interest rates for similar assets, which are considered *Level 2* inputs. The Postal Service then calculates the net present value of anticipated annual installment payments to be received, discounted by the 20-year U.S. Treasury Constant Maturity Rate, which was 1.15% and 1.94% as of March 31, 2020, and September 30, 2019, respectively.

The long-term debt also qualifies as a financial instrument. Because no active market exists for its debt with the FFB, the Postal Service estimates the fair value of the long-term debt by imputing future payments at discount rates provided by the FFB, considered *Level 3* inputs. The weighted averages of the FFB discount rates, based on U.S. Treasury Yield Curve Rates, were 0.36% and 1.79% as of March 31, 2020, and September 30, 2019, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENTS

The following *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this report describe the principal factors affecting the financial results, liquidity, capital resources and critical accounting estimates of the United States Postal Service ("Postal Service," "USPS," "we," "our" and "us"). Our results of operations may be impacted by risks and uncertainties discussed here and in our Annual Report on Form 10-K for the year ended September 30, 2019, ("Annual Report") filed with the Postal Regulatory Commission ("PRC") on November 14, 2019. Such factors, many of which we cannot control or influence, may cause actual results to differ materially from those currently contemplated.

Our operating results for the three and six months ended March 31, 2020, are presented in accordance with accounting principles generally accepted in the United States ("GAAP"). These results are not necessarily indicative of the results to be expected for the year ended September 30, 2020, and should be read in conjunction with our Annual Report. All references to years in this report, unless otherwise stated, refer to fiscal years beginning October 1 and ending September 30. All references to quarters, unless otherwise stated, refer to quarters within fiscal years 2020 and 2019.

Forward-looking statements contained in this report represent our best estimates of known and anticipated trends believed relevant to future operations. However, actual results may differ significantly from current estimates. Certain forward-looking statements included in this report use such words as "may," "will," "could," "expect," "believe," "plan," "estimate," "project" or other similar terminology. These forward-looking statements, which involve a number of risks and uncertainties, reflect current expectations regarding future events and operating performance as of the date of this report. These risks include, but are not limited to, the effects of the novel strain of coronavirus ("COVID-19") on our business, financial condition and results of operations. We have no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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OVERVIEW

With our mandate to provide universal postal services to the nation, we serve retail and commercial customers in the U.S., as well as internationally. Our operations include an extensive and integrated retail, processing, distribution, transportation and delivery network, and we operate throughout the U.S., its possessions and territories. We operate as a single segment and report our performance as such.

The *Postal Accountability and Enhancement Act* ("PAEA") classifies our products into two broad categories: Market-Dominant and Competitive "products," however, we use the term "services" in this document for consistency with other descriptions of services offered. The statutes under which we operate also establish certain requirements that affect our financial results, including obligations for retirement benefits within the Civil Service Retirement System ("CSRS") and the Federal Employee Retirement System ("FERS"), and obligations for retiree health benefits including funding of the Postal Service Retiree Health Benefits Fund ("PSRHBF"). We must coordinate with the U.S. Office of Personnel Management ("OPM") to address these obligations.

We have successfully implemented initiatives that have reduced the growth in certain costs by billions of dollars while offering new features for customers such as *Informed Delivery*. However, legal restrictions on pricing, service diversification and operations restrict our ability to cover our costs to provide prompt, reliable and efficient postal services to the nation.

We have established a core set of goals that drive our strategic initiatives and continuous improvement efforts:

1. Deliver a world-class customer experience;
2. Equip, empower and engage employees;
3. Innovate faster to deliver value; and
4. Invest in our future platforms.

As part of these efforts, we aim to achieve long-term financial stability. Our focus on maintaining liquidity and reducing operating expenses reflects current trends, as well as projected future volume of mail and packages. We believe that financial stability is within reach with targeted legislative and regulatory reform to address our overall cost structure and enhance our revenue-generating opportunities as we continue to identify and create innovative and affordable services, and deliver high levels of performance and service. Such financial stability would continue to provide Congress and the executive branch with additional time to address the broader issues regarding our overall cost structure and revenue-generating opportunities.

RESULTS OF OPERATIONS

SUMMARY

The major factors that impact our operating results include overall customer demand, the mix of postal services and contribution associated with those services, volume of mail and packages processed through our network and our ability to manage our cost structure in line with declining levels of mail volume, increased competition in the more labor-intensive Shipping and Packages business and an increasing number of delivery points.

Effects of COVID-19

In March 2020, the World Health Organization ("WHO") declared COVID-19 a global pandemic, which has since spread throughout the U.S. Changing federal, state and local government actions to address the pandemic have been occurring on a daily basis, and government-imposed shelter-in-place and other movement restrictions designed to slow the pace of the outbreak have severely impacted the U.S. economy. We believe the severity and duration of the COVID-19 pandemic is uncertain, and such uncertainty may continue during the second half of 2020.

Our employees provide an essential public service and bind the nation together as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, our employees accept, process, transport, and deliver vital mail and packages like medicine, essential consumer staples, benefits checks, and important information, in every community, to every home and business, and we will continue to do so. As Americans are urged to stay home, the importance of the mail will only grow as our customers, including those in rural areas and senior citizens, will need access to vital communications, essential packages and other necessities.

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Shortly after the WHO declaration, we created a dedicated COVID-19 response team to lead our response efforts. All of our employees are considered essential, and their safety is our highest priority. Following strategies recommended by the Centers for Disease Control and Prevention, we have implemented enhanced safety measures to protect the health of our employees.

While we have maintained full operations during the pandemic, travel and logistics restrictions have negatively affected our retail and commercial customers, as well as our suppliers and mail service providers. Many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our mail volumes began to decline significantly in March 2020. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Although the COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes, we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. While the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy. Furthermore, this anticipated economic weakness has resulted in significant interest rate declines, which have caused an increase in certain of our workers' compensation and retirement benefits expenses.

On March 27, 2020, the President signed the *Coronavirus Aid, Relief, and Economic Security Act,* enacted as Public Law 116-136 (the "*CARES Act*"). Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limit on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However, we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, unless we default on additional obligations.

In late March 2020, we restricted business travel and implemented remote work arrangements for certain of our office-based employees. We have also implemented new leave policies for employees who may be affected by illness, quarantines or childcare obligations. These arrangements have not materially affected our ability to maintain our business operations, including the operation of financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Three Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the three months ended March 31, 2020, increased $349 million, or 2.0%, compared to the same period last year. The increase in operating revenue was due to the following:

- Shipping and Packages revenue increase of $351 million, or 6.5%, with a volume growth of 16 million pieces, or 1.1%, driven largely by the January 2020 price increases applicable to certain Competitive services and the temporary surge in e-commerce resulting from the COVID-19 pandemic; and
- *First-Class Mail* revenue increase of $109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%. Revenue growth was the result of the January 2020 price increases applicable to certain *First-Class Mail* services.

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The above increases in operating revenue were partially offset by a decrease in *Marketing Mail* revenue of $94 million, or 2.5%, with a volume decline of 605 million pieces, or 3.4%, largely the result of the COVID-19 pandemic, as many of our commercial customers, especially those with consumer-facing businesses, began to suspend their operations or operate at a lower capacity in March 2020. Political and election mail revenue and volumes increased by approximately $100 million and 50 million pieces, respectively, compared to the same period last year, resulting from the impact of the 2020 primary and general elections.

As more fully described below in *Operating Expenses*, our operating expenses for the three months ended March 31, 2020, increased approximately $2.8 billion, or 14.2%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $2.2 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $348 million, or 23.7%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $124 million, or 5.3%, due to spending increases in various categories including enhancements to cyber security and information technology;
- Compensation and benefits expense increase of $119 million, or 1.0%, due primarily to contractual wage increases.

The above increases were partially offset by a decrease in retiree health benefits expense of $50 million, or 3.9%, primarily due to the impact of discount rates in effect during October 2019 that were used in OPM's preliminary annual estimates.

Overall, we reported a net loss of approximately $4.5 billion for the three months ended March 31, 2020, compared to a net loss of approximately $2.1 billion for the same period last year.

Six Months Ended March 31, 2020

As more fully described below in *Operating Revenue and Volume*, our operating revenue for the six months ended March 31, 2020, decreased $11 million, which was essentially flat, compared to the same period last year.

The decrease in operating revenue was largely due to the following:

- *Marketing Mail* revenue decrease of $347 million, or 4.1%, with a volume decline of approximately 2.3 billion pieces, or 5.9%, driven by decreases in revenue and volume from political and election mail in the first quarter. Political and election mail revenue and volumes decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019. Furthermore, volume declined due to the COVID-19 pandemic in the second quarter, as the pandemic affected many of our commercial customers;
- *First-Class Mail* revenue decrease of $59 million, or 0.5%, with a volume decline of 634 million pieces, or 2.2%, reflecting the continuing migration from mail to electronic communication and transaction alternatives; and
- *Periodicals* revenue decrease of $57 million, or 9.4%, with a volume decline of 231 million pieces, or 9.8%, driven by the continuing migration to electronic communication and digital advertising.

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The decrease in operating revenue was partially offset by an increase in Shipping and Packages revenue of $497 million, or 4.2%, despite a volume decline of 68 million pieces, or 2.1%, as we continued to see revenue growth in this service category during the six-month period driven largely by the January 2020 price increases applicable to certain Competitive services.

As more fully described below in *Operating Expenses*, our operating expenses for the six months ended March 31, 2020, increased approximately $1.6 billion, or 4.0%, compared to the same period last year. The increase in operating expenses was primarily due to the following:

- Workers' compensation expense increase of approximately $1.1 billion, primarily due to declines in discount rates, outside of management's control, as the COVID-19 pandemic weighed on the U.S. economy;
- Retirement benefits expense increase of $477 million, or 16.1%, due to revised actuarial assumptions for CSRS and FERS unfunded retirement benefits amortization, which are outside of management's control, and to increased contribution rates for FERS normal costs, compared to the same period last year;
- Other operating expenses increase of $122 million, or 2.5%, due to spending increases in various categories including enhancements to cyber security and information technology; and
- Transportation expenses increase of $63 million, or 1.5%, primarily resulting from higher air transportation costs, but partially offset by lower international transportation costs. The increase in highway transportation costs was driven by a one-time adjustment for our adoption of Accounting Standards Update 2016-02 *Leases,* which has since been codified in Accounting Standards Codification ("ASC") 842*, Leases* ("ASC 842"), but partially offset by a decrease in the number of miles driven and lower average diesel fuel prices. The decrease in international transportation costs was driven by lower *International Mail* volumes.

The above increases in operating expenses were partially offset by the following decreases in operating expenses:

- Retiree health benefits expense decrease of $100 million, or 3.9%, primarily due to the impact of discount rate changes in effect during October 2019 that were used in OPM's preliminary annual estimates; and
- Compensation and benefits expense decrease of $71 million, or 0.3%, primarily due to management's efforts to align work hours with volume workloads, but partially offset from increases due to contractual wage adjustments.

Overall, we reported a net loss of approximately $5.3 billion for the six months ended March 31, 2020, compared to a net loss of approximately $3.6 billion for the same period last year.

Non-GAAP Controllable Loss

In the day-to-day operation of our business, we focus on costs that can be managed in the course of normal business operations, such as salaries and transportation. We calculate controllable loss, a non-GAAP measure, by excluding items over which we have no control, such as PSRHBF actuarial revaluation and amortization expenses, workers' compensation expenses caused by actuarial revaluation and discount rate changes, and retirement expenses caused by actuarial revaluation. Controllable loss should not be considered a substitute for net loss and other GAAP reporting measures.

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The following table reconciles our GAAP net loss to controllable loss for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Net loss	**$ (4,515)**	**$ (2,082)**	**$ (5,263)**	**$ (3,619)**
PSRHBF unfunded liability amortization expense[1]	225	275	450	550
Change in workers' compensation liability resulting from fluctuations in discount rates	2,628	454	2,085	959
Other change in workers' compensation liability[2]	(3)	(53)	7	2
CSRS unfunded liability amortization expense[3]	495	360	899	720
FERS unfunded liability amortization expense[4]	378	240	643	479
Controllable loss	**$ (792)**	**$ (806)**	**$ (1,179)**	**$ (909)**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, as calculated by OPM, to amortize the unfunded PSRHBF retirement health benefit obligation. Payments are to be made through 2056 based on OPM invoices.

[2] Net amounts include changes in assumptions, valuation of new claims and revaluation of existing claims, less current year claim payments.

[3] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded CSRS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made through 2043 based on OPM invoices.

[4] Expense for the accrual for the annual payment due to OPM by September 30 of the respective fiscal year, to amortize the unfunded FERS retirement obligation. The 2020 amounts are based on updated Postal Service estimates resulting from revised actuarial assumptions. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our controllable loss decreased $14 million for the three months ended March 31, 2020, compared to the same period last year. This decrease was largely driven by the $349 million increase in operating revenue, offset by higher other operating expenses of $124 million, higher compensation and benefits expenses of $119 million, and higher FERS normal costs of $75 million.

Our controllable loss increased $270 million for the six months ended March 31, 2020, compared to the same period last year. This increase was largely driven by higher FERS normal costs of $134 million and higher transportation expenses of $63 million, partially offset by lower compensation and benefits expenses of $71 million.

These items are discussed in greater detail in *Operating Revenue and Volume* and *Operating Expenses* below.

OPERATING REVENUE AND VOLUME

The combined categories of *First-Class Mail* and *Marketing Mail* continued to provide the majority of our revenue, despite long-term trends away from traditional paper communication and correspondence to electronic media. Although this migration to electronic media has resulted in significant volume declines in *First-Class Mail* over the last decade, *Marketing Mail* volume remained relatively steady between 2009 and 2016. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* resumed its volume decline through the remainder of 2019 and the first half of 2020.

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The following table summarizes our operating revenue and volume for the three and six months ended March 31, 2020, and 2019, by each service category:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Operating Revenue:				
First-Class Mail[1]	$ 6,395	$ 6,286	$ 12,867	$ 12,926
Marketing Mail[2]	3,739	3,833	8,150	8,497
Shipping and Packages[3]	5,788	5,437	12,394	11,897
International	614	595	1,318	1,308
Periodicals	266	298	552	609
Other[4]	1,039	1,043	1,911	1,966
Total operating revenue	**$ 17,841**	**$ 17,492**	**$ 37,192**	**$ 37,203**
Volume:				
First-Class Mail[1]	14,172	14,235	28,490	29,124
Marketing Mail[2]	17,039	17,644	37,341	39,687
Shipping and Packages[3]	1,488	1,472	3,226	3,294
International	193	214	433	473
Periodicals	1,021	1,163	2,130	2,361
Other[5]	80	70	174	161
Total volume	**33,993**	**34,798**	**71,794**	**75,100**

[1] Excludes *First-Class Package Service - Retail* and *First-Class Package Service - Commercial*.

[2] Excludes *Marketing Mail Parcels*.

[3] Includes *Priority Mail*, *USPS Retail Ground*, *Parcel Select Mail*, *Parcel Return Service Mail*, *Marketing Mail Parcels*, *Package Service Mail*, *First-Class Package Service - Retail*, *First-Class Package Service - Commercial* and *Priority Mail Express*.

[4] Revenue includes *PO Box* services, *Certified Mail*, Return Receipts, Insurance, Other Ancillary Services, Shipping and Mailing Supplies, Collect on Delivery, *Registered Mail*, Stamped Envelopes and Cards, Money Orders and Other services.

[5] Volume includes Postal Service internal mail and free mail provided to certain congressionally mandated groups.

For the three months ended March 31, 2020, *First-Class Mail* generated approximately 36% of operating revenue, which was essentially unchanged compared to the same period last year, and approximately 42% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 21% of operating revenue and 50% of our volume, both 1% decreases from the same period last year.

For the six months ended March 31, 2020, *First-Class Mail* generated approximately 35% of operating revenue, which is essentially unchanged compared to the same period last year, and approximately 40% of our volume, a 1% increase compared to the same period last year. *Marketing Mail* generated approximately 22% of operating revenue and 52% of our volume, both 1% decreases from the same period last year.

We continued to experience positive revenue results in our Shipping and Packages category, and it represented approximately 32% of our revenue for the three months ended March 31, 2020, which was a 1% increase from the same period last year, and approximately 33% of our revenue for the six months ended March 31, 2020, a 1% increase from the same period last year. Shipping and Packages generated approximately 4% of our volume for both the three and six months ended March 31, 2020, which was relatively unchanged compared to the same period last year.

Although revenue and volume are closely linked to the strength of the U.S. economy and changes in how our customers use the mail, we have proactively targeted opportunities to grow our business. We continue to focus on our customers' needs and have increased our investment in mail and package innovation. However, we also

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recognize that revenue growth is constrained by laws and regulations restricting the types of products, services and pricing we may offer to our customers and the speed with which we can bring new products to market.

We anticipate that *First-Class Mail* will continue to lose volume in future years with the migration to electronic communication and transactional alternatives resulting from technological changes. Furthermore, due to the COVID-19 pandemic our *First-Class Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. To address the long-term trend that such changes have had on our *First-Class Mail* revenue and volume, we have been working with the mailing industry to slow the decline through mailing promotions and leveraging the high open-and-read rates of, for example, bills and statements for additional customer engagement and education.

We have also focused on providing new services and innovating with *Marketing Mail.* We have expanded service offerings such as *Informed Delivery*, which enables customers to preview mail and manage packages scheduled to arrive as a means of merging digital and physical mail, as well as allowing mailers to launch interactive digital campaigns. Additionally, we are focusing on opportunities to pilot new products and innovate with customers and the mail industry to enhance the value of hard-copy communication. We believe these service offerings will further improve the value of both *First-Class Mail* and *Marketing Mail*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. We continue to focus on responding to customers' needs by implementing solutions and maintaining strategic business partnerships that help us capitalize on the growing e-commerce business.

However, our Shipping and Packages category is subject to intense competition which significantly impacts both revenue and volume. Certain major customers continue to divert volume from our network by in-sourcing the last-mile delivery into their own networks. These customers are also aggressively pricing their products and services in order to fill their networks and grow package density.

The COVID-19 pandemic has caused a recent surge in the nation's use of e-commerce, resulting in higher Shipping and Packages volumes. However we do not expect the resulting increases in Shipping and Packages revenues to be sustainable or to offset losses in mail service revenue caused by COVID-19. Although the future is uncertain, we believe that the nation's increased use of e-commerce is likely to plateau in the short term as the effects of the pandemic begin to subside, followed by a longer-term regression of e-commerce caused by a weakened U.S. economy.

We implemented price increases for certain Market-Dominant and Competitive services in January 2019 and 2020. Additionally, we implemented dimensional weighting provisions that amount to price increases for certain Shipping and Packages subcategories in June 2019.

First-Class Mail

First-Class Mail, presented in this report as a mail class and a Market-Dominant service category, includes cards, letters and flats. Prices of *First-Class Mail*, our most profitable service category, are the same regardless the geographic distance between the origination and delivery points. Because *First-Class Mail* is classified by law as Market-Dominant, price increases are currently generally subject to a price cap based on the Consumer Price Index for All Urban Consumers ("CPI-U").

For the three months ended March 31, 2020, *First-Class Mail* revenue increased $109 million, or 1.7%, despite a volume decline of 63 million pieces, or 0.4%, compared to the same period last year. For the six months ended March 31, 2020, *First-Class Mail* revenue decreased $59 million, or 0.5%, and volume declined 634 million pieces, or 2.2%, compared to the same period last year. The most significant factor contributing to the declining trend in *First-Class Mail* volume was the continuing migration from mail to electronic communication and transaction alternatives. The increase in revenue and decline in volume for the three months ended March 31, 2020, as well as revenue declining at a slower rate than volume for the six months ended March 31, 2020, are due to the January 2020 price increase applicable to Market-Dominant services.

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Due to the COVID-19 pandemic, our *First-Class Mail* volume began to decline significantly in late March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on *First-Class Mail* revenue and volume.

Marketing Mail

USPS Marketing Mail (more commonly, *Marketing Mail*), presented as a mail class and a Market-Dominant service category, generally consists of advertising, newsletters, catalogs, small marketing parcels and other printed matter not required to be processed and delivered as *First-Class Mail* or *Periodicals.*

Between 2009 and 2016, *Marketing Mail* experienced relatively flat volume. However, *Marketing Mail* volume began to decline at a greater rate beginning in 2017 and continued to decline through the first half of 2018. Aside from a volume rebound between the second half of 2018 through the first quarter of 2019 that was driven by increases in political and election mail associated with the 2018 mid-term elections, *Marketing Mail* continued its volume decline through the remainder of 2019 and the first half of 2020, exacerbated by the COVID-19 pandemic.

For the three months ended March 31, 2020*, Marketing Mail* revenue decreased $94 million, or 2.5%, and volume declined 605 million pieces, or 3.4%, compared to the same period last year. For the six months ended March 31, 2020*, Marketing Mail* revenue decreased $347 million, or 4.1%, and volume declined approximately 2.3 billion pieces, or 5.9%, compared to the same period last year. For the three months ended March 31, 2020, our revenue and volume from political and election mail increased by approximately $100 million and 500 million pieces, respectively, compared to the same period last year, as we began to benefit from the impact of the 2020 elections during the second quarter of 2020. For the six months ended March 31, 2020*,* our revenue and volume from political and election mail decreased by approximately $140 million and 900 million pieces, respectively, compared to the same period last year, which benefited from the impact of the 2018 mid-term elections during the first quarter of 2019.

Due to the COVID-19 pandemic, many of our commercial customers, especially those with consumer-facing businesses, have been required to suspend their operations or operate at a lower capacity. As a result, our *Marketing Mail* volume began to decline significantly in March 2020, and it may never fully recover to levels prior to the pandemic. A protracted loss in customer demand for our services will continue to have a material effect on our *Marketing Mail* revenue and volume.

Marketing Mail is subject to intense competition, and price increases are currently generally capped at the rate of inflation. *Marketing Mail* volume is somewhat reflective of the cyclical nature of the U.S. economy, although targeted advertising campaigns can stimulate demand for this service, and our customers have used *Marketing Mail* to mail to more targeted prospects.

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Shipping and Packages

The following table summarizes our operating revenue and volume for Shipping and Packages for the three and six months ended March 31, 2020, and 2019, by each service subcategory:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Shipping and Packages Revenue:				
Priority Mail Services[1]	$ 2,614	$ 2,520	$ 5,592	$ 5,489
Parcel Services[2]	1,764	1,619	3,949	3,726
First-Class Package Services[3]	1,204	1,087	2,440	2,252
Package Services	206	211	413	430
Total Shipping and Packages revenue	**$ 5,788**	**$ 5,437**	**$ 12,394**	**$ 11,897**
Shipping and Packages Volume:				
Priority Mail Services[1]	270	273	573	594
Parcel Services[2]	718	699	1,626	1,643
First-Class Package Services[3]	355	341	727	724
Package Services	145	159	300	333
Total Shipping and Packages volume	**1,488**	**1,472**	**3,226**	**3,294**

[1] Includes *Priority Mail*, a 1-3 business day delivery service; *Priority Mail Express*, an overnight delivery service available 365 days per year; and *USPS Retail Ground,* a retail-only Competitive service priced identically and functionally equivalent to *Priority Mail* for Zones 1-4.

[2] Includes *Parcel Select*, *Parcel Return*, and *Marketing Mail Parcels*.

[3] Includes *First-Class Package Services - Retail* and *First-Class Package Services - Commercial*.

Our Shipping and Packages category has historically experienced revenue and volume growth as a result of our successful efforts to compete in shipping services, including last-mile e-commerce fulfillment markets and Sunday delivery as well as end-to-end markets. However, this service category is subject to intense competition which significantly impacts both our revenue and volume. Shipping and Packages revenue and volume are historically greatest in the first quarter of the year due to the holiday shipping season.

For the three months ended March 31, 2020, Shipping and Packages revenue increased 6.5%, with a volume growth of 1.1%, compared to the same period last year. The volume increased due to a temporary surge in e-commerce resulting from the COVID-19 pandemic, and revenue outpaced volume increases due to the January 2020 price increases associated with certain Competitive services.

For the six months ended March 31, 2020, Shipping and Packages revenue increased 4.2%, despite a volume decline of 2.1%, compared to the same period last year. The revenue increases were largely due to the January 2020 price increases associated with certain Competitive services. The volume declines largely resulted from intense competition and certain major commercial customers and competitors delivering more of their own packages, compared to the same period last year, offset by the temporary surge in e-commerce resulting from the COVID-19 pandemic.

Priority Mail Services

Priority Mail Services is our Shipping and Packages subcategory that includes *Priority Mail*, *Priority Mail Express* and *USPS Retail Ground. Priority Mail* and *Priority Mail Express* services allow customers the ability to send documents and packages requiring expedited transportation and handling. While Priority Mail Services revenue has historically grown year-over-year, its service offerings are price sensitive and its growth rate has been lower than other Shipping and Packages subcategories due to intense competition.

Priority Mail Services accounted for our largest portion of Shipping and Packages revenue, representing approximately 45% of the total for the three and six months ended March 31, 2020, compared to approximately 46% for the same period last year. However, Priority Mail Services accounted for approximately 18% of the total Shipping

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and Packages volume for both the three months ended March 31, 2020, a 1% decrease from the same period last year, and approximately 18% of the total Shipping and Packages volume for the six months ended March 31, 2020, essentially unchanged from the same period last year.

For the three months ended March 31, 2020, Priority Mail Services revenue grew 3.7%, despite a volume decline of 1.1%, compared to the same period last year. For the six months ended March 31, 2020, Priority Mail Services revenue grew 1.9%, despite a volume decline of 3.5%, compared to the same period last year. Revenue grew despite the volume declines for the periods due to the January 2020 price increases applicable to Competitive services.

Parcel Services

Our Parcel Services subcategory includes Competitive services *Parcel Select* and *Parcel Return,* as well as Market-Dominant *USPS Marketing Mail Parcels* (more commonly, *Marketing Mail Parcels*). *Parcel Select* and *Parcel Return* services largely consist of last-mile deliveries, offered to large bulk shippers that perform their own sorting before dropping parcels deeper into our network.

For the three months ended March 31, 2020, revenue from Parcel Services increased 9.0%, on volume growth of 2.7%, compared to the same period last year. For the six months ended March 31, 2020, revenue from Parcel Services increased 6.0%, despite a volume decline of 1.0%, compared to the same period last year. This subcategory is primarily a last-mile service that bypasses much of our infrastructure and therefore is one of our lowest-priced package services, and as a result, produces a lower contribution per piece when compared to many of our other services. For the six months ended March 31, 2020, volume declined due to certain major commercial customers delivering more of their own packages. However, for the three months ended March 31, 2020, volume increased due to the temporary surge in e-commerce from the COVID-19 pandemic. Revenue grew at a greater rate than volume for the three months ended March 31, 2020, and despite the volume decline for the six months ended March 31, 2020, largely due to the January 2020 price increases applicable to Competitive services.

First-Class Package Services

Our First-Class Package Services subcategory includes the competitively priced *First-Class Package Service - Retail*, a Competitive service targeted to retail customers for packages weighing up to 13 ounces, and *First-Class Package Service - Commercial*, a Competitive service targeted to commercial customers for packages weighing up to 16 ounces. This subcategory offers commercial customers that ship primarily lightweight fulfillment parcels the lowest-priced expedited end-to-end tracked package option in the marketplace. First-Class Package Services revenue and volume performance has historically experienced strong increases for the past several years, particularly from our commercial customers. These increases are primarily attributable to growth in e-commerce.

For the three months ended March 31, 2020, First-Class Package Services revenue increased 10.8%, on volume growth of 4.1%, compared to the same period last year. For the six months ended March 31, 2020, First-Class Package Services revenue increased 8.3%, on volume growth of 0.4%, compared to the same period last year. Revenue grew greater than volume largely due to the January 2020 price increases applicable to Competitive services.

Package Services

Our Package Services subcategory is a Market-Dominant service that includes both Bound Printed Matter for materials up to 15 pounds and Library and Media Mail for materials up to 70 pounds. For the three months ended March 31, 2020, Package Services revenue decreased 2.4% on a volume decline of 8.8%, compared to the same period last year. For the six months ended March 31, 2020, Package Services revenue decreased 4.0% on a volume decline of 9.9%, compared to the same period last year. Revenue declined at a slower rate than volume for the three and six months ended March 31, 2020, due to the January 2020 price increase applicable to Market-Dominant services.

International Mail

Our *International Mail* category includes several services that enable customers, both domestic and abroad, to send international mail, including postcards, envelopes, flats and packages with either standard or express delivery options. “Outbound” services, which allow customers in the U.S. to send mail and packages to other countries, generate approximately two thirds of *International Mail* revenue, but “inbound” services are the opposite, generating

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two thirds of volume but only a third of the revenue. This is primarily due to the smaller size and lower rates for inbound international e-commerce packages.

For the three months ended March 31, 2020, *International Mail* revenue increased 3.2%, despite a volume decline of 9.8%, compared to the same period last year. For the six months ended March 31, 2020, *International Mail* revenue increased 0.8%, despite a volume decline of 8.5%, compared to the same period last year. These revenue increases were largely due to the January 2020 price increases applicable to Competitive services. The declines in both inbound and outbound volume were due to various competitive pricing, political and economic factors.

The U.S. is a member of the Universal Postal Union ("UPU"), a specialized agency of the United Nations that facilitates the exchange of international mail. We are the designated postal operator for the U.S. under the UPU, and payments to the designated postal operator for the delivery of foreign origin letter-post mails are known as "terminal dues".

In September 2019, the UPU members had a special meeting -- known as the Extraordinary Congress -- to discuss the terminal dues system. During that meeting, UPU members agreed to establish a new remuneration system that will allow us to self-declare rates beginning in July 2020. Other foreign postal operators may also reciprocally apply rates at full-self-declared rates at that time.

In February 2020, we officially invoked its provision to self-declare rates beginning in July 2020.

Periodicals

Periodicals, also presented as a mail class and a Market-Dominant service category, includes services designed for publishers of newspapers, magazines and other periodical publications whose primary purpose is providing publications to subscribers or other users. For the three months ended March 31, 2020*, Periodicals* revenue decreased 10.7% and volume declined 12.2%, compared to the same period last year. For the six months ended March 31, 2020, *Periodicals* revenue decreased 9.4% and volume declined 9.8%, compared to the same period last year.

Periodicals revenue and volume have been in decline for more than a decade as trends in hard-copy reading behavior and shifts of advertising away from print have eroded this business. The *Periodicals* category is not expected to rebound as electronic content continues to grow in popularity with the public.

Other

Other services include ancillary services such as *Certified Mail*, *PO Box* services, and *Return Receipt* services. Also included in this category are money orders and passport services. Other services revenue decreased 0.4%, and 2.8% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

OPERATING EXPENSES

In an effort to align our resources with anticipated future mail and package volume, we continue to aggressively manage operating expenditures under management's control.

We originally designed our mail processing and distribution network to provide overnight delivery service of *First-Class Mail* within specified delivery areas for a much higher volume of mail than we are required to process and deliver today, and the network's legacy capabilities are not completely aligned to today's mail mix and volumes. Consequently, certain of our processing and distribution facilities continue to operate at less than full capacity. Our challenge to contain costs is also compounded by the increasing number of delivery points, which, when combined with lower mail volume, has resulted in a drop in the average number of pieces delivered per delivery point per day from approximately 5.5 pieces in 2007 to 3.4 pieces in 2019, a reduction of approximately 39%.

Compensation and Benefits

Compensation and benefits is our largest operating expense category. These expenses consist of costs related to our active career and non-career employees other than retirement costs associated with U.S. government defined benefit pension programs and retiree health costs which are further discussed in *Retirement benefits* and *Retiree Health Benefits*, respectively.

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Overall, our compensation and benefits expenses increased 1.0% for the three months ended March 31, 2020, but decreased 0.3% for the six months ended March 31, 2020, compared to the same periods last year. The following table presents compensation and benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Compensation	$ 9,583	$ 9,525	$ 19,859	$ 19,962
Employee health benefits	1,296	1,256	2,591	2,571
Social security	545	540	1,114	1,118
TSP	301	290	588	572
Other	79	74	160	160
Total compensation and benefits	**$ 11,804**	**$ 11,685**	**$ 24,312**	**$ 24,383**

Compensation

Compensation expense increased 0.6% for the three months ended March 31, 2020, but decreased 0.5% for six months ended March 31, 2020, compared to the same periods last year. The activity in both periods represents increases due to contractual wage adjustments and approximately 3.6 million hours attributable to the extra work day due to the leap year, offset by management's efforts to align work hours with volume workloads.

Work Hours

For the three months ended March 31, 2020, total work hours were approximately 286 million, essentially unchanged compared to the same period last year. However, approximately 3.6 million hours, or 1.3%, were attributable to the extra work day due to the leap year in 2020. Were it not for the extra work day due to the leap year, work hours would have declined for the period.

For the six months ended March 31, 2020, total work hours were approximately 592 million, a decrease of 1.0%, compared to approximately 598 million total work hours for the six months ended March 31, 2019. This decrease was the result of management's efforts to reduce work hours in line with volume workloads.

As a result of the COVID-19 pandemic, work hours began to decline in late March 2020 due to lower mail volumes and workforce availability, and we expect this trend to continue for the duration of the pandemic.

Workforce Composition

The number of career employees at March 31, 2020, was approximately 496,000, a decrease of approximately 1,500 employees, or 0.3%, compared to the same date a year ago. This decrease primarily reflected natural attrition, continued efforts to align our workforce with declining mail volume, offset by conversions of non-career employees to career status, in accordance with our contractual agreements.

The number of non-career employees at March 31, 2020, was approximately 129,500, a decrease of approximately 10,500 employees, or 7.5%, compared to the same date a year ago. This decrease primarily reflected management's continued efforts to align our workforce with declining mail volume, and the conversions of non-career employees to career status, in accordance with our contractual agreements.

Collective Bargaining Agreements

On January 22, 2020, we reached a tentative agreement with the National Postal Mail Handlers Union, AFL-CIO ("NPMHU") on a new three-year collective bargaining agreement, which the union membership ratified on April 8, 2020. The new contract went into effect on April 25, 2020, and will expire on September 20, 2022.

On March 10, 2020, a three-member arbitration panel reached a decision in our legally mandated binding interest arbitration process with the American Postal Workers Union, AFL-CIO ("APWU"), establishing the terms of a new collective bargaining agreement. The new contract went into effect on March 10, 2020, and will expire on September 20, 2021.

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In September 2019, we agreed to extend contract negotiations relating to a new collective bargaining agreement with the National Association of Letter Carriers, AFL-CIO ("NALC"). The previous contract with the NALC expired on September 20, 2019, and negotiations with the NALC are at an impasse. The parties will continue to follow the current agreement until a new contract is reached through the dispute resolution process.

Employee Health Benefits

Our expense for employee health benefits (which includes the employer portion of Medicare taxes) is most significantly impacted by the number of employees electing coverage and the premium costs of the selected plans. Our active employees may participate in the Federal Employees Health Benefits ("FEHB") Program, which OPM administers. Separate from FEHB, we offer our own self-insured healthcare plan to certain non-career employees who are ineligible for FEHB.

Employee health benefits expense increased 3.2% and 0.8% for the three and six months ended March 31, 2020, compared to the same periods last year, driven by average premium increases of 4.0% in calendar year 2020, and partially offset by the lower contribution rate of the employer portion of healthcare premiums that we paid, by management efforts to provide employees with information and tools for selecting the health benefit plans that best meet their needs, and by the small decrease in number of career employees, as previously discussed.

Our share of healthcare premiums for our employees represented 71.9% of the total healthcare premium costs for both the three months ended March 31, 2020, and 2019. Our share of healthcare premiums for our employees represented 72.0% and 72.3% of the total healthcare premium costs for the six months ended March 31, 2020, and 2019, respectively. This decrease in our share of healthcare premium costs for employees during the six-month period was consistent with the terms of our contractual agreements.

Social Security

For the three and six months ended March 31, 2020, our Social Security costs increased 1.0% for the three months ended March 31, 2020, but decreased 0.4% for the six months ended March 31, 2020, compared to the same periods last year. These fluctuations were consistent with the general changes in compensation for the period, as described above in *Compensation*.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Thrift Savings Plan

Career employees may participate in the Thrift Savings Plan ("TSP"), a defined contribution retirement savings and investment plan administered by the Federal Retirement Thrift Investment Board. Our TSP expenses are related only to our contributions for FERS employees who participate in the TSP. For these employees, we contribute 1% of basic pay and match voluntary employee contributions up to an additional 4% of basic pay.

For the three and six months ended March 31, 2020, our TSP matching costs increased 3.9% and 2.8%, respectively, compared to the same periods last year. The increase in expenses correlates to the changing workforce composition of CSRS and FERS employees.

Retirement Benefits

The majority of our career employees participate in one of two U.S. government defined benefit pension programs, CSRS and FERS, based on the starting date of their employment with us or another U.S. government employer. We incur normal costs (the amount determined by OPM representing the employer portion of retirement benefits for participating employees and their qualifying survivors, upon retirement, for each employee's current year of service) for FERS employees; however, by law we do not pay normal costs for CSRS retirement benefits. FERS employees are further categorized as either FERS, FERS - Revised Annuity Employees (FERS - RAE), or FERS - Further Revised Annuity Employees (FERS - FRAE) depending on whether their date of hire was before, during, or after calendar year 2013, respectively. This categorization determines the percentage of basic pay that we are required to contribute for normal cost.

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Our retirement benefits expenses consist of three components: 1) FERS normal costs, 2) CSRS unfunded retirement benefits amortization, and 3) FERS unfunded retirement benefits amortization. These retirement benefits expense components are further described in detail in the sections below. The following table presents the retirement benefits expenses for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
FERS normal costs	$ 945	$ 870	$ 1,891	$ 1,757
CSRS unfunded retirement benefits amortization[1]	495	360	899	720
FERS unfunded retirement benefits amortization[2]	378	240	643	479
Total retirement benefits	**$ 1,818**	**$ 1,470**	**$ 3,433**	**$ 2,956**

[1] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded CSRS retirement obligation. Payments are to be made through 2043 based on OPM invoices.

[2] Expense for the accrual for the annual payment due to OPM by September 30 of the respective year, based on information provided by OPM, to amortize the unfunded FERS retirement obligation. Payments are to be made over a 30-year rolling period based on OPM invoices.

Our retirement benefits expenses increased 23.7% and 16.1% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year. This increase was due to rising employer contributions rates for FERS normal cost, as well as increases in the CSRS and FERS unfunded retirement benefits amortization, as discussed below.

For additional information, see *Item 1. Financial Statements, Notes to Unaudited Financial Statements, Note 9 - Retirement Plans*.

FERS Normal Costs

We record our contributions to FERS normal costs as they are incurred. Any unpaid employer amounts at the end of a period, along with any employee amounts withheld but not remitted at the end of a period, are recorded as a current liability within *Retirement benefits* in the accompanying *Balance Sheets*.

As determined by OPM, our FERS normal cost contribution rates increased from 13.7% to 14.7% of basic pay for 2020, an increase of 7.3% from the prior year, affecting most of our FERS participants. As a result of this contribution rate increase, FERS normal cost expenses increased 8.6% and 7.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year.

CSRS and FERS Unfunded Retirement Benefits

OPM periodically notifies us regarding its revaluation of unfunded CSRS and FERS retirement benefits. The amounts we record as expenses for our unfunded CSRS and FERS liabilities may be significantly impacted by changes in actuarial assumptions used by OPM to revalue the unfunded liabilities.

In October 2019, OPM provided an actuarial report projecting the annual amortization payments due September 30, 2020, to be $1.6 billion for CSRS and $1.1 billion for FERS.

On April 2, 2020, the Board of Actuaries of the CSRS, which oversees OPM's calculation of actuarial liabilities for CSRS and FERS, lowered the discount rate used to calculate CSRS and FERS unfunded retirement liabilities from 4.25% to 4.0%. We have estimated that the impact of this change in discount rate on the annual CSRS and FERS amortization expense, will result in revised projected amortization payments due September 30, 2020, of approximately $1.8 billion for the CSRS obligation and approximately $1.3 billion for the FERS obligation, increases of $181 million and $226 million, respectively.

Accordingly, we have accrued $495 million and $899 million for the three and six months ended March 31, 2020, for the CSRS amortization expense, reflecting an adjustment of approximately $91 million for the revised assumptions.

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Likewise, we have accrued $378 million and $643 million for the three and six months ended March 31, 2020, for the FERS amortization expense, reflecting an adjustment of approximately $113 million for the revised assumptions.

Our CSRS and FERS unfunded retirement benefits amortization expenses increased 45.5% and 28.6% for the three and six months ended March 31, 2020, respectively, compared to the same periods last year, due to higher estimated annual amortization payments resulting from revised actuarial assumptions and discount rate changes.

We expect to receive invoices from OPM for the actual amounts due September 30, 2020, for CSRS and FERS during the fourth quarter of 2020, and the amounts invoiced could differ from the projected amounts, due to further changes in experience, discount rates and/or actuarial assumptions as of the calculation date.

Retiree Health Benefits

We participate in federal employee benefit programs for retiree health benefits. Retirees who participated in FEHB for the five years immediately preceding their retirement may continue to participate in the plan during retirement. Qualifying survivors of retirees are also eligible to receive benefits.

In accordance with PAEA, since the beginning of 2017, the PSRHBF has funded our share of retiree health benefit premiums. Also since 2017, we have been obligated to pay into the PSRHBF the actuarially determined normal costs of retiree health benefits attributable to the service of our employees, as well as the amortization payment for the PSRHBF unfunded liability. Our total retiree health benefits expenses therefore consist of both the normal and the amortization costs. We record the required contributions to the plan as an expense in the period in which each contribution is due.

Based on preliminary calculations provided by OPM in October 2019, we have projected the PSRHBF amortization payment amount due September 30, 2020, to be $900 million, and therefore accrued expenses of $225 million and $450 million for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

Also, based on preliminary calculations provided by OPM in October 2019 using updated discount rate assumptions, we have estimated the amount of our PSRHBF normal cost payment due September 30, 2020, to be $4.0 billion, and therefore accrued expenses of $1.0 billion and $2.0 billion for the three and six months ended March 31, 2020, respectively. We expect to receive the invoice from OPM for the actual amount due during the fourth quarter of 2020 and this may differ from the original projected amount due to changes in discount rates, actuarial assumptions and experience as of the invoice calculation date.

For the three and six months ended March 31, 2020, our total retiree health benefits expenses decreased by $50 million, or 3.9%, and $100 million, or 3.9%, respectively, compared to the same periods last year, all of which was attributable to a decrease in the estimated amortization payment for the PSRHBF unfunded liability.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 10 - Health Benefits Plans*, *Retirees.*

Workers' Compensation

Our employees injured on the job are covered by the Federal Employees' Compensation Act ("FECA"), administered by the U.S. Department of Labor's ("DOL") Office of Workers' Compensation Programs, which makes all decisions regarding injured workers' eligibility for benefits. We are legally mandated to participate in the federal workers' compensation program. Our workers' compensation expense reflects the impacts of changes in discount rates, as well as the actuarial valuation of new workers' compensation cases and revaluation of existing ones. We reimburse the DOL for all workers' compensation benefits paid to or on behalf of our employees, plus an administrative fee.

On a daily basis we focus on costs that can be managed in the course of normal business operations. Certain aspects of workers' compensation can be managed through human resource initiatives, safety measures and training. Other workers' compensation costs cannot be managed in the course of normal business operations and are less predictable, including expenses caused by actuarial revaluation and discount rate changes. We subtract the cash payments made by DOL on behalf of workers' compensation obligations, which are relatively predictable, from

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total workers' compensation expense in order to determine the non-cash component of workers' compensation expense, a non-GAAP financial measure.

The following table presents the components of workers' compensation expense, including the cash payments made by DOL on behalf of workers' compensation obligations, for the three and six months ended March 31, 2020, and 2019:

(in millions)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Impact of discount rate changes	$ 2,628	$ 454	$ 2,085	$ 959
Actuarial revaluation of existing cases	(21)	(16)	(4)	52
Cost of new cases	369	312	672	602
Administrative fee	21	21	42	45
Total workers' compensation expense	**$ 2,997**	**$ 771**	**$ 2,795**	**$ 1,658**
Less cash payments made by DOL on behalf of workers' compensation obligations	(372)	(370)	(703)	(697)
Total workers' compensation non-cash expense	**$ 2,625**	**$ 401**	**$ 2,092**	**$ 961**

For the three months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $2.2 billion, compared to the same period last year. For the six months ended March 31, 2020, the portion of workers' compensation expense due to the impact of discount rate changes increased approximately $1.1 billion, compared to the same period last year. These changes are the result of changes in interest rates, outside of management's control.

The combined costs of new workers' compensation cases and revaluation of existing workers' compensation cases increased by $52 million and $14 million for the three and six months ended March 31, 2020, compared to the same periods last year. Changes in actuarial valuation are primarily attributable to the combined impacts of routine changes in actuarial estimation, the progression of existing cases and updated COLA assumptions, which are largely outside of management's control.

Under FECA, workers' compensation claims for many types of injuries cannot be settled through lump-sum payments, and in some instances with regard to those claims, compensation may be paid over many years. Federal law grants COLA rates to those claims, and these factors result in substantially higher costs to us than would likely result if we managed our own claims. Additionally, since we do not manage the FECA program, we have no ability to control the significant administrative costs associated with managing the claims and payments process.

For additional information, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 11 - Workers' Compensation*.

Transportation

Transportation expenses include the costs we incur to transport mail and packages between our facilities, comprising highway, air and international transportation contracts, plus contract delivery services.

With the exception of contract delivery services, our costs to deliver mail and other products to delivery points are not included within *Transportation* but in *Compensation and benefits* for employee costs and in *Other operating expenses* for fuel, vehicle maintenance and repair, and other costs. Furthermore, transportation expenses do not include the compensation and related costs of employees responsible for transporting mail and packages between our facilities.

Variations in the volume and weight of mail transported, the mode of transportation used, and fuel prices have significant impact on transportation expenses.

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The components of transportation expenses for the three and six months ended March 31, 2020, and 2019, are presented in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Highway	$ 1,083	$ 1,100	$ 2,504	$ 2,422
Air	773	744	1,576	1,585
International	141	143	302	311
Other	11	13	23	24
Total transportation expenses	**$ 2,008**	**$ 2,000**	**$ 4,405**	**$ 4,342**

Overall, transportation expenses increased 0.4% and 1.5% for the three and six months ended March 31, 2020, compared to the same periods last year.

Highway transportation expenses decreased 1.5% for the three months ended March 31, 2020, but increased 3.4% during the six months ended March 31, 2020, compared to the same periods in last year. For the three and six months ended March 31, 2020, highway contract expenses decreased, primarily due to a decrease in the number of miles driven and lower average diesel fuel prices. However, results for the six months ended March 31, 2020, include a one-time adjustment resulting from our adoption of ASC 842, whereby we recorded transportation expenses associated with embedded leases in certain of our transportation contracts during the first quarter of 2020 (see *Note 2 - Recent Accounting Pronouncements* for additional disclosures regarding our adoption of ASC 842).

Air transportation expenses increased 3.9% for the three months ended March 31, 2020, but decreased 0.6% during the six months ended March 31, 2020, compared to the same periods last year. For the six months ended March 31, 2020, the slight decrease was due primarily to lower volumes and lower average jet fuel prices. However, both volumes and average jet fuel prices rose in the three months ended March 31, 2020, leading to an increase in air transportation expenses for the period.

International transportation expenses are related only to outbound services that allow customers in the U.S. to send mail and packages to other countries. For the three and six months ended March 31, 2020, international transportation expenses decreased 1.4% and 2.9% compared to the same periods last year, primarily due to decreases in our international service volumes.

Other Operating Expenses

Other operating expenses for the three and six months ended March 31, 2020, and 2019, are detailed in the following table:

(in millions)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Six Months Ended March 31, 2020	Six Months Ended March 31, 2019
Supplies and services	$ 701	$ 663	$ 1,469	$ 1,412
Depreciation and amortization	423	424	854	841
Rent and utilities	443	438	914	864
Information technology and communications	230	192	410	408
Vehicle maintenance service	152	160	310	320
Rural carrier equipment maintenance	142	139	299	298
Fuel - delivery vehicles	129	106	260	248
Miscellaneous other	260	234	500	503
Total other operating expenses	**$ 2,480**	**$ 2,356**	**$ 5,016**	**$ 4,894**

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Other operating expenses increased by 5.3% and 2.5% for the three and six months ended March 31, 2020, compared to the same periods in the prior year. While these aggregate changes were relatively immaterial, the period-over-period changes in the various components of other operating expenses for the three and six months ended March 31, 2020, were also relatively immaterial.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity consists of unrestricted cash and cash equivalents plus available borrowing capacity. As of March 31, 2020, and September 30, 2019, we held unrestricted cash and cash equivalents of $9.0 billion and $8.8 billion, respectively. During the six months ended March 31, 2020, our average daily liquidity balance under our statutory borrowing capacity was $12.3 billion, representing approximately 56 days of liquidity available, which we define as liquidity divided by estimated average cash disbursements (including capital expenditures) per calendar day (365 days per year).

We face certain risks caused by the COVID-19 pandemic, including the disruptions to our revenue and business operations, which will have a material effect on our financial condition and results of operations. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected our retail and commercial customers, as well as suppliers and mail service providers. While the disruption is expected to be temporary, its duration remains uncertain. A protracted loss in customer demand for our services is likely to have a material effect on our financial condition, results of operations and liquidity. The sudden drop in mail volumes, our most profitable revenue stream, is steep and may never fully recover to levels prior to the pandemic.

Notwithstanding our $15.0 billion statutory debt limit, and $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon. However we have no assurance that the U.S. Treasury will agree to provide such financing or if it will be provided upon favorable terms.

We estimate that the COVID-19 pandemic may increase our net operating loss by more than $22.0 billion over the next eighteen months, threatening our ability to operate. If we are able to borrow the $10.0 billion from the U.S. Treasury as provided by the *CARES Act*, we expect that we will have sufficient liquidity to continue to operate through April 2021. However, if we are unable to secure this $10.0 billion in financing, we expect to be able to continue to operate only through September 2020, absent additional defaults.

Although our liquidity has generally increased since 2012, it remains insufficient to support an organization with approximately $80 billion in annual operating expenses, to make capital investments necessary for continuity of operations and to prepare for unexpected contingencies. Over half of this liquidity improvement as of March 31, 2020, would not have occurred but for the temporary exigent surcharge, which allowed us to collect a total of $4.6 billion in incremental revenue between January 2014 and April 2016.

Aside from the temporary exigent surcharge, we defaulted on $33.9 billion of statutorily specified PSRHBF prefunding payments from 2012 through 2016, and did not make the approximately $495 million in payments due for FERS unfunded liabilities between 2014 and 2016, or the approximately $21.0 billion in payments due for PSRHBF normal cost and amortization on PSRHBF, CSRS and FERS unfunded liabilities between 2017 and 2019, in order to preserve liquidity, and to ensure that our ability to fulfill our primary universal service mission was not placed at undue risk. The combination of these defaults and non-payments, plus the incremental revenue associated with the temporary exigent surcharge referred to above, and the increased revenue from growth in our Shipping and Packages business, are the primary reasons why our cash and available liquidity has improved.

CASH FLOW ANALYSIS

Operating Activities

Cash provided by operating activities decreased $147 million for the six months ended March 31, 2020, compared to the same period last year, largely the result of timing differences in cash payments for compensation and benefits.

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Investing Activities

We invested $741 million in the purchase of property and equipment for the six months ended March 31, 2020, which is an increase of $82 million, or 12.4%, compared to the same period last year. As of the date of this report, the amount of our full year projected capital expenditures is approximately $2.0 billion, which is approximately $300 million less than our original forecast of $2.3 billion. We anticipate that this may further decline if equipment and information technology investments and other programs are deferred to future years as a result of COVID-19.

Financing Activities

Except as described otherwise in this quarterly report, the nature and amounts of our payment obligations under our debt, capital and operating lease agreements, purchase commitments and other liabilities as of March 31, 2020, have not materially changed from those described in our Annual Report.

As of both March 31, 2020, and September 30, 2019, the aggregate principal balance of our outstanding debt was $11.0 billion, consisting of a combination of fixed-rate note and floating-rate notes, all of which we consider long-term debt.

DEBT

As of March 31, 2020, our statutory borrowing capacity was $4.0 billion, of which $1.0 billion would require repayment by September 30, 2020, to comply with our annual debt increase limits. Furthermore, notwithstanding our $15.0 billion statutory debt limit, and the $3.0 billion annual limitation on new borrowing, the *CARES Act* allows us to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The U.S. Treasury may lend up to this amount at our request, upon terms and conditions mutually agreed upon.

In 1974, we began issuing debt through individual debt agreements to the Federal Financing Bank ("FFB"), a government-owned corporation under the general supervision of the Secretary of the Treasury. In 1999, we entered into a Note Purchase Agreement ("NPA") with the FFB to establish standardized procedures for issuing debt. Under the NPA, we were able to issue a series of notes with established terms and conditions by providing two days prior notice. Also under the NPA, we could make borrowings against two annually renewable revolving credit line facilities. These note arrangements and credit line facilities provided the flexibility to borrow short or long-term, using floating or fixed-rate instruments.

The NPA was extended each year through September 30, 2018, and in shorter increments between that date and August 31, 2019, at which time the NPA expired. This expiration did not affect the terms of any of our outstanding debt as of March 31, 2020, all of which was issued under the NPA.

If we are unable to renew or replace the NPA with the FFB, we have no assurance that we could obtain alternative debt financing on comparable terms. However, we believe that we will be able to maintain adequate liquidity through existing and new financing arrangements, as necessary and allowed by statute, to fund our operations.

On April 1, 2020, we drew $3.4 billion on a revolving credit facility with the FFB that survived the expiration of the NPA. In order to comply with the annual net increase limit, we must repay $400 million from this credit facility by September 30, 2020. Given that the credit facility has a maximum term of up to one year, we must repay any outstanding balance of the credit facility by April 1, 2021. The credit facility's interest rate was determined by the U.S. Treasury based on the market rates of similar instruments as of the day of the funding request.

LIQUIDITY OUTLOOK

We are constrained by laws and regulations, including the PAEA, which restrict revenue sources and mandates certain expenses. Statutorily mandated expenses include amortization payments to provide full funding of retirement benefits under the CSRS and the FERS, as well as FERS normal costs, described in greater detail in *Note 9 - Retirement Plans*. Additionally, the PAEA established the PSRHBF and mandated certain obligations for paying normal costs, the present value of the estimated retiree health benefits attributable to active employees' current year of service, and amortization payments for full prefunding of retiree health benefits. These prefunding obligations, described in greater detail in *Note 10 - Health Benefits Plans*, are unlike expenses imposed on most other federal entities or private-sector businesses that offer such benefits.

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We continue to face challenges from the ongoing migration of mail to electronic alternatives, and we are legally limited under current law in how we can price our products and streamline our legacy business model. Our operations will require significant capital investment over the next few years to modernize and improve our processing and delivery infrastructure and update our delivery fleet in order to continue to meet our primary statutory obligation to provide prompt, reliable and efficient postal services to the nation.

Irrespective of our challenges resulting from the COVID-19 pandemic, absent legislative and regulatory change, we project continuing annual net losses in the future. As a result of these losses and our liquidity concerns, we may not have sufficient cash balances to meet all of our existing legal obligations and make all of the critical investments in our infrastructure that are necessary for operational continuity and that have been deferred in recent years.

In the event that circumstances leave us with insufficient liquidity, we may deem it necessary to implement additional contingency plans to ensure that our primary mission is fulfilled and that mail deliveries continue. These measures may require us to prioritize payments to the FFB, our employees and suppliers ahead of some payments to fund retirement and retiree health benefits, as we have done in the past.

With the anticipated continued migration to electronic communication and transactional alternatives, we continue to pursue long-term financial sustainability by focusing on the following items:

1. Continued efforts to control costs and drive efficiencies, innovate to keep mail relevant and generate increased revenue;
2. Postal Service reform legislation that addresses our overall cost structure and enhances our revenue-generating opportunities; and
3. Favorable outcome of the PRC's ten-year review (discussed below), which would allow additional pricing flexibility.

Although we continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face, we have no assurances that our requests will result in meaningful reform in the foreseeable future.

PRC Ten-year Review

In December 2016, the PRC initiated its ten-year review of the system for regulating rates and classes for Market-Dominant products as required by the PAEA. The purpose of the ten-year review was to determine if the system for regulating such rates and classes has achieved the objectives Congress established in the PAEA. As part of this review, the PRC evaluated the CPI-U price cap for our Market-Dominant services.

On December 1, 2017, the PRC announced its initial decision in connection with its ten-year review. The PRC concluded that the rates system has not achieved its objectives and needs to be changed, primarily because it does not enable us to achieve our mission of providing prompt, reliable, and efficient universal postal services to the American people in a financially sustainable manner. The PRC's proposed changes to the system do not include the elimination of the CPI-U price cap; however, its proposal does provide for some additional pricing authority within a price cap system.

On December 5, 2019, the PRC announced a revised decision in connection with its ten-year review. The PRC's proposed changes to the system still do not include the elimination of the CPI-U price cap. Moreover, while the revised proposal does include adjustment factors as we had requested to provide more flexibility for the regulatory system to better deal with future exogenous changes, the new proposal no longer includes any "true-up" authority to provide us with a reasonable opportunity to cover all of our costs. We continue to assert that the price cap should be eliminated, and that if the PRC insists on maintaining a price cap that the system must include both a resetting of rates so they are compensable, as well as adjustment factors to ensure the system is sufficiently flexible going forward.

The PRC was expected to issue a final rule after considering the comments and reply comments of any interested stakeholders, which were due no later than February 3, 2020 and March 4, 2020, respectively. As of the date of this report, the PRC has not issued a final rule. Additional information regarding the ten-year review may be found at the

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PRC website: https://www.prc.gov/press-releases/prc-revises-proposals-second-rulemaking-modify-rate-system-classes-market-dominant.

2020 and Beyond

Irrespective of our challenges resulting from the COVID-19 pandemic, we anticipate that given our ongoing liquidity concerns, and without legislative action and regulatory reform, we may not be able to pay all legally required obligations and also invest in much-needed capital expenditures in 2020 and future years that are necessary to ensure our ability to fulfill our primary mission. Furthermore, we believe that continuing productivity improvements alone will not be sufficient to address the challenges presented by declining Market-Dominant volume and revenue, and any future growth in operating revenue would unlikely keep pace with increased costs.

Legally Required Obligations

In addition to our previously discussed obligations for unfunded retirement and retiree health benefits of approximately $7.6 billion due on September 30, 2020, we expect to pay the DOL approximately $1.3 billion in October 2020, representing the workers' compensation claims paid by DOL for the chargeback year July 1, 2019, to June 30, 2020, plus the estimated administrative fee.

The *CARES Act* offers certain employers the ability to defer payment of the employer's share of the Social Security payroll tax on wages incurred from March 27, 2020, through December 31, 2020. In accordance with this provision, we began deferring these payments in April 2020, and intend to continue the deferral for the remainder of calendar year 2020 for an estimated total deferral amount of approximately $1.6 billion. One half of these deferred payments would be due by December 31, 2021, and the other half by December 31, 2022.

Capital Investments

We currently estimate that our required cash outlays for capital investments necessary to ensure that we can continue to perform our universal service obligation will amount to approximately $1.3 billion for the remainder of 2020, and an additional $11.0 billion for years 2021 through 2024, as we plan to invest in a new fleet of delivery vehicles and other appropriate capital assets. Although our future projections include these capital cash outlays, future cash flow from operations alone may not generate the cash needed to enable us to fully fund such necessary capital investments.

Mitigating Circumstances

We continue to pursue strategies within our control to increase operational efficiency and improve liquidity. We have managed capital in recent years by spending only what we believed was essential to maintain our existing facilities and service levels, and to increase efficiencies. However, continued increases in capital investment are necessary to upgrade our facilities, fleet of vehicles and processing equipment in order to remain operationally viable. Aggressive management of the business operations, as well as legislative and regulatory reforms that will enable us to increase revenue and reduce costs, will all be necessary to restore our financial health.

Our status as an independent establishment of the executive branch that does not receive tax dollars for our operations presents unique requirements and restrictions, but also potentially mitigates some of the financial risk that would otherwise be associated with a cash shortfall. With annual total revenue in 2019 of approximately $71 billion, a financially sound Postal Service continues to be vital to U.S. commerce.

The U.S. economy benefits greatly from us and the many businesses that provide the printing and mailing services that we support. Disruption of the mail would cause undue hardship to businesses and consumers as it would significantly inhibit the remittance of payments through the mail, and in the event of a cash shortfall, the U.S. government would likely prevent us from significantly curtailing or ceasing operations. We continue to inform the executive branch, Congress, the PRC and other stakeholders of the immediate and long-term financial challenges we face and the legislative and regulatory changes that are required to restore our financial stability.

LEGISLATIVE, REGULATORY AND RELATED MATTERS

TASK FORCE ON THE UNITED STATES POSTAL SYSTEM

As previously reported, on April 12, 2018, the President issued Executive Order 13829 to establish a *Task Force on the United States Postal Service* ("Task Force"), to be chaired by the Secretary of the Treasury, as Secretary and as

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Chairman of the FFB, or his designee. In accordance with the Executive Order, the Task Force conducted an evaluation of our operations and finances, and submitted its report to the President in August 2018.

There has been no further congressional activity related to the President's Task Force report on the Postal Service subsequent to the March 12, 2019, Senate Homeland Security and Governmental Affairs Committee hearing titled, "*A Path to Sustainability: Recommendations from the President's Task Force on the United States Postal Service*."

LEGISLATIVE UPDATE

As a self-funded independent establishment of the executive branch, our business model and operations are significantly influenced by congressional oversight and legislation. Additionally, Congress intended for us to be governed by an eleven-member Board of Governors ("Board") which generally consists of our Postmaster General, Deputy Postmaster General and nine independent governors ("Governors"). The President appoints the Governors with the advice and consent of the Senate. We have five Senate-confirmed Governors currently in office.

Legislation

Several bills introduced in response to the COVID-19 pandemic have financial implications for us.

On March 18, 2020, the President signed the *Families First Coronavirus Response Act,* enacted as Public Law 116-127, which provides new paid sick leave that may be used by an employee in COVID-19 situations for themselves, or to care for sick family members, as well as Family and Medical Leave Act-protected unpaid and paid leave if a school/child care is closed.

On March 26, 2020, the President signed the *CARES Act*, which allows the Postal Service to borrow up to an additional $10.0 billion in financing from the U.S. Treasury to fund operating expenses. The law stipulates that the Secretary of Treasury may lend up to this amount at the request of the Postal Service, upon terms and conditions mutually agreed upon by the Secretary and the Postal Service.

H.R. 6425, the *Protect our Post Offices Act,* introduced on March 31, 2020, would also appropriate $25.0 billion for payment to the Postal Service Fund for revenue forgone due to the COVID-19 pandemic. The bill was referred to the House Committees on Appropriations and Budget.

Postal Service Reform

The 116th Congress has not introduced any major Postal Service reform bills to date. Legislative and regulatory reforms remain critical for us to meet the needs of the American public, and we will continue to work with Congress and all of our stakeholders to enact Postal Service reform legislation.

Board of Governors Nominations

On March 2, 2020, the President submitted to the Senate the nomination of Donald Lee Moak to serve on the Board for a term expiring December 8, 2022. The nomination was referred to the Senate Homeland Security and Governmental Affairs Committee for its consideration. The nomination of William Zollars to serve for a term expiring December 8, 2022, is also pending the committee's consideration.

FAIR VALUE MEASUREMENTS

As required by authoritative accounting literature, certain fair value disclosures for the periods ended March 31, 2020, and September 30, 2019, are discussed in *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*. We did not recognize gains as a result of valuation measurements during the three and six months ended March 31, 2020. All recognized losses have been incorporated into our financial statements as of March 31, 2020. See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 13 - Fair Value Measurement.*

RELATED PARTY TRANSACTIONS

As disclosed throughout this quarterly report, we have significant transactions with other U.S. government entities, which are considered related parties for reporting purposes. For a more detailed description, see *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 5 - Related Parties*.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make significant judgments and estimates to develop certain amounts reflected and disclosed in the financial statements. In many cases, alternative policies or estimation techniques may be used.

We maintain a thorough process to review the application of accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a large organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and new or better information.

The accounting policies deemed either the most judgmental or which involve the selection or application of alternative accounting policies, and are material to the interim financial statements, are described in *Critical Accounting Estimates* contained in *Management's Discussion and Analysis of Financial Condition and Results of Operations* of the Annual Report. Management normally discusses the development and selection of accounting policies and estimates with the Audit and Finance Committee of the Board.

RECENT ACCOUNTING STANDARDS

See *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements*, *Note 2 - Recent Accounting Pronouncements*, for a description of recently announced accounting standards.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business we are exposed to market risks from changes in commodity prices, certain foreign currency exchange rates and interest rates. Our commodity price risk consists primarily of exposure to changes in prices for diesel fuel, unleaded gasoline and aircraft fuel for transportation of the mail, and fuel for heating facilities. We have foreign currency risk related to the settlement of terminal dues and transit fees with foreign postal administrations for international mail.

We have not used derivative commodity or financial instruments to manage market risk related to commodities, foreign currency exchange or interest rate fluctuations for debt instruments. Additionally, we do not purchase or hold derivative financial instruments for speculative purposes.

We also have provisions in our debt agreements that allow us to prepay our $11.0 billion debt at any time at a price determined by the Secretary of the Treasury, based on prevailing interest rates in the U.S. Treasury market at the time of repayment.

See *Item 7A. Quantitative and Qualitative Disclosures about Market Risk* in the Annual Report for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Management is responsible for the preparation, integrity and fair presentation of our financial statements.

DISCLOSURE CONTROLS

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in quarterly and annual reports is recorded, processed, summarized, and reported within the time frames specified by PAEA, and that this information is accumulated and communicated to our management, including the Postmaster General and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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We carried out an evaluation under the supervision and with the participation of management, including the Postmaster General and the Chief Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures as of March 31, 2020. Based upon and as of the date of the evaluation, the Postmaster General and the Chief Financial Officer concluded that our disclosure controls and procedures were effective.

INTERNAL CONTROLS

We have made no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings affecting us, please refer to *Item 1. Financial Statements*, *Notes to Unaudited Financial Statements* and *Note 8 - Commitments and Contingencies*, as well as our Annual Report.

ITEM 1A. RISK FACTORS

The following risk factor supplements *Item 1A. Risk Factors* of our Annual Report.

The occurrence of a global pandemic or other adverse public health developments could have a material and adverse effect on our business operations, financial condition and results of operations.
In March 2020, the World Health Organization declared COVID-19 a global pandemic, which has since spread throughout the U.S. Given our mandate to provide universal postal services to the nation, we provide an essential service and have continued to process and deliver mail and packages during the pandemic.

We expect the COVID-19 pandemic to have a material effect on our financial condition, results of operations and liquidity. Quarantines, shelter-in-place orders, and travel and logistics restrictions in connection with the outbreak have affected retail and commercial customers, as well as suppliers and mail service providers. The Postal Service relies on the sale of postal products and services to fund its operations, and these sales have declined significantly as a result of the pandemic. The sudden drop in mail volumes, the Postal Service's most profitable revenue stream, has been steep and may never fully recover to levels prior to the pandemic.

ITEM 6. EXHIBITS

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the *Securities and Exchange Act of 1934*, as Adopted Pursuant to Section 302 of the *Sarbanes-Oxley Act of 2002*.
32.1	Certification of Principal Executive Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.
32.2	Certification of Principal Financial Officer Pursuant to *18 U.S.C. Section 1350*, as Adopted Pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*.

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Signatures

Pursuant to the requirements of the *Postal Accountability and Enhancement Act of 2006*, the United States Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

Date: May 7, 2020

/s/Joseph Corbett

Joseph Corbett

Chief Financial Officer and Executive Vice President

Date: May 7, 2020

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Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Megan J. Brennan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.

I, Joseph Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of the United States Postal Service ("Postal Service");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Postal Service as of, and for, the periods presented in this report;
4. The Postal Service's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Postal Service and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Postal Service, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the Postal Service's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the Postal Service's internal control over financial reporting that occurred during the Postal Service's most recent fiscal quarter (the Postal Service's fourth fiscal quarter in the case of an Annual Report) that has materially affected, or is reasonably likely to materially affect, the Postal Service's internal control over financial reporting; and
5. The Postal Service's other certifying officer and I have disclosed based on our most recent evaluation of internal control over financial reporting, to the Postal Service's independent registered accounting firm and the Audit and Finance Committee of the Postal Service's Board of Governors:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Postal Service's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have significant role in the Postal Service's internal control over financial reporting.

Date: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Megan J. Brennan, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Megan J. Brennan

Megan J. Brennan

Postmaster General and Chief Executive Officer

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Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

In connection with the Quarterly Report of the United States Postal Service ("Postal Service") on Form 10-Q for the period ended March 31, 2020, (the "Report"), I, Joseph Corbett, certify, pursuant to *18 U.S.C. Section 1350*, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002* that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the *Securities Exchange Act of 1934*; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Postal Service.

Dated: May 7, 2020

/s/Joseph Corbett
Joseph Corbett
Chief Financial Officer and Executive Vice President

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USPS-20-1215-A-009017

Over the past month, the men and women of the United States Postal Service have done a heroic job under the most trying of circumstances. Unfortunately, during this same period, they have watched their organization become the centerpiece of a growing partisan battle between policymakers. While a public debate over the needs and role of the Postal Service can certainly be helpful, it is essential that this conversation happen in a spirit of non-partisanship and cooperation.

The Postal Service has always served a non-partisan mission. During my thirty-four year career with the United States Postal Service, the last five as the Postmaster General, it has been my distinct honor to work for an organization that is fully committed to serving all Americans. To achieve that mission, it has been vitally important for there to be no political bias or partiality on the part of the Postal Service.

The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

The Postal Service is proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages. This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities. In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service. This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

However, as we continue to perform our vital mission, the Postal Service remains saddled with long-standing financial challenges stemming from a broken business model that is imposed upon us by law. We have mandated unaffordable costs that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing. Now, our

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fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

We strongly believe that stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While we acknowledge that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

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challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

We strongly believe~~recognize~~ that stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While we acknowledge~~recognize~~ that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

The Postal Service is proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages. This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

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Now, our fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

We strongly believe that stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While we acknowledge that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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The Postal Service has always served a non-partisan mission. During my thirty- four year career with the United States Postal Service, the last five as the Postmaster General, it has been my distinct honor to work for an organization that is fully committed to serving all Americans. ~~, regardless of their political or other views. We collectively believe at our core that it is vital t~~To achieve ~~the achievement of our~~that mission, it has been vitally important for there to be no ~~that there is no actual or appearance of~~ political bias or partiality on the part of the Postal Service.

The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

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The ~~Board~~ Postal Service is proud of the heroism shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages. This mail includes critical materials such as Census information, absentee ballots, ~~and~~ sustaining necessities and prescription medications. ~~, including important governmental information such as Census materials and materials advising the public about COVID-19, and benefits checks for social security and stimulus relief; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online.~~

This~~e~~ fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities. In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health. ~~Yet during these times when our essential services are most needed, our long-standing and well-known financial challenges that result from the broken business model that is imposed upon us by law are being significantly exacerbated by the onset of the pandemic.~~

Commented [MTJ-WD1]: This point concerning our broken business model is a particular point that the PMG wanted to make.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any

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entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service~~, and this favorable opinion is shared nearly equally by Republicans and Democrats alike~~. This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

Yet as we continue to perform our vital mission, the Postal Service remains saddled with long-standing financial challenges stemming from a broken business model that is mandated~~has been imposed on us~~ by law. Unaffordable costs are imposed upon us that we don't have the freedom to reduce, and yet we~~For example, the Postal Service~~ also lacks the autonomy to diversify our products or t~~t~~o control our~~its own~~ pricing. Now, our fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

We recognize that stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service.

~~The Board therefore strongly believes that interested stakeholders across the political spectrum have a collective interest in protecting and preserving the Postal Service.~~ While we ~~certainly~~ recognize that different stakeholders will have different ideas about how best to accomplish our shared goal, and that reasonable minds may differ, we would hope that such differing views will not get in the way of what should be a cooperative effort.

~~Placing the Postal Service on a sustainable financial footing in both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of cooperation and unity. For our part, the Board recently approved, through a unanimous vote, a set of recommendations for how to provide short-term financial relief to the Postal Service to address the effects of the pandemic, as well as for how to address the Postal Service's structural problems over the longer term. W~~ For our part, we will continue to work in a non-partisan manner with ~~the~~ policy-makers to achieve ~~these goals~~this goal, and we urge all others with an interest in the Postal Service to do the same.

Commented [JM2]: The reason I had initially deleted this is because I don't think the broken business model is understood, and does require some explanation.¶
I'm not sure this is the best way to do it, but think its important to include a couple of examples here. Is there something else we can cite?

Commented [MTJ-WD3]: I tried to address your concerns above. We will need to think about whether we are getting too much into the weeds or distracting from our central message.

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Commented [MTJ-WD4]: This last sentence is one that the PMG particularly wanted to include.

Commented [JM5]: My only issue with this sentence was that it seemed repetitive with the sentence after. Both say the effort should be pursued in a cooperative fashion. But I think we delete the subsequent sentence without an issue

Commented [MTJ-WD6]: This concept is one that Governor Martinez particularly wanted included in an earlier incantation of this document. In addition, we have shared with the Hill information about additional financial reform (including the specifics) that we would need in short order, in addition to the emergency relief, to be sustainable.

Commented [JM7R7]: I think for a public document like an op-ed, we can't talk about the plan or recommendations without providing some examples. I would expect Editors to push back on this point, and ask us to talk more about these recommendations – and then the article becomes more about the recommendations than the need for unity.

Commented [JM8]: I'm uncomfortable publicly mentioning the plan, because it will immediately raise the question of – where is it?

Commented [MTJ-WD9]: Point well taken. We can leave it out.

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The Postal Service is led by a Board of Governors, of which I am a member, comprised by law of both Republicans and Democrats who fully share that commitment. Our Governors are appointed by the President and confirmed by the Senate, and the Board takes great pride in operating in a non-partisan manner. Since they took office, I have worked directly with our Governors to take the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

The Postal Service is proud of the tremendous commitment shown by our employees during this pandemic, as they steadfastly continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the 630,000 dedicated men and women of the Postal Service (including nearly 100,000 military veterans) accept, process, transport, and deliver vital mail and packages. This mail includes critical materials such as Census information, absentee ballots, sustaining necessities and prescription medications.

This fundamental service which our employees supply is particularly important in rural and other areas, where the Postal Service may be the only affordable delivery provider available to fulfill the needs of these communities. In addition, the population most at-risk from the coronavirus, people over the age of 65, is also the least likely to be using the internet or other technology to access information important to their health.

The public's high regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service. This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

However, as we continue to perform our vital mission, the Postal Service remains saddled with long-standing financial challenges stemming from a broken business model that is imposed upon us by law. We have legally mandated unaffordable costs that we are prohibited from reducing, and yet we also lack the autonomy to diversify our products or to control our pricing.

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Now, our fiscal challenges are only growing as mail volumes and revenues decline precipitously in the midst of this pandemic.

Stakeholders across the political spectrum share an interest in preserving and protecting the Postal Service. While different stakeholders will have different ideas about how best to accomplish our shared goal, and reasonable minds may differ, these differing views should not get in the way of what should be a cooperative effort. For our part, we will continue to work in a non-partisan manner with policymakers to achieve this goal and to obtain stabilizing relief from the direct impacts resulting from the pandemic, and we urge all others with an interest in the Postal Service to do the same.

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The Board therefore strongly believes that interested stakeholders across the political spectrum have a collective interest in protecting and preserving the Postal Service. While we certainly recognize that different stakeholders will have different ideas about how best to accomplish our shared goal, we would hope that such differing views will not get in the way of what should be a cooperative effort.

Placing the Postal Service on a sustainable financial footing in both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of cooperation and unity. For our part, the Board recently approved, through a unanimous vote, a set of recommendations for how to provide short-term financial relief to the Postal Service to address the effects of the pandemic, as well as for how to address the Postal Service's structural problems over the longer-term. We will continue to work in a non-partisan

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The public's regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

The Board therefore strongly believes that interested stakeholders across the political spectrum have a collective interest in protecting and preserving the Postal Service, and that therefore addressing the Postal Service's financial challenges should not be politicized or turned into yet another forum for partisan politics. While we certainly recognize that different stakeholders will have different ideas about how best to accomplish our shared goal, we would hope that divisive partisanship will not get in the way of what should be a cooperative effort.

Placing the Postal Service on a sustainable financial footing in both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of bipartisan cooperation and unity. Politicizing the Postal Service only weakens the organization and reduces our ability to solve our current problems and to enable the Postal Service to continue to serve all Americans. For our part, the Board will continue to work in bipartisan manner to achieve this goal, and we urge all others with an interest in the Postal Service to do the same.

AMERICAN OVERSIGHT

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The United States Postal Service is led by a Board of Governors comprised by law of both Republicans and Democrats. Our Governors ~~whose members~~ are ~~largely~~ appointed by the President and confirmed by the Senate~~. Our Board is comprised of both Republicans and Democrats~~, and the Board ~~we~~ takes great pride in operating in a very bipartisan manner. Since taking office, we have all been committed to taking the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.

The United States Postal Service has long served as a source of consistency and reliability for the American people, providing every community in the Nation with prompt, secure, and affordable mail and package delivery services. This mission has never been more important than today, as Americans shelter in place, work from home, or otherwise practice social distancing as a result of the COVID-19 pandemic.

~~The Postal Service is led by a Board of Governors whose members are largely appointed by the President and confirmed by the Senate. Our Board is comprised of both Republicans and Democrats, and we take great pride in operating in a very bipartisan manner. Since taking office, we have all been committed to taking the steps necessary to preserve and protect this great American institution, so that the Postal Service can continue to fulfill its public service mission, both today and in the years to come.~~

The Board is proud of the heroism shown by our employees during this pandemic, as they ~~by their~~ steadfast~~ly determination to~~ continue working every day to provide our essential services to their fellow Americans as part of the nation's critical infrastructure. Six days per week, and in some instances seven, the dedicated men and women of the Postal Service accept, process, transport, and deliver vital mail and packages, including important governmental information and benefits such as Census materials, social security and stimulus checks, and materials advising the public about COVID-19; materials relating to elections, including absentee ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing sustaining necessities, including medicines and other goods purchased online. Yet during these times when our essential services are most needed, our long-standing and well-known financial challenges are being significantly exacerbated by the onset of the pandemic.~~vital mail and packages. Several weeks ago, our employees delivered a postcard to each household with guidance from the White House Coronavirus Task Force on how to mitigate the spread of COVID-19, and in the coming weeks will deliver millions of economic impact checks and notification letters following the enactment of the CARES Act. The Postal Service is also delivering an increased number of packages as Americans purchase sustaining necessities online, including medicines. In the coming months, millions of Americans will be able to safely and securely exercise their right to vote by receiving and sending ballots through the mail.~~

The public's regard for the essential services we provide is reflected by public opinion surveys, which consistently show that the Postal Service has the highest approval ratings of any entity of the Federal Government. Indeed, a recent survey by the Pew Research Center released on April 9 shows that an overwhelming 91 percent of respondents have a favorable view of the Postal Service, and this favorable opinion is shared nearly equally by Republicans and Democrats alike. This standing with Americans of all political persuasions is based in no small part on the Postal Service's nonpolitical nature and universal service mission.

The Board therefore ~~strongly~~ strongly believes that interested stakeholders across the political spectrum have a collective interest in protecting and preserving the Postal Service, and that therefore addressing the Postal Service's financial challenges should not be politicized or turned into yet another forum for partisan politics. While we certainly recognize that different

AMERICAN OVERSIGHT

stakeholders will have different ideas about how best to accomplish our shared goal, we would hope that divisive partisanship will not get in the way of what should be a cooperative effort. ~~These financial challenges are long-standing and well-known, but have been significantly exacerbated by the onset of the pandemic. As we recently informed Congress, the pandemic is reducing mail volume at such an accelerated pace that immediate short-term financial relief, in addition to the $10 billion in additional borrowing authority recently authorized by the CARES Act, is necessary to ensure that the Postal Service can continue to serve the essential needs of the American people in the near term. The Board has also unanimously proposed a set of recommendations for how to provide short-term financial relief, as well as how to address the Postal Service's structural problems over the longer-term.~~

Placing the Postal Service on a sustainable financial footing in ~~the~~ both the near-term and the long-term is a critical issue that, given the broad support for the Postal Service, should be pursued in a spirit of bipartisan cooperation and unity. Politicizing the Postal Service only weakens the organization and reduces our ability to solve our current problems and to enable the Postal Service to continue to serve all Americans. ~~Of course, the Board recognizes that different stakeholders will have different perspectives about the appropriateness of specific policy decisions, but the overall goal of preserving and protecting the Postal Service is one that should unify us all.~~ For our part, t~~T~~he Board will continue to work in bipartisan manner to achieve this goal, and we urge~~s~~ all others with an interest in the Postal Service to do the same.

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Explanation of Contribution

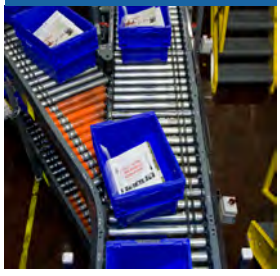
AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

Terminology: Attributable Costs

Attributable Costs are Similar to Variable or Marginal Costs

Represent the cost that would go away if the entire product went away

Direct Labor	Indirect Cost	Product Specific
		
Cost of labor handling a product	Supervision, vehicle, equipment, and facility-related costs	Advertising

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AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

Terminology: Institutional Costs

Institutional costs include:

- Common costs not caused by individual products due to the fact we handle multiple products in the same network
- Traditional fixed costs
- Network costs which arise in delivery, transportation, and retail

Delivery

Universal Service Obligations and appropriation rider language requires carriers to traverse core parts of their route daily regardless of volume

Institutional	53%
Attributable	47%

Post Office

Maintaining a network of Post Offices in every community regardless of walk-in revenue

Institutional	67%
Attributable	33%

Other

Data Collection, PRC, Office of Inspector General (OIG), Federal Employees Retirement System (FERS) Supplemental Liability, Retiree Health Benefit (RHB) Amortization

Institutional	87%
Attributable	13%

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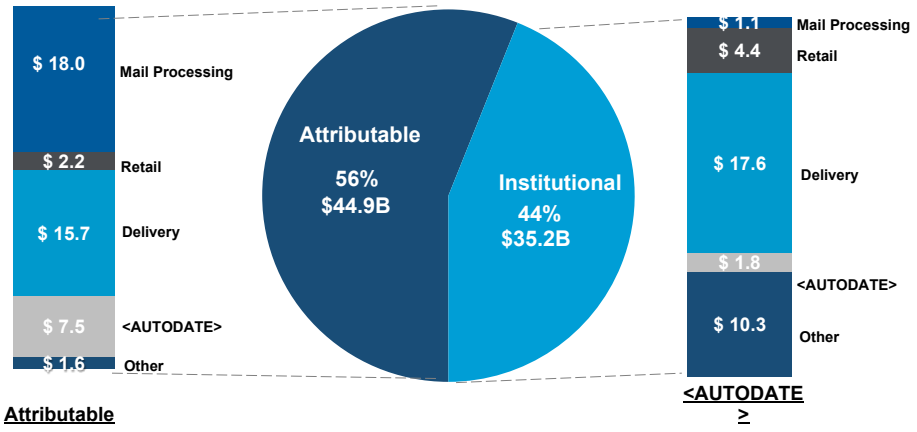
AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

Attributable Costs/Institutional Costs

Attributable/Institutional Cost Breakout

Total Costs FY2019: $80.1B



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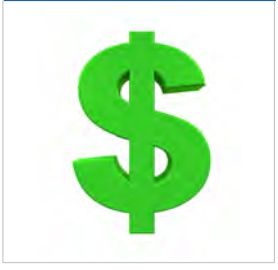
UNITED STATES POSTAL SERVICE

Terminology: Contribution

Contribution of a product is term used in lieu of "Profitability" of a product

Contribution	Cost Coverage	"Underwater" Product
		
Revenue minus attributable costs	Revenue divided by attributable costs	Products for which revenue is less than attributable costs

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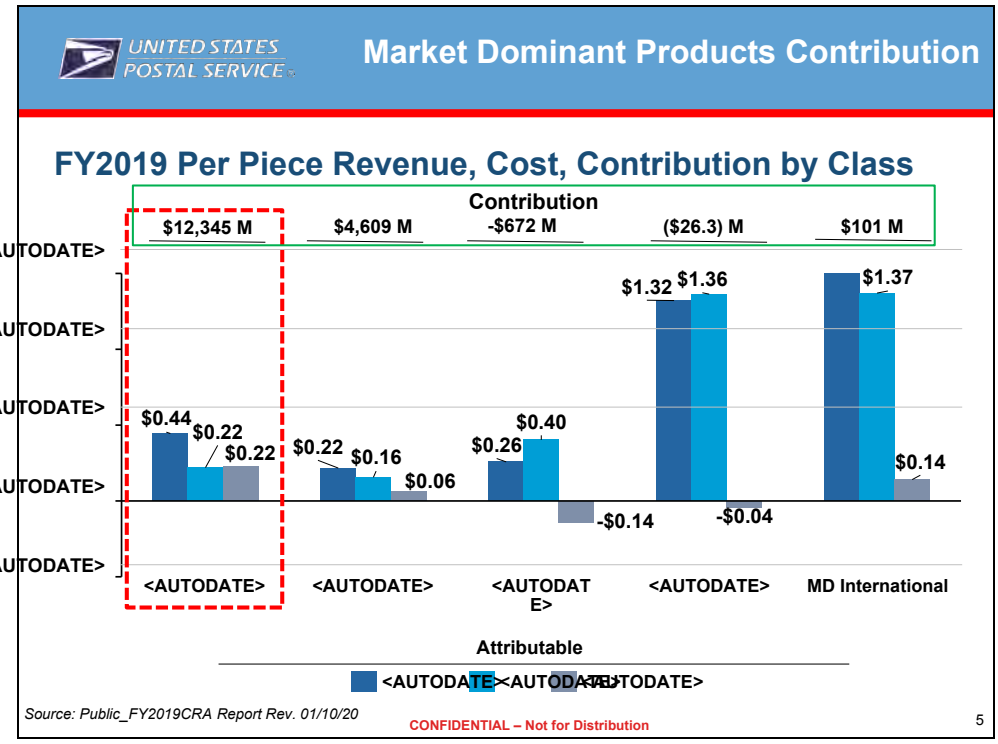


<AUTODATE> Letters

FCMI <AUTODATE>

Marketing Mail Flats

Ø5

<AUTODATE> Letters

Marketing Mail Letters

<AUTODATE>

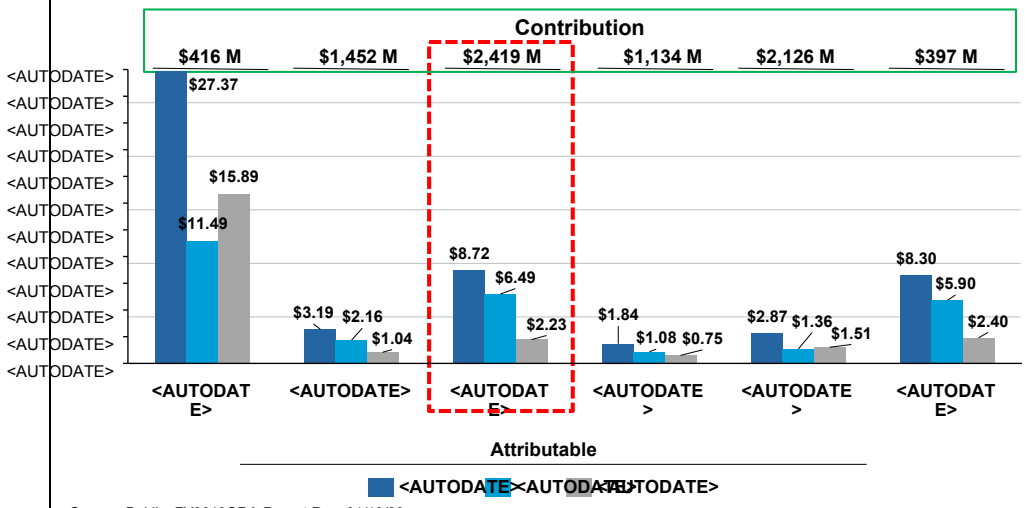
<AUTODATE> (Flats & Parcels)

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

Competitive Products Contribution

FY2019 Per Piece Revenue, Cost, Contribution by Category



Source: Public_FY2019CRA Report Rev. 01/10/20; Cost Attribution for Parcel Select Lightweight & Heavyweight figures

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- You may have seen articles discussing the Postal Service's financial condition, and the possibility that the Postal Service may be forced to cease operations due to a lack of liquidity in the coming months.

- There is no doubt that the COVID-19 pandemic will have significant impacts on Postal Service volumes and revenues. The exact impact is uncertain, because it is dependent on factors such as how long the pandemic lasts, the amount of damage that it does to the American economy and the businesses that use the mail, and the extent to which our customers return to the mail after the pandemic ends. However, in a worst case scenario, we could experience very significant declines in mail volume and revenue both this year and next year.

- That said, as a result of the significant financial challenges that the Postal Service has faced for a number of years due to an inflexible statutory and regulatory structure, the Postal Service has already been taking a number of steps in order to preserve as much liquidity (cash and access to cash) as possible.

- The reason we have been taking those actions is to ensure that we can continue to provide prompt, reliable, and efficient universal postal services to the American people, even if contingencies arise which further threaten our financial condition.

- This is the very reason why the Postal Service has been defaulting on certain legal obligations to prefund retiree health and pension benefits-to preserve cash to ensure we can continue to fulfill our primary mission.

- Through this and other actions, the Postal Service has been able to build and maintain a reasonable level of liquidity of approximately $8 billion, which is benefitting us today. At the same time, because defaulting on legal obligations is not a long-term strategy for financial stability, the Postal Service has also been advocating for statutory and regulatory reforms to our business model.

- Further, on April 1st our Board of Governors authorized us to borrow an additional amount of $3.4 billion from the Department of the Treasury that is available to us under an existing line of credit. We have borrowed the full amount and further enhanced our cash on hand.

- Congress has given the Postal Service some limited emergency borrowing authority to respond to the COVID-19 pandemic. This allows the U.S. Treasury to lend an additional $10 billion to the Postal Service, if we can agree on appropriate terms and conditions.

- The Postal Service will also receive a temporary benefit from Congress's action to allow employers to delay paying the Social Security tax that will enable us to conserve additional cash of approximately $1.6 billion.

- While the Postal Service appreciates the actions taken by Congress to date, the Postal Service remains concerned that we need additional relief to ensure that we can withstand even the worst case scenario that could directly result from the pandemic, given the highly uncertain nature of the effects that the pandemic will have on the economy.

AMERICAN OVERSIGHT

- Because we entered this crisis with the level of available liquidity that we did, and because of other tools available to us, including those provided by the CARE Act, the Postal Service is in a reasonable position to weather the storm in the near-term.

- Though our financial outlook for future years is highly uncertain given the unprecedented nature of this pandemic, we are working strenuously to obtain further relief in the next COVID-19 stimulus bill to ensure that we have enough resources to weather even a worst case scenario and to position us for financial stability going forward.

- Further, as we consider these issues, it bears mentioning that we believe that policymakers understand the important role of the Postal Service to the Nation. Congress has designated the Postal Service as a "basic and fundamental service" provided by the Government to the American people, and the continued provision of postal services during times of emergency is designated both as an essential function under federal law and as part of the nation's critical infrastructure.

- There is increased recognition in this time of crisis of the value of the Postal Service's mission to bind the Nation together. As Americans are urged to stay home, the importance of the mail will only grow as people will need access to the postal system to vote, receive critical communications, and receive essential packages such as prescription drugs and other necessities.

- The Postal Service will continue to pursue those actions within our control to preserve liquidity, and will continue to work with policymakers to ensure that Americans have continued access to this critical government service, both during the course of this emergency and in the years ahead.

AMERICAN OVERSIGHT

--- RESTRICTED INFORMATION ---

U.S. Postal Service Law Department
Contingent Liabilities and Receivables

DRAFT FY 2020, Quarter II

ATTORNEY-CLIENT COMMUNICATION
CONTENTS MAY NOT BE REPRODUCED OR DISSEMINATED WITHOUT PRIOR APPROVAL

AMERICAN OVERSIGHT

AMERICAN OVERSIGHT

I. Contingent Liabilities: New Cases Assessed At or Above $1 Million (incl. Cases Previously Below Reporting Threshold)

A. Probable

2. Labor Claims

Case Name	Sac Vides Subcontracting (Los Angeles ISC)
Case Number	F11M-1F-C 15322220
Date Filed	09/01/2015
Amount Sought	$1.6 Million
Liability Assessment	Probable
Damages Assessment	• **Most Likely Payout**: **$1.0** Million *[Previously reported as: $0.9 Million]* • **Maximum Reasonable Payout**: **$1.0** Million *[Previously reported as: $0.9 Million]*
Change in Status	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**
Estimated Time to Resolution	Less Than 1 Year
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Villegas, Jessica
Law Dept Co-Counsel	Randenberg, Corey J.
Law Dept Reporting Office	Pacific
Other Representative for USPS	Steven Marney

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

The grievance challenges management's November 2, 2015 decision to subcontract out, to a third-party contractor, certain types of work - namely, separating, bundling, and working on empty sacks and equipment (referred to as "Sac Vides") - traditionally performed by mail handlers at the Los Angeles International Service Center ("ISC"). The grievance alleges violations including, but not limited to, those arising under Articles 2, 3, 4, 5, 7, 8, 9, 12, 13, 14, 15, 25, 17, 19, 30, 31, and 38 of the applicable collective bargaining agreement ("CBA"); Handbook EL-921; NLRA Sections 8(a)(1), 8(a)(5), and 8 (d); and principles of RI-399.

On or about November 2, 2015, pursuant to Article 32 of the CBA, management entered into a contract with a third party to reassign and perform the Sac Vides work at another facility (the "Contract"). Management entered into the Contract primarily to free up much needed operational space at the ISC where the empty equipment had been stored. Management believed the enlarged operational area would increase mail processing volumes at the ISC. These considerations, management contends, satisfy provisions in Article 32 requiring concern to be given to "public interest, cost, efficiency, availability of equipment, and qualification of employees when evaluating the need to subcontract." The Contract remains in effect.

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The Union asserts that management unilaterally entered into the Contract without notifying the Union. Thus, it asserts, the Contract runs afoul of Article 32 and violates the rights of the mail handler craft, including their wages, hours, and working conditions. For example, the Union contends that the Contract eliminates the opportunity for more jobs in the mail handler craft and reduces work and overtime hours for regular mail handler assistants and those employees working on light and limited duty assignments. The Union seeks the total cost of the Contract to the Postal Service as its remedy, or an amount of $1,556.990.31 through present.

Liability for this matter is probable because it is more likely than not that an Arbitrator will find management gave no advance notice to the Union identifying the Article 32 considerations prior to execution of the Contract. Moreover, many arbitrators have considered similar subcontracts to undermining the strength of the bargaining unit and deprive members of work rightfully theirs under the terms of the contract. Thus, it will be difficult to establish that management did not violate the CBA through the Contract.

However, if the Contract is determined to be in violation of the CBA, the Postal Service believes the most likely and maximum reasonable payout would be **$974,610.00,** or the number of hours at the overtime rate that mail handlers would have worked performing Sac Vides assignments from November 2015 to present. This figure is derived from the approximate number of total working hours the contract employees have spent performing Sac Vides work (3.5 contract employees x 40 hours per week x 4.333 [52 weeks per year / 12 months] x **51** months = **30,940** hours) multiplied by the mail handler overtime rate of $31.50. The Postal Service does not believe the amount sought by the Union -- the approximate $1.6 million cost of the Contract -- will be awarded because the Contract costs include items other than labor, which the Union is not entitled to recover. Thus, recovery of the total Contract cost would unjustly enrich the Union.

Th**is case is set for arbitration on April 20, 2020**.

AMERICAN OVERSIGHT

A. Probable [cont'd]

3. Tort Claims

Case Name	**Administrative Claim of Maya Nainani**
Case Number	**330-20-00455508**
Date Filed	**02/12/2020**
Amount Sought	**$25.0 Million**
Liability Assessment	**Probable**
Damages Assessment	• **Most Likely Payout**: **$2.5 Million** • **Maximum Reasonable Payout**: **$5.0 Million**
Change in Status	• **New This Quarter**
Estimated Time to Resolution	**1 - 5 Years**
Law Dept Counsel	**Beatty, Conny Davinroy**
Law Dept Reporting Office	**St. Louis**
Facts / Positions Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***	**I. FACTS ANDS POSITIONS** **On November 18, 2019, a carrier rolled through a stop sign, making a right turn and running into Maya Nainani, a pedestrian. The incident was captured on video by a neighbor's home security camera. The camera shows the carrier walking around the front of the vehicle to see what happened, and then walking away from the pedestrian without offering any assistance. We understand she did, however, call for emergency help after returning to her vehicle.** **II. ASSESSMENT OF LIABILITY** **Based on information we have at this time it does not appear we have any defense to liability for this accident.** **III. ASSESSMENT OF DAMAGES** **We do not yet have complete information to allow for an accurate assessment of the injuries alleged in this case. The SF95 was only just received, and was submitted without any of the supporting documentation. If the description of injuries is accurate, this will be a very costly case. At this point counsel advises that Nainani suffered fractures and a severe brain injury with complications. He reports that she remains in intensive care (since the DOA) with a tracheotomy and is ventilator dependent. According to counsel, medical bills already exceed $2 million. Counsel indicated his belief that Nainani will likely be transferred to a TBI Care Center and then likely transferred to a skilled nursing facility, where she will likely remain for the rest of her life. Nainani was 72 at the time of the accident.** **We have requested the actual medical documentation and until it is received we are unable to provide a more accurate valuation of these claims. However, given reported economic damages of $2 million, multiple fractures, a severe TBI, and an unlikelihood Nainani will be able to return to any enjoyment of life, we believe the claim could reach a value of up to $5 million.**

AMERICAN OVERSIGHT

AMERICAN OVERSIGHT

I. Contingent Receivables: New Cases Assessed At or Above $1 Million (incl. Cases Previously Below Reporting Threshold)

[No Cases]

AMERICAN OVERSIGHT

AMERICAN OVERSIGHT

II. Cases To Be Removed -- Contingent Liabilities: Assessed At or Above $5 Million

[No Cases]

AMERICAN OVERSIGHT

AMERICAN OVERSIGHT

II. Cases To Be Removed -- Contingent Liabilities: Assessed Below $5 Million

A. Probable

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Payout Amount	Payout Date
APWU-Clerk Craft Reversion Cases	_____	$4.6 Million	Probable	*Most Likely Payout:* $2.4 Million *Max Reasonable Payout:* $4.6 Million	• **Additional Facts or Revision in Text** • **Reassessed; No Longer Meets Threshold**	_____	_____
Bishoy Bibawy v. Megan J. Brennan	USDC No. 3:18-01195 (D. CT)	$3.0 Million	Probable	*Most Likely Payout:* **$0.2** Million *Max Reasonable Payout:* $2.6 Million - $3.0 Million	• **Additional Facts or Revision in Text** • **Settlement, Final and Paid**	**$0.2 Million**	**02/24/2020**
City Carrier Assistant Contractual Cap	Q16N-4Q-C 19225551	[Unknown]	Probable	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* $1.0 Million	• **Additional Facts or Revision in Text** • **Settlement, Final and Paid**	$0.0 Million	**01/22/2020**
Civic Center Station Custodial Staffing	F10T-4F-C 15391078	$1.5 Million	**Probable**	*Most Likely Payout:* **$0.3** Million *Max Reasonable Payout:* $1.5 Million	• **Additional Facts or Revision in Text** • **Settlement, Final and Paid**	**$0.3 Million**	**02/24/2020**
Oakland P&DC Custodial Staffing	F10T-4F-C 15390422	$1.8 Million	**Probable**	*Most Likely Payout:* **$1.0** Million *Max Reasonable Payout:* $1.8 Million	• **Additional Facts or Revision in Text** • **Settlement, Final and Paid**	**$1.0 Million**	**02/24/2020**
Providence P&DC - APWU MS-47 Grievance	B10T-1B-C 12083204 and B10T-1B-C 13116175	$1.8 Million	Probable	*Most Likely Payout:* $0.3 Million *Max Reasonable Payout:* $1.3 Million	• **Additional Facts or Revision in Text** • **Settlement, Final and Paid**	**$0.3 Million**	**None or N/A**

A. Probable [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Payout Amount	Payout Date
Administrative	_____	$2.0	Probable	*Most Likely Payout:*	• **Settlement,**	**$0.3**	**12/23/2019**

AMERICAN OVERSIGHT

Claim of Julie Hill for Ronald Johnson (deceased)		Million		$0.5 Million *Max Reasonable Payout:* $1.6 Million	**Final and Paid**	**Million**	
Administrative Claim of Manuel Noriega	920-19-00413841A	$10.0 Million	Probable	*Most Likely Payout:* $0.7 Million *Max Reasonable Payout:* $1.2 Million	• **Settlement, Final and Paid**	**$0.1 Million**	**02/05/2020**
Administrative Claim of the Estate of Mary Overbeck	_____	$9.0 Million	Probable	*Most Likely Payout:* $1.5 Million *Max Reasonable Payout:* $1.8 Million	• **Additional Facts or Revision in Text** • **Settlement, Final and Paid**	**$1.5 Million**	**03/23/2020**
Maria Viscarra, Felipe Montanez Vargas, R.M., A.M., B.M. v. United States Postal Service, Jonathan Rigoberto Aruajo, Luis Alonso Nunez, Jose A. Rodriguez	2:17-cv-07344	$12.5 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.0 Million	• **Settlement, Final and Paid**	**$1.0 Million**	**02/20/2020**

AMERICAN OVERSIGHT

II. Cases To Be Removed -- Contingent Receivables: Assessed At or Above $5 Million

[No Cases]

AMERICAN OVERSIGHT

II. Cases To Be Removed -- Contingent Receivables: Assessed Below $5 Million

[No Cases]

AMERICAN OVERSIGHT

III. Contingent Liabilities: Assessed At or Above $5 Million

A. Probable

2. Labor Claims

Case Name	Article 32 Subcontracting Grievance (Clerk) Contracted Work to a Mail Consolidation Center (MCC)
Case Number	E10C-1E-C 14074035 - Omaha, NE P&DC
Date Filed	12/14/2013
Amount Sought	**$5.4** Million *[Previously reported as: $5.1 Million]*
Liability Assessment	Probable
Damages Assessment	• **Most Likely Payout**: **$5.4** Million *[Previously reported as: $5.1 Million]* • **Maximum Reasonable Payout**: **$5.4** Million *[Previously reported as: $5.1 Million]*
Change in Status	• **Revised Most Likely Payout or Maximum Reasonable Payout**
Estimated Time to Resolution	Less Than 1 Year
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Odom, Brian J.
Law Dept Reporting Office	Western
Other Representative for USPS	Jinni Ramirez, Labor Relations
Facts / Positions Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***	1. CASE/GRIEVANCE BACKGROUND AND ARGUMENTS OF PARTIES: This grievance was filed by the APWU on December 14, 2013. The work in question had been contracted to a Mail Consolidation Center (MCC), operated by "New Breed." This work had been performed by "New Breed" since approximately 1997. The APWU contends that once the contract was renewed most recently in April of 2013, that a notice and due consideration pursuant to Article 32 of the National Agreement should have been provided to the Union. The APWU also contended that based on new contractual language contained in the 2011 National Agreement the APWU should have been allowed to competitively compete for the work. Additionally that if the work could have been performed cheaper by the craft, the work should have been performed in house and therefore should not have been contracted out. It has been management's position that the APWU has offered or established nothing other than a broad based claim of an Article 32 violation. For there to be an obligation to give due consideration to the factors enumerated in Article 32 as it relates to the clerk craft, and to provide notice pursuant to Article 32, it must first be established the work being performed by "New Breed" is clerk work. At no point, from 1997 to present had the APWU filed any jurisdictional claim related to the work in question associated with a new installation/facility, new work, or operational change. It was management's position that the APWU could not lay claim to work, and seize work by way of an Article 32 grievance. Additionally the APWU had not identified specific work they believed rightfully belonged to the clerk craft. The NPMHU intervened.

AMERICAN OVERSIGHT

Management also raised a threshold issue, related to the timeliness of the grievance, in that the APWU filed the grievance in December of 2014 some eight months after the contract renewal.

1. A STATUS OF GRIEVANCE AND SETTLEMENT DISCUSSIONS:

The case was heard in arbitration on October 2, 2015. The arbitrator rendered a decision on December 3, 2015 sustaining the grievance in favor of the APWU, finding a violation of Article 32. However, the arbitrator remanded the case to the RDRC to determine craft jurisdiction of the work. A determination was made in the jurisdictional dispute by Arbitrator Lundberg on January 29, 2018. The issue regarding the proper remedy was remanded back to Arbitrator MacLean and a hearing was held on August 8, 2018. Arbitrator MacLean issued a decision dated September 30, 2018. In his decision, Arbitrator MacLean identified two distinct periods of time for purposes or a damages/remedy calculation. The first period runs from the beginning of the contract (April 1, 2013) through the date that the initial arbitration award was issued sustaining the grievance and finding a violation of Article 32 (December 3, 2015). The total remedy award for this first period of time was set at $2,668,608.00. The second time period ran from the issuance of the January 29, 2018 decision plus six months for staffing transition (July 29, 2018) through the present. The remedy award for this second period of time was set at $23,616 per week until the US Postal Service fully transitions the work to USPS staffing. The US Postal Service continues to work to determine whether the existing facility can be retrofitted to accommodate transition to full Postal Service control or whether an alternate facility is more feasible. That evaluation is ongoing and a completion date is not certain at this time.

On September 17, 2019, Arbitrator MacLean held a telephonic meeting with the parties where he corrected the monetary remedy of his award for initial period April 1, 2013 - December 3, 2015. The arbitrator stated that he made a mistake in adding up the number of weeks of the initial violation; therefore the amount to be paid for initial period April 1, 2013 to December 3, 2015 was corrected from $2,668,608.00 to $3,282,624.00.

April 1, 2013 - December 3, 2015 = $3,282,624.00
July 29, 2018 - Full USPS Staffing = $23,616 per week

2. ASSESSMENT OF LIABILITY: Management previously assessed the liability of this case as probable based on above mentioned ruling and if in the RI-399 process it was determined the work, or part of the work, being performed at the MCC is clerk work. If any of the work was found to be clerk work the likely remedy spans was calculated to be between $0 and $13,225,489. Following the September 30, 2018 ruling by Arbitrator MacLean, liability has been determined against the US Postal Service

3. ASSESSMENT OF DAMAGES: Previously, the assessment of liability was determined by calculating the number of hours worked by the contractor to perform the work and multiplying those hours by the hourly rate for 36 PS Level 6 clerk. Utilizing that calculation method, damages were assessed at $13,225,490.10 through the end of FY2018, quarter 4.

Now that Arbitrator MacLean has issued his remedy award dated September 30, 2018, damages are assessed as follows:

Damages Period #1: April 1, 2013 - December 3, 2015 = $3,282,624.00

Damages Period #2: July 29, 2018 until Full USPS Staffing x $23,616 per week

July 29, 2018 -- December 28, 2018 = 26 weeks

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26 weeks x $23,616 per week = $614,016.00

December 29, 2018 - March 29, 2019 = 13 weeks
13 weeks x $23,616 per week = $307,008.00

March 30, 2019 - June 28, 2019 = 13 weeks
13 weeks x. $23,616 per week = $307,008.00

June 29, 2019 - September 27, 2019 = 13 weeks
13 weeks x $23,616 per week = $307,008.00

September 28, 2019 - December 27, 2019 = 13 weeks
13 weeks x $23,616 per week = $307,008.00

December 28, 2019 - March 27, 2020 = 13 weeks
13 weeks X $23,616 per week = $307,008.00

$3,282,624 + $614,016.00 + 307,008.00 + $307,008.00 + $307,008.00 + $307,008 + $307,008 = $5,431,680

3.a CONTINUING ACCRUAL OF DAMAGES:

Pursuant to Arbitrator MacLean's September 30, 2018 decision, potential liability continues to accrue quarterly (13 weeks) as follows: $23,616 per week x 13 weeks = $307,008

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Case Name	Improper use of: (1) PMRs in EAS Level 18 offices, Level 6 RMPOs, and Level 4 RMPOs; and (2) PSEs in EAS Level 18 offices
Case Number	USPS Q10C-4Q-C 15206043
Date Filed	06/12/2015
Amount Sought	[Unknown]
Liability Assessment	Probable
Damages Assessment	• **Most Likely Payout**: $49.9 Million • **Maximum Reasonable Payout**: $49.9 Million
Change in Status	• **Additional Facts or Revision in Text**
Estimated Time to Resolution	Less Than 1 Year
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	Weaver, Lauren E.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Rickey Dean, Labor Relations

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Facts

On September 5, 2014, Arbitrator Stephen Goldberg issued a decision on a National level dispute regarding the assignment of work in POSTPlan post offices (Q11C-4Q-C 12243899). He held that the Postal Service violated the MOU Re: Clerical Work and Article 1.5 by assigning bargaining unit work in Remotely Managed Post Offices (RMPOs) Levels 4 and 6 to Postmasters and Postmaster Reliefs (PMRs).

On September 22, 2014, the parties agreed to an MOU establishing procedures to implement the award. The MOU states, "All clerk work in Level 6 and Level 4 Remotely Managed Post Offices (RMPO) be performed by APWU bargaining unit employees" within 90 days of the MOU. Furthermore, the Postal Service was to create and fill a minimum of 1,700 full-time duty assignments in Level 6 RMPOs. Level 4 RMPOs are to be staffed with one Level 6 Postal Support Employee (PSE). Level 18 offices are to be staffed with a Postmaster and a career employee.

On June 12, 2015, the APWU initiated a Step 4 dispute claiming that, the Postal Service was violating the September 22, 2014, POSTPlan MOU. Specifically, the APWU contended that; 1) PMRs were being improperly employed in EAS Level 18 offices, Level 6 RMPOs, and Level 4 RMPOs; 2) Continued use of PSEs in those offices was a violation of the award and MOU.

This case came to a hearing before Arbitrator Stephen Goldberg on March 7, 2017. On June 7, 2017, Arbitrator Goldberg awarded make-whole monetary relief to employees who were denied clerk work as a result of the Postal Service's failure to staff Level 4 and 6 POStPlan post offices and Level 18 post offices. The arbitrator directed that the number of hours improperly denied to clerk craft employees shall be determined in the first instance by Postal Service records which show the hours worked by PMRs. However, the Postal Service will have the opportunity to show (and burden of proving) that some of those hours were spent performing work outside the clerk craft jurisdiction, or were spent performing window work in the absence of any trained clerk craft employees to perform that work. The arbitrator ordered a similar remedy for

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EAS 18 offices where work was improperly performed by a PSE instead of a career clerk.

Arbitrator Goldberg remanded the case to the parties at the National level to determine a remedy amount in light of his findings, but retained jurisdiction to resolve any matters of interpretation or application. Either party could invoke his retained jurisdiction if they were unable to agree on amounts to be paid within 90 days of the award. The APWU invoked his jurisdiction, and a hearing was scheduled for February 13, 2018. The parties engaged in negotiations regarding a remedy payout, and reached a settlement on February 9, 2018.

II Liability Assessment

In response to a request for information submitted by the APWU, the Postal Service provided the union an excel spreadsheet which included PMR work hours in EAS Level 18 offices and Level 6 and 4 RMPOs, as well as PSE work hours in Level 18 offices and Level 6 and 4 RMPOs from January 1, 2015, through October 18, 2015. This information indicated that violations were occurring. Based on these data, the likelihood that the APWU would prevail in this case was considered probable.

III. Damages Assessment

The potential damages in this case began accruing 90 days from the signing of the POSTplan MOU, on December 21, 2014. We assessed the Maximum Reasonable Payout to be $65.8 M which represented the total number of hours PMR and PSE employees have been improperly used in RMPO Level 4 and 6 and in Level 18 offices multiplied by overtime rate of proper Level 6 career or non-career bargaining unit employee.

PMR (Hours) PSE (Hours) Damages (in $M)
RMPO 4 1,925,774 $46.4
RMPO 6 358,271 223,235 $12.6
EAS 18 42,257 469,902 $6.8
Total: $65.8

PMR Data covers PP1-FY2015 through PP10-FY2017.
PSE Data covers PP1-FY2015 through PP10-FY2017.

We originally judged the most likely payout to be one-tenth of that amount, or $6.6 million, given our view that the available data, alone, did not prove (much less measure) specific violations. The arbitrator's award, however, placed the burden on the Postal Service to prove that hours worked by PMRs in the specific offices were excusable.

In order to comply with Arbitrator Goldberg's award, Headquarters Labor Relations gathered supporting documentation from the field to identify PMR hours that could be excluded from damages.

The documentation raised serious problems. First it indicated that only 15% of the hours could be excluded from back pay. This figure would have led to an award of at least $55 million had a scheduled remedy hearing taken place. Second, it showed that local management had, at times, manipulated data to make it appear that craft employees were performing work in situations where the Postal Service was really improperly using a PMR. Had this information been presented to the arbitrator, he may have chosen to apply a severe penalty, such as time-and-a-half for all hours worked by PMRs (more than $82 million).

On February 9, 2018, the parties entered into a Remedy Agreement for $49.9 million. **On February 20, 2020, the APWU provided a list of 9,368**

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individuals to be paid, totaling $44.9M. The Postal Service is working with the Eagan Accounting Service Center to complete the payments. A timeline for payment has not been determined. In accordance with the settlement, the remaining $5M (10%) is being held to be dispersed at a later date.

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Case Name	McConnell (aka Velva B.) v. Brennan
Case Number	EEOC Case No. 520-2008-00053X/Agency Number 4B-140-0062-06
Date Filed	08/23/2007
Amount Sought	$1900.0 Million
Liability Assessment	Probable
Damages Assessment	• **Most Likely Payout**: $49.1 Million - $750.0 Million • **Maximum Reasonable Payout**: $1900.0 Million
Change in Status	• **Additional Facts or Revision in Text**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Burton, Eve G.
Law Dept Co-Counsel	Rauch, Suzanne E.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Ellis, David B

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Procedural Posture

a. Class Claims

The McConnell Class is comprised of "all permanent rehabilitation and limited duty employees of the Postal Service who were subjected to the Postal Service's National Reassessment Process (NRP) between May 5, 2006 and July 1, 2011." The EEOC has categorized the Class claims into five separate issues:

(1) Whether the NRP failed to provide reasonable accommodations;
(2) Whether the NRP wrongfully disclosed medical information;
(3) Whether the NRP created a hostile work environment;
(4) Whether the NRP had an adverse impact on disabled employees; and
(5) Whether the NRP disparately treated the disabled.

After years of discovery, the parties both moved for summary judgment on the class claims and on the Class Agent, Sandra McConnell's, individual complaint of discrimination. On June 4, 2015, the assigned Equal Employment Opportunity Administrative Judge, Erin Stilp (AJ Stilp), issued an initial Report of Findings without a hearing, and then subsequently issued a Final Report of Findings and Recommendations on the Class and Individual Claims at issue in McConnell (Class and Individual Orders) on September 21, 2015. In her Class Order, AJ Stilp found that the Postal Service rehabilitation and limited-duty employees were discriminated against based on disability when they were subjected to: (1) withdrawals of their reasonable accommodations; (2) hostile work environments; and (3) disclosures of confidential medical information. And in her Individual Order, AJ Stilp found that the Class Agent had been denied a reasonable accommodation under the provisions of the Rehabilitation Act when the Postal Service withdrew her modified job assignment and that she had been subjected to disparate treatment on the basis that she had been targeted for removal from her modified job assignment and she was in fact removed in violation of the Rehabilitation Act.

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The Postal Service appealed the Individual and Class Orders and the Class Agent also filed a limited cross-appeal. On September 25, 2017, the EEOC Office of Federal Operations (OFO) issued a decision largely affirming AJ Stilp's June 5, 2015 Class Order, holding that the NRP violated the Rehabilitation Act. On October 30, 2017, the Postal Service moved the OFO for reconsideration of the decision. On March 9, 2018, the OFO denied the Postal Service's motion for reconsideration and reaffirmed AJ Stilp's Order and the September 25, 2017 OFO Order on appeal.

In compliance with the terms of the March 9, 2018 Order, the Postal Service sent notice to all class members informing them either of their right to file an individual claim for relief or, if applicable, that they are being desubsumed from the Class. In response, approximately 29,000 individual claimants submitted a claim for relief with the Postal Service's National EEO Investigative Services Office (NEEOISO). NEEOISO then reviewed all submitted claims and timely issued Final Agency Decisions (FADs) to 28,931 individual claimants. NEEOISO then began processing all timely appealed FADs.

On June 26, 2018, the Class, through Class Agent's Counsel, submitted an Emergency Petition for Enforcement of the March 9, 2018 Order arguing that the Postal Service issued premature FADs. On July 12, 2018, the Class Agent filed an appeal of all FADs issued on the individual claims for relief alleging that the FADs were issued in error and in violation on the EEOC's regulations.

On November 14, 2018, the OFO issued a ruling ordering the Postal Service to vacate all FADs on disputed claims for individual relief within 30 days and to inform the EEOC of its intent to dispute any individual claims for relief within 60 days. The OFO further ordered the Postal Service to provide a copy of the administrative file with the notice of intent to dispute for each disputed claim. Finally, the OFO identified EEOC Administrative Judge Monique Roberts-Draper (AJ Roberts-Draper) as the replacement administrative judge for the McConnell case going forward and tasked AJ Roberts-Draper to start and oversee the individual claim dispute process outlined in the EEOC's Management Directive 110 (MD-110) for the McConnell individual claimants.

Pursuant to the terms of the November 14, 2018 Order, the Postal Service notified the EEOC of its intent to dispute individual claims. On February 11, 2019, Class Agent's Counsel filed a Motion for Entry of Case Management Order and Proposed Case Management Order arguing that: (1) they continue in their role as Class Counsel and have a "continuing role as the representative of all Class Members who have elected to proceed through the relief process"; (2) the Postal Service did not properly notify "all Class Members of their right to file a claim for individual relief"; (3) individual claims should be adjudicated, in batches of 50 claimants selected by Class Agent's Counsel, by special masters appointed by the AJ and paid for by Postal Service, after conducting additional discovery on each claimants' individual claim(s) for relief; and (4) Class Agent's Counsel should be permitted to submit quarterly billing statements for their ongoing attorney's fees and costs to be paid by the Postal Service. The Postal Service opposed the Motion for Entry of Case Management Order and Proposed Case Management Order submitted by Class Agent's Counsel and submitted its own Proposed Case Management Order that follows the procedures set forth in MD-110 Ch. 8, Section 12.

On February 27, 2019, AJ Roberts-Draper entered a Case Management Order denying the proposals submitted by Class Agent's Counsel, largely adopting the Postal Service's proposed Case Management Order. Pursuant to the Case Management Order, the Postal Service must submit a list of names of all class members whose claim for relief it has disputed, or intends to dispute, no later than March 12, 2019. The Order also denied the request by Phase I Class

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Agent Counsel, Thomas & Solomon LLP and Kator, Parks, Harris & Weiser, P.L.L.C. to be appointed "class counsel for all class members" and also denied their request that the EEOC appoint special masters to assist in the processing individual claims during the Phase II individual relief process. The Case Management Order further denies Class Agent's Counsel's request to reopen discovery, stating: "[t]here will be no discovery propounded in this matter." If upon receiving the submissions on disputed claims, AJ Roberts-Draper believes that additional information is needed to make a determination, she will issue an order to the parties to meet and confer to determine which party has the information, whether and how it can be produced so as to honor medical confidentiality, and a reasonable schedule for production of the needed documents.

The Case Management Order orders the Postal Service to provide a statement in support of its decision to dispute a class member's claim, attaching all relevant supporting documents or evidence, within 20 calendar days of receipt of the Order, on or before March 19, 2019. The Case Management Order also provides that individual claims may be settled without approval from AJ Roberts-Draper, and "group settlements must be approved pursuant to 29 C.F.R. §1614.204(g)." If the parties' agree to withdrawal of claims, AJ Roberts-Draper must be notified within 10 days of the agreement, and upon receipt of the request for withdrawal AJ Roberts-Draper "will issue an Order dismissing the claim and instructing the Agency to issue a Final Agency Decision with appeal rights to OFO."

On February 28, 2019, Class Agent's Counsel filed a motion for reconsideration of the Case Management Order entered by the AJ. The motion argues that they are "class counsel" and represent "all class members," that AJ Roberts-Draper should reopen discovery, that the Case Management Order "may prove ineffective," and that they will need extensions of time beyond the allotted 20 days to respond to the statements of dispute. The Postal Service opposed the motion and AJ Roberts-Draper denied the motion in full on March 20, 2019.

The Postal Service issued its statements of dispute on March 19, 2019, in accordance with the Scheduling Order. Claimants have begun filing their responses, and it is anticipated that all responses will be filed and pending before the Administrative Judge by the end of July 2019.

AJ Roberts-Draper held a status conference on May 13, 2019, during which she addressed several pending motions. AJ Roberts-Draper partially denied Phase I Class Counsel's request for reproduction of NRP files and ordered them to provide a list of claimants for whom they request NRP files. She reiterated that her ruling was limited and she will not allow discovery and document requests as a part of the individual claims process. Despite AJ Roberts-Draper's ruling, numerous claimants and their representatives have submitted demands for production of documents. The Postal Service has filed objections to the demands for document production.

AJ Roberts-Draper held another status conference on August 6, 2019, during which she ordered all Final Agency Decisions on partially accepted claims be vacated. The Postal Service vacated all partially accepted claims on August 16, 2019 and submitted dispute statements to AJ Roberts-Draper on October 7, 2019.

AJ Roberts-Draper held preliminary ex parte settlement conferences with any interested counsel or claimants during the week of August 19, 2019. During the call with Postal Service counsel, AJ Roberts-Draper indicated that she would like to focus on a potential global resolution and that she would be seeking to try to resolve the case globally. She also indicated that she understood that not all claimants submitted viable claims for relief.

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AJ Roberts-Draper held a status conference on November 19, 2019. No rulings were issued and no further guidance on the Phase II process or timeline was provided. The AJ confirmed that there was no plan or capacity for the Commission to decide the approximately 29,000 pending claims, and therefore both the AJ and the Commission remain focused on attempting to resolve the case globally.

AJ Roberts held a status conference on January 24, 2020. During the conference, AJ Roberts-Draper denied a pending Motion for Sanctions against the Postal Service related to partially disputed claims. The Motion for Sanctions was filed by Phase I Class Counsel and counsel for other claimants. In denying the Motion for Sanctions, the AJ admonished Phase I class counsel and other counsel for re-litigating issues and seeking sanctions when the Postal Service did what her order required. AJ Roberts-Draper set a deadline of March 24, 2020 for submission of statements of claims for anyone who had a partially accepted claim, and a deadline of March 31, 2020 for submission of any supplements or corrections to claims. During the week of March 2-6, 2020, AJ Roberts-Draper held ex parte conversations with the Postal Service, counsel for claimants, and pro se claimants, as requested.

To date, three claimants whose claims were accepted by NEEOISO have been paid back pay: Barbara Riggs, Cheryl Polk, and the Class Agent, Sandra McConnell, discussed below. Claimant Riggs was paid $109,881.00 in back pay damages. Riggs's remaining claims for additional damages are now in the disputed claims process, and she has not been paid interest on her back pay award. Claimant Polk was paid $12,872.18 in back pay damages and $5,181.31 in interest, and her remaining claims for additional damages are in the disputed claims process.

b. The Class Agent's Individual Claim

On June 4, 2015, the AJ Stilp ruled on the Class Agent, Sandra McConnell's, individual claim finding that: (1) she was a qualified individual with a disability and when the Postal Service removed her modified position it unlawfully withdrew a reasonable accommodation in violation of the Rehabilitation Act; (2) she demonstrated that the entire class of injured employees, including herself, was targeted for removal; (3) it was unclear from the evidence whether McConnell's medical diagnosis was shared improperly with management officials; and (4) she failed to present any evidence that she had a fear of being forced to work for Wal-Mart related to the NRP.

AJ Stilp's June 4, 2015 Order was appealed and on September 25, 2017, the OFO issued an order largely affirming AJ Stilp's ruling on the Class Agent's individual claims. The OFO reversed AJ Stilp's ruling on the Class Agent's hostile work environment holding that the Class Agent is entitled to seek damages for having been subjected to a hostile work environment.

On July 11, 2018, NEEOISO issued a FAD on Sandra McConnell's individual claim and awarded her $22,500.00 in compensatory damages as well as back pay damages. McConnell was paid back pay damages in the amount of $28,367.36 and interest in the amount of $25,703.54. On August 10, 2018, Class Agent's Counsel appealed the compensatory damages award. Ms. McConnell is currently seeking $300,000.00 in compensatory damages for her alleged emotional distress. The Postal Service filed its Response to the appeal on October 9, 2018. To date, the OFO has not issued an order on the Class Agent's individual appeal.

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c. Attorney's Fees

The OFO awarded the Class Agent attorneys' fees and costs incurred during Phase I processing of the class complaint. As part of the compliance process, the OFO ordered the Class Agent to submit a petition for attorneys' fees and costs to the Postal Service's EEO Compliance and Appeals office. The Class Agent submitted a fee petition on April 9, 2018 seeking approximately $18 million in fees, plus $577,000 in costs. The Postal Service engaged two expert witnesses to evaluate the fee petition and issue opinions as to the reasonableness of the requested fees and costs. These experts concluded that the petition seeks excessive hourly rates and includes unreasonable billing practices. On June 7, 2018, the Agency's EEO Compliance and Appeals office issued a FAD awarding Class Counsel $1,532,937.36 in attorneys' fees and $229,257.71 in costs. Payment of attorneys' fees and costs awarded by the FAD was allocated between the two law firms representing the Class Agent. A payment in the amount of $766,478.68 was made to the law firm Kator, Parks, Weiser & Harris PLLC, and payment in the amount of $995,727.39 was made to the law firm Thomas & Solomon LLP.

On July 6, 2018, the Class Agent appealed the FAD on attorneys' fees and costs to the OFO, and the amount of fees and costs ultimately awarded will not be known until a determination of reasonable fees and costs is made by the OFO. The Postal Service's Response to this appeal was filed on December 3, 2018. No decision has issued, and the appeal remains pending before the OFO.

V. Settlement

In September 2015, the parties conducted an in-person mediation with JAMS Mediator Michael Loeb in which Class Counsel initially demanded $18 billion to settle all claims in the McConnell case. The Postal Service did not respond to this outrageous demand; however, Class Counsel subsequently bid against themselves and reduced their settlement demand to $1.9 billion. The Postal Service declined to counter and Mediator Loeb continued to work to reduce Class Counsel's demand. While no further demand was made, Mediator Loeb indicated that Class Counsel was looking for a settlement in the range of $500 million to $1 billion, with the mid-point of $750 million being the target for settlement by Class Counsel. Mediator Loeb also indicated that he believed Class Counsel's bottom point was near $230 million. The Postal Service was unwilling to entertain a settlement in the stated range of $500 million to $1 billion and the mediation was unsuccessful. Other than the recent discussions with AJ Roberts-Draper, no further settlement discussion have taken place in the McConnell case since September 2015.

VI. Potential Monetary Value of the Claims

The Postal Service, in conjunction with its economic expert Economic Research Services (ERS), has monetized the various elements of the class claims. The Postal Service also calculated economic loss accounting for the Department of Labor, Office of Workers' Compensation Programs (OWCP) mitigation, which was previously not included. Additionally, the Postal Service examined claim rates, average damage and attorney's fee awards, and settlement rates from Law Manager, the Law Department's case management system, and EEOC data. It also conducted an in-depth analysis of the NWA subclass, which is addressed below, as well as those individuals whose claims were accepted and given awards in the now-vacated FADs, as well as

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response rates and rates of representation in the now-reversed appeals process.

a. Economic Loss Calculations

ERS calculated the economic loss for 9,985 individuals that districts identified as receiving a NWA or a "Part Day No Work Available" determination after reassessment (NWA subclass). ERS limited its economic loss calculation to this NWA subclass because no other class members experienced any lost hours, and therefore, did not experience economic loss. (Please note that while we received a decision allowing damages for the employees who retired or resigned during the class period, we did not update the calculations for that subclass to avoid incurring additional cost of analysis. Totals for awarded back pay will be available as Eagan processes them. An average of $15,283 is used for all individuals experiencing economic loss.)

ERS determined lost earnings for the NWA subclass by first calculating all Leave Without Pay (LWOP) hours for the relevant time period. ERS reviewed actual LWOP records from the pay periods encompassing May 6, 2006 (the start of the class period) through June 26, 2015 (the data available to ERS at the time of this report). All LWOP hours that occurred prior to the pay period in which a district began Phase II of the NRP are excluded. If an employee had LWOP hours in the pay period that the district began Phase II of the NRP and had prior LWOP, then their LWOP hours in the pay period were excluded. In addition, if an employee had no LWOP hours in the pay period corresponding to the end of the class period (July 1, 2011), then ERS excluded all LWOP hours after July 1, 2011. Using this data, ERS forecasted the lost hours, and associated dollar value of those lost hours, from June 27, 2015 through September 30, 2015 (pay period ending October 2, 2015), to estimate losses through the end of FY 2015. This forecast was based on the average LWOP hours per pay period for the 1,511 individuals who had lost hours in the first 14 pay periods of 2015, ending June 26, 2015, valued at each person's hourly rate as of June 26, 2015. ERS determined that the 9,983 NWA class members lost a total of 20,010,960 hours, valued at $525,850,518.

ERS offset these lost work hours by the amount paid to the employee through workers' compensation payments made by the OWCP. However, OWCP payments are tax-free, whereas lost earnings are taxable, therefore, ERS grossed-up OWCP payments based on a 20% tax rate (15% federal and 5% state). ERS calculated total grossed-up OWCP payments at $440,399,808. This results in lost earnings minus OWCP mitigation of $85,450,710. Next, ERS calculated interest on lost earnings through the end of FY 2015, for a total mitigated lost earnings plus interest at $95,633,635.

In addition to lost earnings, ERS also calculated economic loss associated with lost annual leave, Thrift Savings Plan (TSP) contributions, and annual leave exchange, through the end of FY 2015 as follows:
- Lost annual leave hours of 1,285,884, valued at $33,741,598;
- Lost TSP contributions, based on lost employer contributions and interest, plus the interest only on the lost employee contribution, valued at $18,726,096;
- Lost annual leave exchange, plus interest, valued at $4,470,862.

ERS calculated total economic loss for the 9,983 NWA subclass members at $152,572,191 or $15,283 per person.

Please note that ERS estimated 1,044,392 hours of lost sick leave, with

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an estimated value of $27,404,846. This value is not included in the estimated economic loss calculation because any restored sick leave would not be paid by the Postal Service until the sick leave was actually taken. Therefore, unlike annual leave, the Postal Service does not accrue liability for sick leave, as it is not paid out upon termination of employment.

b. Damage Estimates

Based on ERS's economic loss calculations, the Postal Service created a damage model. In the model, the Postal Service assumed a 41% claim rate based on the 41% settlement claim rate in the Glover v. Potter class action for the 9,985 NWA employees. The Postal Service then assumes that 3% of the 9,985 potential claims will be successful either initially or on appeal, leaving 279 total successful claims. Using the economic loss of $15,283 per person, the Postal Service calculated its economic loss exposure at $4,263,957. However, the OFO has now ordered the Postal Service to enter into a dispute process with the approximately 29,000 claimants and it remains unclear what the process or outcome will likely be. Therefore, no change has been made to the current damage estimates.

The Postal Service assumed a 23% response rate for the entire class for non-economic compensatory damage claims, excluding those never assessed per AJ Stilp's order. This is based on the number of claims received to date. The Postal Service assumed that 1,675 of the claims filed will be successful initially or on dispute or appeal and that each successful class member who filed a claim would receive an average award of $13,000 in compensatory damages. This award is based on a comprehensive review of EEOC compensatory damage awards in cases with similar factual scenarios and claims. This results in compensatory damage exposure of $21,775,000. This calculation assumes that 23% of 130,606 class members (approximately 29,428) have filed a claim, that 1,675 of those claims will be successful either initially or on appeal/dispute and that each would receive an average award of $13,000. This average is based on a mixture of initial awards from NEEOISO and other final agency decisions, as well as awards by EEOC administrative judges. It is possible that the OFO will, given the size and notoriety of the overall class claim, award significantly higher average damages for individual claimants. (Please note that AJ Stilp inaccurately identified a class size of 133,582 in her orders discussed above, however, there are in fact 134,606 class members. The Postal Service removed approximately 4,000 class members from this total for the compensatory damages calculation to reach 130,606, based on AJ Stilp's order on the motion to de-subsume.)

Combining the economic loss and compensatory damage exposure results in a total estimated damage exposure of $26,038,957.

The Postal Service then added a 27% attorney's fees award, the average attorney's fees award based on EEO data and industry practice, resulting in an estimated attorney's fee award of $7,030,518. Please note that Class Agent's Counsel is currently arguing on appeal that they represent each member of the class in Phase II and that their contingency fee is 30%, not 27%. The Postal Service then added $17,762,206 for the estimated Phase I attorney's fees awarded to or appealed by Class Counsel in the Class Order.

This results in a total exposure of $50,831,679. Subtracting the $1,762,195 already paid to the attorneys leaves a remaining exposure of approximately $49,100,000.

Please note that Class Agent's Counsel, Kator Parks, was recently awarded

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Phase I attorney's fees in a smaller class action, litigated for over two decades, Garcia v. DEA, Case No. 100-2003-08442X. Class Agent's Counsel was awarded under $900,000 for over 20 years of work, including a nine-day liability hearing. However, given the much larger class size in McConnell (100 v. 134,606), the Postal Service anticipates significantly higher fees in this case. Class Agent's Counsel has already been awarded $1,762,195 by NEEOISO and has appealed that award and requested a total award of $17,730,506 on appeal. That appeal is currently pending.

VII. Final Note re: Monetary Evaluation

The monetary evaluation of this case, set out above, reflects a hybrid approach to determining liability in this case based upon discovery and internal analysis of available data as well as AJ Stilp's June 4, 2015 decisions, the 2017 OFO Order, the March 2018 OFO Decision on Reconsideration and information obtained through the claim filing process contemplated under the terms of the March 2018 OFO Decision on Reconsideration., and the November 14, 2018 OFO Order. Based on the facts available as of December 6, 2018, the Postal Service believes that the most likely payout amount in this case ranges from a low end of $49 million to a high end of $750 million, with no one amount more likely than another. The high end of the most likely payout range, $750 million, is based on conversations during the most recent mediation in the case. We have no reason to adjust the maximum reasonable payout amount at this time, as individual claims are still subject to the EEOC's ordered dispute process and subsequent appeals. The dispute process is likely to result in increased successful claims and awards, however, the Postal Service is unable to determine the likely outcome at this time.

AMERICAN OVERSIGHT

Case Name	MOU re: Clerk Craft Jobs - 800 Administrative & Technical
Case Number	USPS Q10C-4Q-C 15174956
Date Filed	05/19/2015
Amount Sought	$157.9 Million
Liability Assessment	Probable
Damages Assessment	• **Most Likely Payout**: $31.0 Million • **Maximum Reasonable Payout**: $61.4 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	_____
Law Dept Counsel	Reimer, Brian M.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Shannon Richardson, Labor Relations

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Facts

As part of the 2010-2015 National Agreement, the parties agreed to the MOU re: Clerk Craft Jobs. The MOU required that the Postal Service conduct an audit of Executive and Administrative Schedule (EAS) positions and determine whether any of those positions perform bargaining unit work. If an EAS position was performing bargaining unit duties, the Postal Service was to return those duties to the APWU bargaining unit. The MOU also required that the Postal Service provide 800 administrative and technical jobs to the APWU bargaining unit. In reaching the 800 APWU bargaining unit jobs required by the MOU, the Postal Service was allowed to count those positions that were returned to the bargaining unit as a result of the audit described above. Ultimately, the audits resulted in the development of 438 AMS Specialist and Mail Flow Controller positions, leaving 362 positions unaccounted for.

On May 19, 2015, the APWU initiated a national-level dispute regarding the Postal Service's non-compliance with the MOU. The case was not added to the CLR at the time because the APWU did not seek a monetary remedy but rather merely the residual positions. When collective bargaining negotiations failed to reach an agreement, the APWU sought to have the Interest Arbitration Panel that decided the 2015-2018 National Agreement consider the issues raised by this case in rendering the new contract (i.e., a prospective remedy, but not back pay). The Panel declined, and the parties next met on the grievance during Q1 of FY 2017, at which time the APWU informed the Postal Service that it was seeking a monetary remedy. The Postal Service then entered the Contingent Liability Report accordingly.

The case came before Arbitrator Stephen Goldberg for a hearing on January 17, 2017. On March 31, 2017, the APWU clarified its demand for monetary damages: $157.9 million. The APWU sought back pay at the top step for level 8 ($39.75/hour) for the period January 1, 2012 through April 30, 2017, based on 2080 hours per year (prorated for 2017) for the 362 bargaining unit positions at issue ($156.6 million). Additionally, the APWU sought $1.3 million in unpaid union dues. The APWU's clarification came in response to a request by the arbitrator for the Union's damage estimate.

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The Postal Service argued that any monetary remedy should be based on compensation for employees who were harmed by placing them in the position they would have been in if all 800 jobs had been created timely.

Arbitrator Goldberg issued an award on April 21, 2017, agreeing with the Postal Service's view that only employees who were harmed by the failure to create all 800 jobs should receive compensation. However, the arbitrator ruled that backpay should date back to August 1, 2013, after he found that the Postal Service had not engaged in good faith efforts to create the remaining 362 positions due after that time.

II. Liability Assessment

The Postal Service did not fulfill its obligation to create 800 administrative and technical bargaining unit jobs and, as expected, the arbitrator held that backpay would be due for those employees who were harmed.

III. Damages Assessment

Based on the arbitral award, we have made the following estimate of the Maximum Reasonable payout. The Postal Service posted 280 Level 6 HR Clerk positions and 82 Level 7 Training Tech positions in the August and September bid cycles.

The employees who bid into the new jobs almost certainly had Level 6 positions before bidding into the new jobs. However, the APWU likely will seek a remedy that includes out-of-schedule premium for all hours included in the backpay award.

Between August 1, 2013 and June 30, 2018, applying the out-of-schedule premium of $13.00 per hour results in $42.6 million in potential liability. In addition, the one-grade difference between Levels 6 and 7 (for the 82 Training Tech positions) adds up to an additional $0.5 million in potential liability.

Furthermore, PSEs would have been converted to career status to backfill the vacancies created by the new positions. Under the worst case scenario, damages would be calculated as the difference between the PSE salary and benefits and the entry level career salary and benefits level from August 1, 2013 through June 30, 2018, or $18.2 million.

Adding $42.6 million, $0.5 million, and $18.2 million, with appropriate rounding up, results in a Maximum Reasonable Payout of $61.4 million.

To calculate the Most Likely Payout, we are estimating that the out-of-schedule premium will be half of the $42.6 million calculated above, or $21.3 million. This estimate is based on the likelihood that the union will receive out-of-schedule pay for some, but not all hours worked. The Postal Service will argue that no out-of-schedule premium is due because the purpose of out of schedule premium is to compensate employees for the inconveniences suffered as a result of having to work outside their bid schedules. None of the employees in this case actually suffered such inconvenience. We are unaware, however, of any arbitral precedent on this issue and we view the union's chance of prevailing on it as equal to ours. We further assume that the back pay based on the one-grade upgrade will equal $0.5 million.

Similarly, for PSEs we assume for purposes of calculating the Most Likely Payout that the actual damages will be half of the Maximum Reasonable Payout, or $9.1 million. This is based on the premise that the affected PSEs would have been otherwise converted to career status at some point between August 1, 2013 and September 30, 2018.
The total estimate for Most Likely Payout is therefore $31.0 million ($21.3

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million for career employees bidding on the new positions, $0.5 million for the 82 upgraded employees, and $9.1 million for PSEs who would have been converted to career status earlier.) Rounding increased the estimated liability by 0.1 Million in Quarter 4 of FY 2018.

As of November 15, 2017, only 56 positions remained to be filled. For the time period up to and including November 15, 2017, the liability calculation included all 362 positions. Between November 15, 2017, and December 31, 2017, the liability calculation included only the then-remaining 56 positions. Between January 1, 2018 and March 31, 2018, the liability calculation included only 10 positions that remained unfilled. Between April 1, 2018 and June 31, 2018, the liability calculation included only five positions that remained to be filled. Between July 1, 2018 and September 30, 2018, four of the remaining positions were filled, and the liability calculation includes only those four plus the one that remained unfilled. For quarter 1 of FY2019, there was still one position unfilled. In January 2019, the single remaining unfilled position was filled. Because the liability associated with that position was well under $100,000, we have not adjusted the most likely or maximum reasonable payout figures.

Because all of the initial positions have now been filled, the liability calculation includes the estimated liability through January 2019, and the damages are capped at this level.

A hearing on remedy was scheduled for March 29-30, 2018, but was postponed and has not been rescheduled. We estimate that it will take more than one year to schedule the hearing, hold it, submit post-hearing briefs, and receive a final award. Thus, we estimate that it will take 1-5 years before there is a final resolution of this case.

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Case Name	NORTHEAST AREA - Lead Clerk TACS Access and Training Grievance
Case Number	B10C-4B-C 16670982
Date Filed	08/02/2016
Amount Sought	**$20.1** Million *[Previously reported as: $18.9 Million]*
Liability Assessment	Probable
Damages Assessment	• **Most Likely Payout**: **$11.9** Million *[Previously reported as: $11.3 Million]* • **Maximum Reasonable Payout**: **$11.9** Million *[Previously reported as: $11.3 Million]*
Change in Status	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**
Estimated Time to Resolution	Less Than 1 Year
If Field Grievance, held in abeyance?	Yes • GATS Number of National-level Case: Q10C-4Q-C 18273555 (resolved)
Law Dept Counsel	Rice, Anthony T.
Law Dept Reporting Office	Northeast
Other Representative for USPS	James Gavner, Manager, Labor Relations, Northeast Area
Facts / Positions	**B**ackground/Argument:

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

UNION'S POSITION: This grievance claims a violation of Articles 1, 5, 15, 19 and 37. The primary issue surrounds the TACS training for Lead Clerks. The union alleges that the NEA unilaterally modified the required 8 hour training course that was identified in the February 4, 2016 Step 4 settlement. The union alleges that there was no agreement to proceed with a 45 minute training course.

The union also contends that management's decision to not provide the 8-hours of training that was in effect when the Step 4 settlement was signed resulted in EAS performing bargaining unit work. However, Postal Service records indicate that training continued throughout the entire period. The union has failed to establish through the case file that Lead Clerks were not performing TACS duties.

MANAGEMENT'S POSITION: Management's position is that the modification to the training was not a NEA initiative but rather HQ's instruction that were distributed nationally on August 1, 2016. The subject grievance was filed the following day on August 2, 2016 citing Article 15.2 Step 3(f) of the National Agreement which reads:

Area-Wide Grievances

Article 15.2 Step 3(f) provides for the Regional Coordinator or National Business Agent to file one grievance directly at Step 3 when the issue involves a new or changed district or area-wide policy, instructions or guidelines.

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The intent of this provision is to discourage the filing of multiple local grievances. This type of grievance may be placed at the head of the appropriate arbitration docket.

By definition, the grievance does not fit the definition of an area-wide grievance since we can prove that we were adhering to the HQ's directive.

Damage Assessment:

The union's proposed settlement involved pay for all Lead Clerks who were not performing TACS duties since the signing of the Step 4 in February 2016. The union proposed 3 hours a week in F4 offices and 6 hours a week in F1 offices. The amount sought encompasses a timeframe of 202 weeks and 374 F1 clerks and 1123 F4 clerks. The 1497 clerks identified represent all employees with a Lead Clerk occupation code and does not represent employees who are required to be assigned TACS duties.

The "Amount Sought" calculation **($20** million-which increases each quarter) is derived from taking the applicable hourly rate ($26.63), which, in Function 4 offices, generates a weekly claim for $79.29 and, in Function 1 offices, a weekly claim of $159.78, multiplied by **215** weeks. There are 1,013 Function 4 offices and 82 Function 1 offices within the ambit of this grievance.

F4: $79.29 x **215** x 1013=**$17,268,965.55**
F1: $159.78 x **215** x 82=$**2,816,921.14**
Total: **$20,085,886.69**
In the event that the union is able to proceed past the procedural arguments management will argue that the number of Lead Clerks who are required to be assigned TACS duties is significantly less than 1497; based on the February 4, 2016 settlement signed by the parties. Management would also assert any liability would be limited to a period beginning 14 days prior to the filing of this grievance on August 2, 2016 rather than the February date the union asserts. This number does not take into account any Lead Clerks who have been performing TACS duties during the identified timeframe. We would also be prepared to argue the amount of time daily spent by a Lead Clerk is significantly less than the 3 and 6 hours calculations the union has provided. In the event that the union succeeds with an Article 1.6b argument and a monetary award is made, rough calculations based on employee numbers alone indicate that the damages could reach or exceed one million dollars.

We believe that the APWU will rely heavily on a 12/2/14 arbitration decision from Boston Massachusetts (GATS B10C-4B-C 14150877) which awarded a Lead Clerk 15 minutes a day at the straight time rate of pay for every day going back to when the employee should have received the TACS training. In that case, Arbitrator Holden, stated in her award:

"Management violated the National Agreement by performing bargaining unit work in the Weston Post Office as it relates to TACS (Time Attendance Collection System) time keeping duties.

For remedy Management shall stop performing Level 7 duties; the grievant shall receive the mandatory TACS training; and the grievant shall assume the duties of his job description.

The grievant shall receive straight time back pay from the date he was denied taking the TACS training to the date of this award for time the Weston Branch manager and supervisor did (TACS) bargaining unit work."

This individual received $1,246.19 as settlement.

If the current arbitrator adopts this position, we have 1013 Function 4 lead

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clerks and 82 Function 1 lead clerks who should be assigned TACS duties.

- The rate of pay is calculated is $26.63 per hour.
- F4 operations is calculated 15 minutes a day for TACS duties; 1.5 hours per week ($39.95/week)
- F1 operations is calculated 1.5 hour a day for TACS duties; 10.5 hours a week ($279.62 /week)
- The calculations begin 8/1/16 through **3/31/20; approximately 192 weeks.**
- F4: 192 weeks x $39.95 a week = $7670.40; 1013 F4 lead clerks x $7670.40= $7,770,115.20
- F1: 179 weeks x $279.62 a week = $50,051.98; 82 Function 1 lead clerks x $50,051.98= $4,104,262**.30**
- Total projected liability=$1**1,874,377**

We feel this is the Maximum Reasonable Payout.

However, it is our position that a monetary award is not appropriate in this case. Rather, because the Settlement Agreement did not establish a timeframe within which the training was to be provided, it is our position that the appropriate award in this case if to direct that the individuals be provided the training that was in effect at the time of the Settlement Agreement. Thus, at this time we feel the Most Likely Payout should be zero.

Concerns with this case:

- On February 8, 2017 Long Island management indicated that their Lead Clerks had access to TACS, but it was 'read-only' access. The TACS Coordinator in the Long Island District has since modified the access so the Lead Clerks could also make adjustments. Despite having their clerks trained and providing them access, we did not fulfill the portion of February 4, 2016 settlement that would have the Lead Clerks adjust rings or run reports.

- Only 22 Lead Clerks in Long Island had TACS access which prompted. A review of the other Districts showed how many Lead Clerks area-wide had TACS access.

- Lead Clerks who do not have access to the TACS program are not in compliance with the February 4, 2016 Step 4 Settlement Agreement. The above chart demonstrates that we have only provided TACS access to approximately 12% of Lead Clerks area-wide in compliance with the February 4, 2016 Agreement.

- In addition individual Districts need to be canvassed to determine how many of the 172 Lead Clerks who have TACS access are being utilized.

- In a pre-arbitration settlement for multiple TACS-use grievances in Boston MA management settled for $340,000.00. In this settlement the union demonstrated that multiple employees were trained in TACS but never assigned TACS duties. As a result of this settlement, the Boston District would not be considered a part of the subject area-wide grievance.

- 842 Clerks were provided the "Lead Clerk System Training" which is the 4.5 hour course. At a minimum we owe these employees an additional 3.5 hours of training to satisfy the 8 hour training that HQ previously stated and is now reiterating is required. The additional training equates to 2,947 hours.

- In addition to the training issues we will need to overcome the fact that lead clerks were never required to obtain TACS access and, therefore not assigned TACS duties. Records show that in the NEA of those employees trained only 12% of all lead clerks have access. Of the 172 lead clerks who have access

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we know that 22 of them were not provided the correct access; read-only rather than the required "write" access. This compromises our position further.

This case was presented before Arbitrator Gudenberg on March 21 and 22, 2017. The parties submitted briefs on April 25, 2017. We typically receive arbitration decisions within 30 days of final receipt of briefs.

Update: Arbitrator Gudenberg decided that the references to the Boston settlement were not admissible since they were clearly defined as non-precedent setting and non-citable. However, in his decision he directed the Service to provide the TACS training records to the union to establish if there is any remedy based on when the training was received and who subsequently is performing the TACS input. The remedy portion of this arbitration is scheduled in May 2018.

Update: We held a remedy hearing on May 2, 2018. The union requested to have Rickey Dean, Manager APWU Contract Compliance testify as a hostile witness. I objected to this request. The arbitrator, noting my objection, allowed the union to attempt to contact Mr. Dean but he was unavailable. We are currently in discussion with the arbitrator to determine what the next steps should be relative to this arbitration. I am pushing for the arbitrator to render a decision based on the case file, his prior decision and the information that was shared at the remedy hearing. The union is pushing for an additional witness, additional information to be presented and to conclude with written briefs.

Update: This case and pending arbitration are currently held under the national level grievance filed on the same issue; GATS Q10C-4Q-C 18273555.

Update: The national level grievance filed on the same issue; GATS Q10C-4Q-C 18273555 was resolved on 9/5/2018.

Update: The advocates for this case have sought a date from the arbitrator to submit written briefs. No response has been received as of March 1, 2019.

Update: The arbitrator sustained the grievance but did not award any remedy. The arbitrator remanded the remedy to the parties on May 14, 2019. Arbitration decision attached.

Update: The APWU proposed a settlement of $25 million for this case. This settlement offer is based on a formula that grossly inflates the amount of time needed to perform TACS duties. Their proposal also compensates every lead clerk (not required), trains every lead clerk with the supervisor TACS training (not required) and does not account for any lead clerks properly performing the TACS work since 2016. The proposal also does not align with the 9/5/18 Step 4 settlement.
Update FY 2020-Quarter 2: I reviewed ***[deletion]*** a list by name of every office that earns a lead clerk. In offices that only have 1 lead clerk the TACS duties should be assigned to that individual. In plants or large post offices the duties may be assigned to more than 1 lead clerk. I cross-referenced the list of lead clerks with the lead clerks throughout the NEA who have TACS access. If a lead clerk does not have TACS access they cannot perform any of the TACS duties for the office and, by default, management will be performing all of the TACS functions. Knowing this information, the likelihood of going back to arbitration and receiving a decision that doesn't afford the craft any monetary compensation is very slim. The TACS duties have belonged to the clerk craft, in lead clerk offices only, since 2016. My analysis does not take into consideration any lead clerks who have TACS access but have not been assigned the TACS function which would increase our liability. Establishing a most likely payout would require an extensive and time-consuming analysis,

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district by district, office by office and employee by employee to determine who, and to what extent, has been performing the TACS functions since 2016. That said, we do have districts who have assigned the TACS functions to the lead clerks which would result in a liability less than what we have currently calculated as our maximum **reasonable payout of $11,874,377**

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Case Name	Retail Systems Software (RSS) Postmaster End of Day Button
Case Number	Q10C-4Q-C 16050516
Date Filed	12/23/2015
Amount Sought	[Unknown]
Liability Assessment	Probable
Damages Assessment	• **Most Likely Payout**: $14.7 Million • **Maximum Reasonable Payout**: $21.3 Million
Change in Status	• **Additional Facts or Revision in Text**
Estimated Time to Resolution	**Less Than 1 Year** *[Previously reported as: 1 - 5 Years]*
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	McClease, Tiffany N.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Rickey Dean, Labor Relations; Shannon Richardson, Labor Relations

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. FACTS

On March 8, 2011, the APWU and the Postal Service agreed to a Global Settlement to resolve longstanding disputes regarding supervisors' performance of bargaining unit work under Article 1.6. The Global Settlement set forth bargaining unit work hour limits for postmasters and supervisors in Level 18 offices. Under the Global Settlement, in Level 18 offices, a postmaster is permitted to perform no more than 15 hours of bargaining unit work per week. The Global Settlement also provided that "All time the supervisor or Postmaster spends staffing the window during the day will be counted toward the permissible bargaining unit work limits." The parties had an interpretive dispute over this language, which the APWU appealed to arbitration. On March 29, 2013, Arbitrator Shyam Das issued the Global Settlement merits award, finding that "staffing the window" applies to "all time the supervisor or postmaster is covering the window, which, in the absence of a clerk, includes the time the window is open."

On December 5, 2014, the parties signed the Global Settlement Remedy Agreement (GSRA) to resolve outstanding remedy issues surrounding postmasters and supervisors in small offices who were performing bargaining unit work. Employees in most Level 18 offices use computers known as Point of Sale (POS) terminals to conduct transactions at the retail window. In the GSRA, the parties specified that, "In the event that both a clerk and a postmaster/supervisor are staffing the window at the same time, all the time that the postmaster/supervisor is logged into POS (defined to mean the entire period from start of day to end of day) will be counted as bargaining unit work."

The GSRA stipulated that Postal Service Form 1260 (now automated as Web1260) would serve as the document of record for postmasters to record all time performing bargaining unit work. The GSRA provided for a local informal adjustment process if there was a dispute over the amount of bargaining unit work a supervisor performed in a given week, through which clerks could be compensated the appropriate amount in the Postal Service's Grievance-Arbitration Tracking System (GATS) if the Union could show the

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Postal Service improperly reported the amount of bargaining unit work performed on the Web1260.

When the parties signed the GSRA in 2014, the software on the POS terminals was known as "POS One." Both clerks and postmasters could use POS One to conduct transactions and other business. If a postmaster needed to staff the window and perform retail transactions (i.e., bargaining unit work), he or she would log into POS One by conducting a "start of day." When a postmaster was finished staffing the window, he or she would perform an "end of day" process in POS One, which would close out that particular session, even if it was not the ultimate end of the workday. If a postmaster's session on the window produced more than $100 cash, the end of day process would include a final remittance (or deposit), which required reconciling and taking money out of the retail drawer for eventual deposit to the bank. Once a postmaster conducted the end of day process in POS One, he or she could no longer perform any bargaining unit work in the system without conducting another start of day. The start of day / end of day process could be completed multiple times in a day in POS One by a postmaster.

In 2014, the Postal Service began piloting new software for the POS computer terminals known as Retail Systems Software (RSS). The Postal Service notified the APWU about the RSS deployment in 2014. When the parties met to discuss the RSS in April 2015, the APWU raised a concern that RSS did not have the same functionality as the POS One software. Namely, the APWU correctly observed that the Form 1412 generated in RSS did not indicate the time an employee started his day in the system, making it impossible to track how much time was spent on the window. To address the Union's concerns, the Postal Service modified RSS to add the start time to the Form 1412. Along with that software modification, the Postal Service also added a function known as the Postmaster End of Day (PMEOD) button. The purpose of this button was to make the end of day process for a postmaster more efficient by eliminating the need to make multiple final remittances (deposits) throughout the day. After conducting an end of day using the PMEOD button, if the postmaster later conducted another start of day to enter back into the system, the cash retained from his previous session would roll into the next session. This allowed the postmaster to conduct multiple end of days without risking accounting errors by having to reconcile and pull money out of his or her drawer every time. When a postmaster finished working the window for the day, he or she would conduct a regular end of day and make one final remittance/ deposit.

The Union initiated a national-level dispute over the PMEOD button on December 23, 2015. The Union claimed that the Postal Service "replaced POS [One] with the new RSS system to circumvent the window reporting of bargaining unit work." The Union claimed that the PMEOD button does not accurately reflect the reporting of time spent staffing the window by postmasters performing bargaining unit work, and that the parties' understanding of the end of day process necessarily included multiple steps including a final remittance/ bank deposit. The Union argued that once a postmaster logged into RSS, the entire time from the postmaster's start of day in the system to the time the postmaster conducted a full, final end of day with a remittance/ deposit must be counted as bargaining unit work. In other words, according to the Union, any end of day process using the PMEOD button would not stop the clock.

The case was scheduled for arbitration, and hearings took place on July 13-14, 2017 in front of Arbitrator Shyam Das. The Postal Service argued that the PMEOD button was not created to circumvent the GSRA, but was an efficiency added to allow postmasters to have multiple start of day/ end of day periods in one work day while only requiring one bank deposit. The Postal Service noted that it is undisputed that postmasters can have multiple start of

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day/ end of day sessions in a work day. The PMEOD button did not changed anything as far as how bargaining unit work was to be recorded or counted under the GSRA.

On December 8, 2017, Arbitrator Das issued an award finding in favor of the APWU. Arbitrator Das concluded that the protections afforded the APWU in the GSRA were "lessened to a meaningful extent" by the Postal Service's unilateral deployment of the PMEOD button. Arbitrator Das ordered the Postal Service to disable the PMEOD button. Das returned the issue of back pay to the parties to "determine an appropriate remedy that is fair and reasonable taking into account all relevant factors."

II. ANALYSIS OF LIABILITY

We assess this grievance as "probable." The Postal Service lost this case on the merits, and now must assess damages. It is likely the Postal Service will have to pay some amount of back pay, but the amount is extremely difficult to ascertain for the reasons explained below.

III. ANALYSIS OF DAMAGES

The Union has not specified any amount of damages it is seeking, and has only made vague, unsubstantiated allegations of widespread misuse of the PMEOD button. This case was previously not reported as a contingent liability matter because the parties already have a mutually agreed-upon process for resolving local violations related to the Global Settlement limitations on the performance of bargaining unit work. Any potential back pay issues would have been addressed through that process and individually would not have reached the $1 million threshold. When we assessed the case, we concluded that any back pay issues related to exceeding the 15 hour limitation in Level 18 offices by postmasters, which includes any underreporting of staffing the window should have already been handled through the parties' agreed-upon informal adjustment process. We reasonably concluded that the damages in this case should not reach over $1 million.

However, in light of the language in Arbitrator Das' award, a larger back pay remedy than anticipated may occur. Currently, we are still reviewing information to estimate the amount of back pay due with accuracy. Labor Relations is currently conducting a random survey of the 7,404 Level 18 post offices, which requires 200 offices to submit Form 1412s for the liability period to determine whether and how those offices used the Postmaster End of Day Button in the first place. Labor Relations will then have to compare the hard copy Form 1412s to the Web1260 reports to ascertain the accuracy of time reported for postmasters performing bargaining unit work, and whether there was any difference in the hours reported for postmasters performing bargaining unit work and thus a back pay remedy due. This process is completed manually, then the results extrapolated to have a sense of the size of a possible remedy.

We have modified the upper bound of the maximum reasonable payout to $21.3 million dollars. This update is calculated based on a data review which showed that approximately 53% of Level 18 offices (3,935) were found to have misused the PMEOD button and underreported an average of 2 hours of bargaining unit work for each week for the liability period. Under this scenario, the Union would be entitled to compensation at the career straight-time rate for the 2 hours of underreported bargaining unit work per week for each office, which would total $21.3 million in back pay (3,935 Offices X 2.0 Hours X 104 Weeks X $26 Career Straight-time rate = $21.3M).

Regarding the most likely payout, we can reasonably extrapolate the sample to a total of 3,935 total offices impacted to update the most likely payout to

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$14.7 million dollars. The respondents in that sample have an average of 1.58 hours per week (rather than the 2 hours used in the maximum reasonable payout scenario above) and an average of 91 weeks of having used the Postmaster End of Day Button. Using a career straight time (ST) rate of $26/hour, the liability would be $14.7 million ($26.00 per hour x 1.58 hours per week x 91 weeks x 3,935 offices).

Due to the fact that the Postmaster End of Day Button was deactivated in December 2017, we are capping the damages in this case to those listed above. If our discussions with the Union regarding remedy identify new considerations that would alter the calculations, we will update the damages as necessary.

UPDATE

A hearing on remedy has been scheduled for May 27-28, 2020. However, Labor Relations is continuing discussions to reach a resolution **with the union on the remedy prior to the hearing**.

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A. Probable [cont'd]

3. Tort Claims

Case Name	John W. Stokes III v. United States of America
Case Number	18-cv-1445
Date Filed	12/14/2018
Amount Sought	$10.0 Million
Liability Assessment	Probable
Damages Assessment	• **Most Likely Payout**: $3.0 Million • **Maximum Reasonable Payout**: $5.0 Million
Change in Status	• **Additional Facts or Revision in Text**
Estimated Time to Resolution	Less Than 1 Year
Law Dept Counsel	Briody, Maureen O.
Law Dept Reporting Office	St. Louis

Facts / Positions

Highlighting any revisions made since

Report for FY2020 Q1:
New text and ***[deletion]***

This matter arises out of a motor vehicle accident that occurred on December 16, 2016 in upstate New York. The matter was initially received as an administrative claim in 2017, but based on the approximately $100,000 in medical cost and good prognosis for the plaintiff's recovery that was provided to us at the time it was not assessed as having a potential seven figure value. The matter remained in the administrative stage while the plaintiff's medical condition developed. However, when litigation was filed by plaintiff in December 2018 and was eventually served on and forwarded from the US Attorney's Office to the USPS Law Department in February of 2019, the plaintiff's injuries were alleged to be permanent and his attorney provided us with a $2.3M life care plan, making it clear the matter should be entered into the CLR system.

The plaintiff was a rear seat passenger in a vehicle traveling southbound when a letter carrier operating an LLV traveling northbound attempted to make a left turn into a gas station directly in front of the plaintiff's vehicle resulting in the collision. The carrier was issued a traffic citation for failure to yield the right of way on a left turn and admitted to the investigating police officer that he did not see the plaintiff's vehicle when he made his turn. Therefore, it appears highly probable that the carrier will be found 100% at fault.

The plaintiff, 54 years old, struck his head on the roof of the car on impact. He was transported to the hospital by ambulance complaining of neck pain and he was unable to move his arms and legs. A series of CT scans revealed multiple vertebral fractures in his neck with compression of his spinal cord. He was transported to another hospital for a higher level of care. Plaintiff was hospitalized for one month where he received therapy and pain medication. He was treated for partial paralysis and required a wheelchair for a period of time. Thereafter, he was discharged to a rehabilitation center as an inpatient for six weeks where he continued physical and occupational therapy. After being discharged, plaintiff continued to receive outpatient rehabilitation services for approximately two more months and the prognosis initially appeared positive.

However, Plaintiff alleges his medical condition did not improve, and he now

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has medical liens estimated at $400,000. In addition, he has not returned to work and now claims lost wages of at least $150,000. The records provided further indicate he applied for and was approved for Social Security Disability benefits. His current medical reports indicate that he is totally disabled and will require extensive medical care for the rest of his life. His attorney has provided a Life Care plan for future medical treatment and therapy that will cost for approximately $2.3 million.

This action is still in discovery, however, initial discovery and Plaintiff's deposition have taken place. The parties have requested that additional depositions be stayed so the parties can proceed with assessing damages and overall value of the injuries at issue in an effort to prepare for mediation or other settlement discussions. The parties are working to obtain necessary documents and expert opinions for purposes of a mediation or settlement discussion, which would likely occur sometime in **mid** 2020. The Plaintiff testified in his deposition that he is still in a lot of pain, and though he can get around his house, he needs help doing chores and still uses a wheelchair when he leaves his house. The U.S. Attorney's Office has retained 2 expert witnesses (an internal medicine specialist/hospitalist, and an economist) and 1 litigation consultant specializing in vocational rehabilitation. The internal medicine specialist/hospitalist confirmed the significance and permanence of Plaintiff's injuries. The economist reviewed Plaintiff's life care plan and confirmed that future damages will be significant. The vocational rehabilitation consultant is in the process of performing her review of the Plaintiff's medical records but it is expected that she will determine him to be unemployable. The economist estimates that the total present value of the life care plan is in the $2-3 million range and this estimate does not include pain and suffering, which will also be a significant number.

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B. Reasonably Possible

1. Business Claims

Case Name	NORTHROP GRUMMAN SYSTEMS CORP. v. UNITED STATES
Case Number	12-286-C
Date Filed	05/04/2012
Amount Sought	$178.9 Million
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: $20.0 Million - $40.0 Million • **Maximum Reasonable Payout**: $89.0 Million
Change in Status	• **Additional Facts or Revision in Text**
Estimated Time to Resolution	**Less Than 1 Year** *[Previously reported as: 1 - 5 Years]*
Law Dept Counsel	Kiely, Michael F.
Law Dept Co-Counsel	Windmueller, Michelle A.
Law Dept Reporting Office	HQ Legal Strategy
Other Representative for USPS	Cameron Cohick (DoJ); Barbara Thomas (DoJ); Rebecca Kruser (DoJ); Daryl Stinnett
Facts / Positions	Facts and Positions:

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

Northrop Grumman Systems Corp. ("Northrop") filed a civil action in the United States Court of Federal Claims against the Postal Service seeking approximately $180 million in compensation under a procurement contract. In its answer to the complaint, the Department of Justice ("DOJ"), on behalf of the Postal Service, filed a counterclaim for approximately $410 million. Though that counterclaim is reported on a contingent-receivables report, the entire case will be discussed in this contingent-liability report.

In February 2007, the Postal Service awarded a contract to Northrop to supply 100 production units of the Flats Sequencing System ("FSS"). The FSS was intended to be an improvement over existing automation systems because the FSS sorts "flat mail" (e.g., magazines) into delivery or "walk sequence" order. Absent such machinery, carriers must sort flats by hand, which is a time-consuming, expensive process.

Under the original contract schedule, the FSS should have passed its First Article Test ("FAT") by July 2008. The initial FAT was delayed until November - December 2008, and was not successful, as the first article machine failed to satisfy all minimum contract performance requirements. With the cooperation of the Postal Service, Northrop undertook a "replan" effort to address most of the deficiencies. Eventually the FSS passed a modified FAT, and deployment was allowed to proceed. Deployment should have been completed by October 2010 under the original contract schedule, but because of Northrop's inability to pass FAT, deployment was not actually finished until August 2011. Northrop alleges the Postal Service is primarily responsible for the deployment delays because the Postal Service's overzealous oversight interfered with Northrop's design efforts and because the Postal Service demanded design changes over and above what the contract required. The Postal Service contends it did

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not interfere with Northrop's contractual performance, and that most of the additional work that Northrop was required to perform was necessary in order for the FSS to satisfy minimum performance requirements.

Because the machines were delivered late, the Postal Service was not able to realize the savings (primarily in labor costs) that the FSS would have provided in 2010 and 2011. Given that the Postal Service was forced to incur labor costs that would not have been incurred if Northrop had performed its contract properly, the Postal Service stopped certain payments to Northrop beginning in the summer of 2011, for a total of approximately $63 million ($41 million of which was invoiced by Northrop), to offset the harm caused to the Postal Service. To recover the remainder of the costs of employee hand sorting, the Postal Service filed a counterclaim for $410 million, which included the $63 million offset. In addition to lost labor savings (i.e., delay damages), the Postal Service is also seeking to recover compensation for additional testing costs and for various items of work that were not delivered by Northrop or were not performed in accordance with contract requirements. This was originally calculated to be approximately $20 million, but it was reduced after discovery to approximately $12.5 million. Roughly half of that amount, however, $6.3 million, represents costs that the Postal Service might incur in the future, rather than out-of-pocket expenses, i.e., $4.4 million for Design Warranty Costs (Count VIII) and $1.9 million for Life Cycle Support (Count IX).

Liability Assessments:

Our assessment of the case is that it is reasonably possible that the Postal Service will be liable to Northrop for some constructive changes to the contract. We further assess that it is reasonably possible that Northrop will be liable to the Postal Service for breach of contract, primarily due to the delayed delivery of the FSS machines. In the event that Northrop is found liable for breach of contract, the Postal Service will be entitled to retain the $63 million in withheld payments to the extent it can prove delay damages.

Damages and Receivables Assessments:

Northrop seeks damages of approximately $179 million, consisting of approximately $116 million (exclusive of interest) for more than 50 alleged constructive changes as well as alleged disruption and delay caused by the Postal Service, and approximately $63 million for withheld payments. We estimate the maximum reasonable payout on Northrop's claims for constructive change orders, delay, and disruption to be in the range of $6 to $14 million (plus $1-2 million interest). If the Postal Service is unable to prevail on its counterclaim (i.e., is unable to substantiate its delay damages in excess of the $63 million it withheld), however, then damages to Northrop would increase substantially -- we would have to remit some or all of the $63 million (plus up to $10 million interest) that was withheld in anticipation of those damages. That would result in total, maximum reasonable damages to Northrop of approximately $89 million, including interest.

Potential damages (receivables) in favor of the Postal Service under the counterclaim were based primarily on the forecasted amount of approximately $393 million to be saved in the 2006 Decision Analysis Report (DAR) supporting the FSS procurement. Our damages expert in this litigation has concluded that the Postal Service's lost savings, due to the late arrival of the FSS machines, actually totaled approximately $180 million. The main factor accounting for the lower damages figure was the reduction in mail volume since creation of the DAR. We think it is reasonably possible that we will prevail on that counterclaim in its entirety, in which case we would still need to subtract the $63 million in withheld payments from that total.

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Accordingly, we estimate the total, maximum reasonable payout (liability) to Northrop to be approximately $89 million and the total, maximum reasonably payout (receivable) to the Postal Service to be approximately $117 million.

Our assessment of the most likely payout continues to evolve and is difficult to quantify, and is informed by information learned during litigation. The court heard oral argument on the parties' respective dispositive motions during the week of September 10, 2018. We received a decision from the court on the pending dispositive motions on October 17, 2018. The decision was largely favorable for the Postal Service. The court reduced our damages claims by about $600,000 and Northrop's constructive-change claims by approximately $7.4 million. The merits of the parties' delay claims were not presented in the motions.

The parties conducted a three-day mediation in Washington, DC on May 13-15, 2019, and continued the mediation for one day on June 12, 2019. Settlement offers were exchanged, but the parties were nearly $100 million apart, and we have ended the formal mediation. Northrop reached out to discuss settlement after the mediation, and we met for one day in October 2019, but no progress was made.

The mediation was useful for purposes of assessing the strength of the parties' claims, but has not persuaded us to alter our assessment of the overall "most likely payout" of roughly $20-40 million to Northrop. Our view is that Northrop will likely receive damages in the range of $5 to $10 million (plus interest) on its constructive-change claims, and will likely fail to prove any entitlement to damages on its delay and disruption claims. Whether it can prove its entitlement to the $63 million in withheld payments will depend primarily on whether (and the extent to which) the Postal Service can prove that it suffered lost savings as a result of Northrop's delayed performance. Because of the many hurdles the Postal Service would need to overcome to establish its counterclaim, we think it is reasonable to assess the most likely outcome as requiring the Postal Service to repay a portion (but not all) of such withheld payments. Accordingly, we believe that the overall most likely payout to Northrop should remain in the $20 to $40 million range. As noted above, however, the range of reasonable outcomes remains very wide, from nearly $90 million in Northrop's favor to nearly $120 million in the Postal Service's favor.

Trial began ***[deletion]*** in Washington, DC on February 3, 2020, **and is expected to last for seven weeks (not consecutive). After completion of the first 4 weeks, the court postponed the next trial period due to the current public health crisis. Trial is scheduled to resume on May 4, 2020.**

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Case Name	Return Mail, Inc. v. United States
Case Number	Fed. Cl. No. 11-130C
Date Filed	02/28/2011
Amount Sought	[Unknown]
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: $30.0 Million - $100.0 Million • **Maximum Reasonable Payout**: $100.0 Million - $200.0 Million
Change in Status	• **Additional Facts or Revision in Text**
Estimated Time to Resolution	1 - 5 Years
Law Dept Counsel	Boardman, Stephan J.
Law Dept Co-Counsel	Ackerman, William G.
Law Dept Reporting Office	HQ Legal Strategy
Other Representative for USPS	Stephan J. Boardman

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Facts, Positions and Proceedings: This is a patent infringement suit filed on February 28, 2011, by Return Mail, Inc. (RMI) alleging that USPS's One Code Address Change Service (OneCode ACS) infringed RMI's patent that protects a method for processing returned or undeliverable mail items, including steps for obtaining the updated address of the intended recipient. RMI claims that OneCode ACS uses RMI's technology and was introduced only after USPS and RMI failed to come to terms on an agreement for USPS to obtain a license for RMI's product.

In 2007, we initiated an ex parte re-examination proceeding with the U.S. Patent and Trademark Office (PTO) to invalidate the patent. While we were successful in cancelling the original claims, the PTO allowed RMI to add new claims, resulting in the PTO issuing a new patent certificate in January 2011. RMI's lawsuit argues that OneCode ACS infringes on those new claims.

On October 4, 2013, the court issued its opinion construing the claims. The opinion favors the plaintiff, broadly construes the disputed claims, and almost universally adopts the plaintiff's proposed claim construction. This broad construction of the patent's claims, including one that characterizes the Postal Service as a return-mail provider, will make it easier for the plaintiff to prove infringement. We can still assert several invalidity defenses, such as prior art and obviousness, given the broad interpretation of the patent's claims. However, invalidity may be difficult to prove because the standard of proof for court cases of invalidity is high. If infringement is found and the patents cannot be invalidated, the damages could be substantial, potentially many tens of millions of dollars, if not a hundred million dollars or more since the royalty base could be the millions of times that OneCode ACS has changed a recipient's address. Given such a huge royalty base, even a small royalty rate could result in significant damages. Alternatively, the court could eschew applying a royalty rate in lieu of a license fee but, the license fee itself could also be very substantial. In November 2013, we met with plaintiff's attorneys, Covington and Burling, and they requested over $100 million to settle the case.

Beginning in January 2014, the Postal Service had outside counsel, Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, evaluate the case. Based upon Finnegan's advice, we sought relief in this matter through an alternative forum.

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On April 15, 2014, Finnegan filed a petition with the Patent Trial and Appeal Board (Patent Board) to invalidate plaintiff's patent claims at issue in the Court of Federal Claims case. On September 5, RMI submitted a settlement offer in the $55 million dollar range.

In the Court of Federal Claims case, the judge granted a joint motion to stay the matter until the Patent Board rendered its final decision. Subsequently, the Patent Board found the claims are unpatentable as an abstract concept. RMI appealed to the Federal Circuit, which upheld the Patent Board. RMI filed a petition for certiorari with the Supreme Court.

On June 10, 2019, the Supreme Court issued a 6-3 decision ruling that a federal agency, including the Postal Service, is not a "person" entitled to petition for patent review under the America Invents Act. The Court reversed the favorable Federal Circuit decision that upheld the decision of the Patent Board decision, thus reversing the invalidation of RMI's patent.

The Court of Federal Claims **lifted the stay. RMI** moved to amend its complaint, which the **Court granted. Discovery regarding invalidity has begun.**

II. Assessment of Liability: We evaluate potential liability as reasonably possible. Though the Supreme Court ruled the government cannot use AIA processes to invalidate a patent, we still have a strong argument that the patent is unpatentable as an abstract idea and that argument was successful before the Patent Board and the Circuit. Other invalidity and non-infringement arguments may also be available.

III. Assessment of Damages: The case has returned to the Court of Federal Claims for further proceedings on RMI's patent infringement claims. Damages could be substantially in excess of current estimates. If liability is found, the Court of Federal Claims will calculate damages using a hypothetical negotiation between the parties based on the value of the technology and the volume of infringed uses. We anticipate discovery will include expert testimony regarding damages. We are likely to increase substantially potential damages after discovery closes, but are unable to do so accurately at this point.

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B. Reasonably Possible [cont'd]

2. Labor Claims

Case Name	APWU Class Action Alleging Improper Reversion of 11 jobs - Palatine P&DC
Case Number	J10C-1J-C 11164581
Date Filed	03/01/2011
Amount Sought	**$5.6** Million *[Previously reported as: $5.5 Million]*
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: **$1.9** Million *[Previously reported as: $1.8 Million]* • **Maximum Reasonable Payout**: **$5.6** Million *[Previously reported as: $5.5 Million]*
Change in Status	• **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	McDermott, Heather L.
Law Dept Co-Counsel	Zadina, Christopher W.
Law Dept Reporting Office	Great Lakes
Other Representative for USPS	Fred Schroeder, Distroct Manager, Labor Relations; Ronald Hirn, LR Specialist
Facts / Positions Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***	I. Facts/Positions: Did the U S Postal Service violate the National Agreement when Management reverted Job ID#s 704462711, 70427840, 70482380, 95683272, 95841479, 95853627, 70429927, 70449020, 70432579, 70425659, and 704255678. The union contends that Management is in violation of Article 37.3.A, of the National Agreement by failing to post 11 reverted positions. The union contends the posting did not include the reasons for the reversions as required by Article 37.3.a; that management has established a need for the duty assignments due to the continual call of overtime; that the bids should be posted for all unassigned full-time regular employees; that employees from manual letters are being excessed; that IPP employees are being excessed out of their bids to the automation area; that FSS employees are being excessed out of their bids to the automation area; and that management has taken away the rights of employees who have retreat rights to this section. The union also contends that Management failed to give the union an opportunity for input prior to their decision to revert the bids. The union was notified and given the opportunity for input prior to reposting the bids. The positions became vacant on various dates and a meeting was held with the Clerk Craft Director. The union was given an opportunity for input by correspondence, phone conversations and in the meeting on February 23, 2011, within twenty (28) days of the positions becoming vacant. The union

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was made aware of Management's desire to repost the bids and /or make some possible changes to the positions and the records show the reason for reverting the positions is listed on the vacancy notice.

This matter that is now being reported as a contingent liability was discovered as the Lakeland District Labor Relations thoroughly reviews the backlog of all grievances pending arbitration which date back to 2009 in order to determine the potential liability in each of the grievances. Many of these grievances, including the grievances that comprise this contingent liability, arose under the former Northern Illinois District before large portions of it were merged with the Lakeland District. When Lakeland inherited these grievances, the files were in poor condition and were not scanned. Therefore, the process to assess and assign potential liability to all of the grievances pending arbitration is quite time consuming and laborious. Additionally, as these grievances did not initially have a $1M or more potential liability, but as they have aged, they have grown in liability.

II. Assessment of Liability

Union's Position:

The union contends a violation of Article 37.3.A, of the National Agreement by the USPS when it failed to post eleven (11) reverted/vacant positions. The union contends the posting did not include the reasons for the reversions as required by Article 37.3.a ; that management has established a need for the duty assignments due to the continual use of overtime in those areas. The union also contends that Management failed to give the union an opportunity for input prior to their decision to revert the bid. As such the bids should be posted for all affected employees and all contractual rights (including retreat rights) be restored.

Union's Requested Remedy:

Management to post all reverted bids from Posting # 34099 and make it retroactive to 03/01/2011. The successful bidders to be made whole with compensation for out of schedule pay and overtime.

Management's Position:

Management complied with Article 37.3.A.2 and the JCIM Section 3.A. 2 which outlines the steps Management must take when reverting a vacant duty assignment. Section 3.A.2 of the JCIM states that, In order to comply with Article 37.3.A.2, Management must take the following steps: (1) Give the local union president opportunity for input prior to making the final decision; (2) The final decision to revert the bid must be made within twenty (28) days of the vacancy; (3) A notice must be posted advising of the reversion and the reasons therefore. Management complied with National Agreement and the JCIM by first meeting with the union to discuss the positions which were considered for reversion and solicited input from the union. A meeting was held on February 23, 2011, with the Operations Support Specialist and the Clerk Craft Director.

The union was informed of the date the positions became vacant. The union was also given an opportunity for input by correspondence, phone conversations and in the aforementioned meeting. The union was made aware of Management's desire to repost the bid and /or make some possible changes to the positions. The Records indicate that the reason for reverting the positions is listed on the vacancy notice.

While the union claimed that unassigned employees could have bid on these positions, Management contends that the union provided no record of these

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unassigned employees. Management also contends that the use of overtime does not necessitate reposting the positions, especially when the positions are from various sections.

III. Assessment of Damages

The amount sought and maximum reasonable payout was calculated based on the assumption that the 11 bids will have different schedules than the bids that the successful bidders actually had worked during the relevant time period. Because these employees are full-time and already worked and were paid for full time hours, they would not be entitled to guaranteed hours; instead, they would only be entitled to out-of-schedule pay, which equates to 50% of regular pay. (See Footnote 1)

Consequently, the calculations would be based on 11 positions working 80 hours per pay period (11 positions X 80 hrs. per PP = 880 hours), at the out-of-schedule rate of pay through the present FY / PP, as shown below.

Total hours for FY2011 thru FY2019: 195,360
Total from current FY chart below: **11,440**

FY Hrs/PP No. of PP Total Hrs.
2020 880 **13 11,440**

The current FY20 hours X $12.70 (OOS rate) (FN1) = **$145,288.00**

Total hours from 2011 thru FY 2019 or 195,360 X the applicable, annual OSS rate (See the chart attached to client report) (See FN1) = $2,375,014.40.

In summary, the total amount sought for out of schedule pay is $**2,520,302.40.**

If the grievance is upheld, we expect an arbitrator to also award compensation on the basis of 11 clerks, working outside of their schedules on their off days and potentially awarding Overtime (OT) for the NS days that would have been worked over this time frame. Again, this calculation is based on the assumption that the 11 bids will have a different NS days than the bids that the successful bidders actually had during the relevant time period.

Consequently, the calculations would be based on 11 positions and 2 NS days for 32 hours per pay period (11 positions X 32 hrs. per PP = 352 hours), at the overtime rate of pay through the present FY / PP, as shown below. (See Footnote 2)

Total hours for FY 2011 thru FY 2019: 80,960
Total from current FY chart below: **4,576**

FY Hrs/PP No. of PP Total Hrs.
2020 352 **13 4,576**

The current FY 2020 hours X $38.10 (OT rate) (FN2) = **$174,345.60**

Total hours from FY2011 thru FY2019 or 80,960 X the applicable annual OT rate (see chart attached to client report) (See FN2) = $2,945,141.76

In summary, the total amount sought for overtime is $**3,119,487.36**

IV. The maximum reasonable payout was calculated as follows:

If the grievance is upheld, we expect an arbitrator to compensate employees for out-of-schedule premium pay and overtime pay. Even though the union is asking for out-of-schedule, overtime and guarantee pay for conflicting

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schedules and non-scheduled days, the clerks are still full-time employees that had been properly compensated for all hours worked, had not been denied overtime opportunities, and had been worked in accordance with Article 8. Because it is highly unlikely that all 11 bids will have schedules and non-scheduled days conflicting with those of the ultimate successful bidders during the relevant time period, Management believes that the most likely payout will be of 1/3 of the total (50% OOS plus 150% OT). As a result the liability we believe would be one or the other. The parties have not entered into any settlement negotiations up through the present time.

Total maximum liability from the OOS and the OT: $**5,639,789.76**

Therefore, we believe the most likely payout would be as follows in Millions: $**1.9** or $**5.6**

1) The OOS rates of pay are based upon the current end of year schedule pay scales from the National Agreement and the chart above articulates this based upon Level 6 Step H for each end of year pay schedule.

2) The OT rates of pay are based upon the current end of year schedule pay scales from the National Agreement and the chart above articulates this based upon Level 6 Step H for each end of year pay schedule.

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Case Name	APWU Grievance of Temporary Mail Transport Contract - Denver P&DC to Aurora, Arvada, CO
Case Number	E10V-1E-C-11168629
Date Filed	04/07/2011
Amount Sought	**$8.6** Million - **$9.4** Million *[Previously reported as: $8.3 Million - $9.2 Million]*
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: **$8.6** Million - **$9.4** Million *[Previously reported as: $8.3 Million - $9.2 Million]* • **Maximum Reasonable Payout**: **$8.6** Million - **$9.4** Million *[Previously reported as: $8.3 Million - $9.2 Million]*
Change in Status	• **Revised Most Likely Payout or Maximum Reasonable Payout**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Odom, Brian J.
Law Dept Reporting Office	Western
Other Representative for USPS	James Dunlap, Manager Labor Relations, Colorado/Wyoming District; Amy Doty, Western Area Labor Relations

Facts / Positions

Highlighting any revisions made since

Report for FY2020 Q1:
New text and ***[deletion]***

1. CASE/GRIEVANCE BACKGROUND AND ARGUMENTS OF PARTIES:
In February of 2011, management needed to address operational changes concerning the transportation of mail. The three Flat Sequencing systems machines became operational, half of the Mail Processing Annex was being closed and more priority mail volume would be worked at the Denver Network Distribution Center (NDC). It was determined that mail for the Denver, Aurora and Arvada station would originate at both the Denver GMF & the NDC. With mail originating at two facilities, there would be a need to change the TTO runs to ensure the timely transportation of the mail. At the time, the GMF had 79 TTOs and 5 Motor Vehicle Operators. It was determined that the current staffing would not be able to timely transport the mail to all stations & branches. Management determined that if the Aurora & Arvada offices were temporarily sub-contracted, there would be staffing to ensure the movement of the mail to the Denver stations and branches and between the three buildings (P&DC, NDC and MPA) Management requested that a temporary highway contract be used to transport the mail to the Aurora & Arvada stations & branches. Management performed the Article 32 considerations for contracting out this work.

1.a STATUS OF GRIEVANCE AND SETTLEMENT DISCUSSIONS
This matter was recently removed from the Contingent Liability Report as part of the FY2019, Quarter 2 report based on the Union's failure to appeal the Step 3 denial. The grievance was denied at Step 3 on March 17, 2014, and through the submission of the FY2019, Quarter 2 Contingent Liability Report, there was no indication that the Union appealed the grievance to arbitration. Article 15 of the National Agreement requires the Union to appeal an adverse Step 3 decision to arbitration within 21 days of receipt of the adverse Step 3 decision. Normally, any appeal to arbitration now would be argued by Management to be untimely. However, the Step 3 denial wasn't sent with Delivery Confirmation or by Certified Mail, and Management did not have any proof the Union ever received the Step 3 denial. As part of the FY2019,

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Quarter 2 Contingent Liability Report the decision was made to remove the matter from the Report. After consultation with Colorado Wyoming Labor Relations, Western Area Labor Relations as well as Western Area Law Department, it was determined that sufficient time had passed following the March 17, 2014 Step 3 denial to warrant removal from the CL Report. It was further noted that, if the Union subsequently filed an appeal, management would argue the timeliness issue and evaluate whether to return the matter to the Contingent Liability Report would be appropriate.

Management recently learned that the Union has now filed an appeal to arbitration of the March 17, 2014 Step 3 denial. The appeal to arbitration is dated December 4, 2018. Management intends to argue that the appeal is grossly delinquent and will attempt to have the matter dismissed as untimely. Given the fact that the Union has now filed an appeal, this matter was added back into the Contingent Liability Report for FY2019, Quarter 3.

2. ASSESSMENT OF LIABILITY:
The issue in dispute is whether or not management properly sub-contracted the delivery of the mail. Management feels that the temporary contract was justified and that the Article 32 analysis was done properly at the time. Given the nature of arbitration and arbitral history, it is possible an arbitrator could find in favor of the APWU and return the work to the craft, however, it is unlikely that monetary payment would be made. In addition, returning the work to the APWU will require the Postal Service to hire a minimum of 26 TTO drivers and obtain a minimum of 13 additional tractor-trailers. Clearly, it was more cost effective to subcontract the work. However, the work was subcontracted as a temporary contract, which has now gone on for over 8 years. Management may have difficulty convincing an arbitrator that these contracts are temporary in nature. Based on arbitral history, Management assesses the likelihood that an arbitrator will rule that the temporary contracts were not temporary, and the work should have been given to the Union, as reasonably possible.

3. ASSESSMENT OF DAMAGES:

There are two possible methods for calculating potential damages in this case. First, an arbitrator could award the Union the cost of the contracts. Second, an arbitrator could award the Union the amount that it would have cost to hire and pay 26 new TTO drivers for the time frame at issue.

Damages Calculation Method #1 - Cost of Contract:

If an arbitrator bases an award on the cost of the contracts:

Based on requested remedy parameters and information from Forms 7440 the cost of this contract for 2011 totaled $819,367.69; costs of the contract in 2012 totaled $819,334.96, costs for this contract in 2013 totaled $776,649.97, costs for this contract in 2014 totaled $776,649.97, and the cost of the contract from March 26, 2015 through June 30, 2018 was $943,889.64 per annum. The current quarterly costs of the contract is $290,442.88.

Total Contract Cost to Date is:

$819,367.69 (March 26, 2011 through March 25, 2012)
PLUS $819,334.96 (March 26, 2012 through March 25, 2013)
PLUS $776,649.97 (March 26 2013 through March 25, 2014)
PLUS $776,649.97 (March 26, 2014 through March 25, 2015)
PLUS $835,278 (March 26, 2015 through February 05, 2016)
PLUS $267,702.76 (February 06, 2016 through May 13, 2016)
PLUS $247,110.24 (May 14, 2016 through August 05, 2016)
PLUS $290,442.88 (August 06, 2016 through November 11, 2016)

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PLUS $290,442.88 (November 12, 2016 through February 17, 2017)
PLUS $290,442.88 (February 18, 2017 through May 19, 2017)
PLUS $235,972.41 (May 20, 2017 through August 18, 2017)
PLUS $414,918.40 (August 19, 2017 through January 05, 2018)
PLUS $248,951.04 (January 06, 2018 through March 31, 2018)
PLUS $269,696.96 (April 01, 2018 through June 30, 2018)
PLUS $269,696.96 (July 1, 2018 through September 29, 2018)
PLUS $290,442.88 (September 30, 2018 through December 28, 2018)
PLUS $290,442.88 (December 29, 2018 - March 31, 2019)
PLUS $290,442.88 (April 1, 2019 - June 30, 2019)
PLUS $290,442.88 (July 1, 2019 - Sept 30, 2019)
PLUS $290,442.88 (October 1, 2019 - December 31, 2019)
PLUS $290,442.88 (January 1, 2020 - March 31, 2020)

= $8,595,315.28

Damages Calculation Method #2 - Cost of Hiring 26 TTO Drivers:

If an arbitrator bases an award on the cost of hiring 26 new TTO drivers the total cost to date (through **March 31, 2020) is $9,439,508.81.**

See attached spreadsheet for detailed calculations.

3a. Continuing Accrual of Damages

Continuing Accrual under Damages Calculation Method #1 - Cost of Contract:

Continuing accrual of damages based on the cost of the contract is based on the quarterly estimates listed above for the Damages Calculation Method #1 - Cost of Contract.

Current Contract Cost is $290,442.88 per quarter

Continuing Accrual under Damages Calculation Method #2 - Cost of Hiring 26 TTO Drivers:

Continuing accrual of damages based on the cost of hiring 26 new TTO drivers:

$41,492 (annual salary) divided by 52 weeks =$797.92 per week
$797.92 per week multiplied by 13 weeks per quarter = $10,372.96/quarter
$10,372.96/quarter multiplied by 26 TTO drivers = $269,696.96/quarter

AMERICAN OVERSIGHT

Case Name	Atlanta District Motor Vehicle
Case Number	K15V-1K-C 17174626
Date Filed	08/19/2016
Amount Sought	$5.9 Million
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: $5.6 Million • **Maximum Reasonable Payout**: $5.9 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Bosland, Carl C.
Law Dept Reporting Office	Capital Metro
Other Representative for USPS	District Manager, Labor Relations Cynthia Davis

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

APWU and the Motor Vehicle Craft are aggrieved over the fact that management violated the collective bargaining agreement. Specifically, management entered into HCR 301P1 without notification to the union. The union contends that this is a violation of Article 32.1.C of the Collective Bargaining Agreement. The union further contends that after the decision was made by management to subcontract the transportation work, management failed to show evidence of compliance with the five factors and the provisions of article 32.1A, and the provisions, language, and spirit of the insourcing Memo found on page 216 of the National Agreement. The case file consists of the moving papers, copies of 301P1 and their supporting documentation.

According to the Step 2, "The 301P1 contract was a rebuild for existing transportation to the 305 area. There were no MVS runs abolished or MVS drivers displaced due to the highway contract being modified.

Based on the findings of District Labor Relations, this is a new contract number however the work is not new. The work is a combination of HCR 301A8 and HCR 301N8. These contracts were in existence and serviced the 305 area when mail was processed at The Athens GMF. On April 18, 2015 the mail was moved to The North Metro P&DC for processing. There was a temporary contract put in place when the mail moved to North Metro P&DC. This contract ran until August 2016 when it was bid as a full time regular contract under the HCR 301P1 number. The work remained the same. There was a provision that required alternative fuel for operation. The contract was divided into two segments. Segment A consist of 3 tractor trailers that operate on compressed natural gas at the rate of $685,126.37 per annum. Segment B consist of 17 straight trucks that are serviced by hybrid electric vehicles at the rate of $2,273,765.40 per annum. This work was never performed by the Motor Vehicle Craft. No violation of Article 32 was found and the grievance was denied.

Assessment of Liability
Request that PVS drivers are to be compensated at an equal amount paid to HCR 301P1, the work being returned to the motor vehicle craft.

- The union is seeking "PVS drivers are to be compensated at an equal

AMERICAN OVERSIGHT

amount paid to HCR 301P1." 301P1 is $685,126.37 on segment A per annum and $2,273,765.40 per annum on segment B. The contract is valid from August 13, 2016 through June 30, 2018 and the work on this contract is to be awarded to the Motor Vehicle Craft.

The liability is ongoing until the end of the contract on June 30, 2018.

Damage Assessment changed due to ongoing liability and calculation adjustment to Segment B of the contract. Segment B contract payout was adjusted to include the amount paid ($1,136,882.70) for the period September 13, 2017 to February 13, 2018. This amount ($1,136,882.70) was added to the amount paid for the period of August 13, 2016 through September 12, 2017 ($1,136,882.70 + $2,273,765.40), for a total of $3,410,648.10. Ongoing liability through to June 30, 2018 for Segment B is $4,275,942.16. Total HCR 301P1 contract liability is $5,564,360.26 (Segment A - $1,288,418.10 + Segment B - $4,275,942.16).

Calculations;
Segment A contract rate is $685,126.37 per annum. If you divide $685,126.37 by 12 months = $57,093.86 per month.
From August 13, 2016 until August 13, 2017 = $57,093.86 x 12 months = $685,126.32.
September 13, 2017 through February 13, 2018 is 6 months. $57,093.86 x 6 = $342,563.16. $685,126.32 + $342,563.13 = $1,027,689.45 paid so far.
There are four months left in the contract. March 13, 2018 - June 13, 2018 @ $57,093.86 x 4 = $228,375.44 + June 14, 2018 through June 30, 2018 = 17 days. $57,093.86 per month divided by 30 days per month = $1,903.13 per day.
17 days @ $1,903.13 = $32,353.21. Four months @$228,375.44 + 17 days @$32,353.21 = $260,728.65 left to be paid on segment A of the contract.

Segment B contract rate is $2,273,765.40 per annum. If you divide $2,273,765.40 by 12 months = $189,480.45 per month.
From August 13, 2016 until August 13, 2017 = $189,480.45 x 12 months = $2,273,765.40.
September 13, 2017 through February 13, 2018 is 6 months. $189,480.45 x 6 = $1,136,882.70. $2,273,765.40 + $1,136,882.70 = $3,410,648.10 paid so far.
There are four months left in the contract. March 13, 2018 - June 13, 2018 @ $189,480.45 x 4 = $757,921.80 + June 14, 2018 through June 30, 2018 = 17 days. $189,480.45 per month divided by 30 days per month= $6,316.02 per day.
17 days @ $6,316.02 = $107,372.26. Four months @$757,921.80 + 17 days @ $107,372.26 = $865,294.06 left to be paid on segment B of the contract.

Segment A = $57,093.86 left per month =$228,375.44 + 17 days $32,353.21 = $260,728.65
Segment B = $189,480.45 left per month = $757,921,80 + plus 17 days $107,372.26 = $865,294.06

Total left to be paid on this contract is Segment A $260,728.65 + Segment B $865,264.06 = $1,125,992.71

Total paid from August 13, 2016 through February 13, 2018 = $1,027,689.45 on Segment A
Total paid from August 13, 2016 through February 13, 2018 = $3,410,648.10 on Segment B
Total paid A $1,027,689.45 + B $3,410,648.10 = $4,438,337.55 paid through February.

Total liability of the HCR 301P1 contract is $5,564,360.46

AMERICAN OVERSIGHT

Case Name	City Delivery Assigned to CDS
Case Number	Q01N-4Q-C 070988868
Date Filed	02/26/2007
Amount Sought	[Unknown]
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: $5.5 Million - $5.5 Million • **Maximum Reasonable Payout**: $11.2 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	Taddonio, Kelly Ann
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Tad Gallo, TA

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

On February 26, 2007, the National Association of Letter Carriers (NALC) initiated a national level interpretive dispute alleging the Postal Service has significantly increased the percentage of new deliveries assigned to contract delivery service (CDS). The NALC asserts that the increase constitutes subcontracting that has and will have a "significant impact" on the bargaining unit within the meaning of Article 32.1.B of the Collective Bargaining Agreement. As such, the NALC argues that the Postal Service was required to notify, meet with the NALC, and consider its view in minimizing the impact on the bargaining unit prior to deciding to subcontract the work. The NALC contends that neither the advance notification nor the meeting requirements were satisfied. Finally, the NALC contends that a joint committee (Article 32.2) was not established to address this subcontracting issue.

In March 2011 the NALC provided a list of Highway Contract Routes (HCR) and new deliveries that the union argues should have been converted to city delivery in accordance with the following Memoranda of Understanding: Re: Subcontracting (9/11/2007), Re: Article 32 Committee (9/11/2007) and Re: Assignment of City Delivery (10/22/2008).

Liability Assessment:

This case is assessed as reasonably possible. Given the historical usage of CDS for some deliveries, we believe an arbitrator can conclude there was no violation of Article 32 and there was no substantial impact on the bargaining unit to continue that practice, as any increase was deminimus. Further, the list the NALC provided of allegedly improper contract routes contains only the city and state, route number, number of deliveries and dates of each referenced contract. The NALC has offered no evidence to support their argument that those contracts violated Article 32 or that conversion of these routes to city delivery is required. Nor has the union demonstrated that any of the delivery points on the cited HCR require conversion pursuant to the MOU, Re: Assignment of City Delivery. Additionally, we disagree with the NALC over whether a joint committee on contracting had to be stablished.

Also, contracting decisions are made locally based on the local circumstances.

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As noted above, the assignment of new deliveries nationwide probably will not be viewed as having a significant impact on the city letter carrier craft. Based on the uncertainty of what qualifies as having a "significant impact" as well as the factors legitimately used to make delivery assignments, this case is assessed as having a reasonably possible chance of an unfavorable outcome for the Postal Service.

Damages Assessment:

The damage assessment reflects the fact that certain routes were converted, without payment of damages. To assess potential damages for remaining routes, we totaled the number of possible deliveries to be converted (19,939) and divided that number by the average number of deliveries per city route (609) to determine there are 32 possible city routes. Multiplying the number of routes by 2,080 hours of work per route per year times the fully-loaded overtime rate of pay (41.72) equals approximately $2.8 million per year, or $11.2 million for a 4-year period.

We estimate the most likely damages at $5.5 million and maximum reasonable payout at $11.2 million. Though potential damages are continuing, we are capping damages at the above levels based on the nature of this case and our experience with similar types of cases.

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Case Name	CLASS ACTION - SURFACE TRANSPORT CENTER - SALT LAKE CITY (NPMHU)
Case Number	E00M-1E-C-06251485
Date Filed	08/14/2007
Amount Sought	[Unknown]
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: **$6.8** Million *[Previously reported as: $6.7 Million]* • **Maximum Reasonable Payout**: **$41.0** Million *[Previously reported as: $40.0 Million]*
Change in Status	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	Flynn, Terence F
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Leigh Hsu, Labor Relations Specialist (NPMHU), and Patrick Devine, Manager, Contract Administration (NPMHU)
Facts / Positions	I. FACTS

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

By letter dated February 2, 2006, the Postal Service notified the American Postal Workers Union (APWU) and the National Postal Mail Handlers Union (NPMHU) that it was considering contracting with a third party provider to provide locations and labor for the receipt, distribution, and dispatch of mail at the Surface Transport Center (STC) in Salt Lake City, Utah. In June 2006, the Postal Service began operations at the Salt Lake City STC. The NPMHU filed a Step 1 grievance in Salt Lake City on October 6, 2006 contending that its employees observed the contract employees (50 in number) performing bargaining unit work. The grievance was denied at Step 2 on February 20, 2007, taking the position that the grievance was untimely as the National Union was notified of the decision to contract the work in February 2006, and that the grievance should have been filed at the National level.

The grievance proceeded through the steps of the grievance procedure where it was referred to Step 4 by the NPMHU on August 8, 2007, and formally appealed to Step 4 on August 15, 2007.

Fifty contract employees work at the STC in Salt Lake City and they perform duties similar to mail handler duties, but the specific work performed by the contract employees has never been performed by postal employees and the contract was solicited due to the fact that the Salt Lake City P&DC does not have sufficient space to house the operation. In addition, timelines established for Postal Service facility procurements require a 24 month cycle. This requirement could not support the aggressive timeline for activation of the STC network. Accordingly, the decision was made to outsource the operation.

The grievance file contains the notification letters referenced above and a

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Memorandum of Due Consideration of Article 32 Factors. The Union has claimed that they did not receive the actual contract for the services. The Postal Service responded to the local union's information requests by stating that, in accordance with the provisions of Article 32, all information requests must be made by the national office (31.3 B). A copy of the contract has been obtained and it is now included in the grievance file.

II. Assessment of Liability

The evidence in the file suggests that the Postal Service complied with the provisions of Article 32 by properly considering the five factors contained in Article 32. Because the Salt Lake City P&DC did not have the space to accommodate the operation, and because of the timelines required to activate the network, the Postal Service should prevail in an Article 32 determination. The Postal Service's timeliness argument may be defeated because there is no evidence that the Agency followed up the February 2, 2006, letters of consideration with notice to the unions regarding the final decision.

In the decision rendered in national arbitration grievance A8-NA-0510 regarding subcontracting, Arbitrator Mittenthal ruled that the Postal Service's obligation relates more to the process by which it arrives at a decision than the decision itself. When making the decision to subcontract or use bargaining unit employees, the Postal Service is required to give "due consideration" to public interest, cost, efficiency, availability of equipment, and qualification of employees and these factors are not weighted. According to Arbitrator Mittenthal, "The Postal Service must, in short, make a good faith attempt to evaluate the need for contracting out in terms of the contractual factors. Anything less would fall short of 'due consideration.'"

Since the issuance of Arbitrator Mittenthal's decision, the Postal Service has successfully defended decisions to subcontract work and services where it has been shown that proper "due consideration" of the relevant five factors was made. In this grievance, the depth of the analysis that is part of the "Memorandum of Consideration" should convince an arbitrator that the Postal Service made a thoughtful and careful analysis of Article 32's five factors. Nonetheless, the possibility that an arbitrator would reach a contrary conclusion is more than remote, as there could be factual disputes concerning the space availability in the Salt Lake City P&DC, and alternatives that were available to the Postal Service. Thus, we evaluate liability as reasonably possible.

III. Assessment of Damages

The Union's requested remedy in this grievance is to post 50 mail handlers positions for bid and, absent successful bidders, convert and assign 50 part time flexible employees to the posted assignments. While the union has not requested a "make whole" or monetary remedy at any step of the grievance process, the ability of the union to amend the remedy request at hearing and the hiring of 50 employees could result in a liability exceeding $1 million annually.

The maximum reasonable damages in this case are based on the Level 4 mail handler average OT hourly rate, which increases each year. (We assume that if an arbitrator found that the Postal Service committed an egregious violation he would calculate damages at the overtime, rather than straight time, rate.) No rational arbitrator would award the Union more positions than there were contract employees working under the contract each year it was in place. The formula for calculating maximum reasonable damages for each year from 2006 on is therefore as follows:

Avg. MH OT Hourly Rate x Work Hours Per Year x Number of Contract

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Employees Working Under the Contract

The breakdown of damages for each year the contract has been in place is:

2006 - $251,784 ($32.28 hourly OT rate x 520 work hours x 15 contract employees)
2007 - $1,038,648 ($33.29 x 2080 work hours x 15)
2008 - $1,101,672 ($35.31 x 2080 x 15)
2009 - $2,098,387.20 ($36.03 x 2080 x 28)
2010 - $2,136,243.20 ($36.68 x 2080 x 28)
2011 - $2,211,372.80 ($37.97 x 2080 x 28)
2012 - $2,134,641.60 ($38.01 x 2080 x 27)
2013 - $3,961,360 ($38.09 x 2080 x 50)
2014 - $3,999,840 ($38.46 x 2080 x 50)
2015 - $4,158,960 ($39.99 x 2080 x 50)
2016 - $4,252,560 ($40.89 x 2080 x 50)
2017 - $4,320,160 ($41.54 x 2080 x 50)
2018 - $4,370,080 ($42.02 x 2080 x 50)
2019 - $3,148,600 ($43.25 x 2080 x 35)
2020 - **$1,610,336 ($44.24 x 1040** x 35)
(Note that for 2006, the work hours are less than 2080 because the contract did not start at the beginning of the year. Additionally, the Postal Service has added more contract employees performing work over the years, further increasing potential damages year over year.) In 2019, the contractor decreased the number of non-supervisory employees working from 50 to 35.

The total maximum reasonable damages for this case are **$40,794,645,** through the end of **Q2** of FY2020, unless the contract terminates earlier.

Based on a variety of factors (e.g., the general reasonableness/need of the outsourcing decision, avoidance of windfall payments to employees, Postal history of resolving these types of grievances), we estimate the most likely payout to be approximately one-sixth the maximum reasonable damages, or approximately $**6.8** million. We are setting damages at these levels based on the nature of this case and our experience with similar types of cases.

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Case Name	Class Action; Dallas TX; APWU HCR Contracts
Case Number	G10V 1G C 16032200
Date Filed	11/09/2015
Amount Sought	$10.6 Million
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: $6.8 Million • **Maximum Reasonable Payout**: $10.3 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Blum, Thomas J.
Law Dept Co-Counsel	Gann, Traci Gabhart
Law Dept Reporting Office	Southern
Other Representative for USPS	Anthony Coward, Area Manager, Labor Relations

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

Background:
HCRs 75241 and 75238 were renewed effective October 3, 2015, and the contract term was October 3, 2015 through June 30, 2019. The grievance file contains a time limit extension, via memorandum, pursuant to Article 15, dated October 6, 2015, between the APWU-Dallas Area Local executive vice-president and Dallas District manager, labor relations in which it was agreed the effective dates were October 10, 2015 through November 6, 2015. The memo provided the extension of time limits included "all grievances that are currently being investigated, grievances awaiting Step 1 meetings, grievances for Step 2 appeals, the scheduling of Step 2 meetings, Letters of Corrections and Additions and Step 3 appeals." In addition, on November 6, 2015 the parties at the local level, Dyrike Shaw, steward/MVS craft director, and Marvin McCallister, supervisor, Tour 2, entered into a subsequent Step 1 extension from November 9, 2015 through November 24, 2015.

Upon review of the Step 1 Grievance Outline Worksheet, Mr. Shaw submitted the worksheet on or about November 19, 2015. The issue in grievance surrounded the renewal of the HCRs. Mr. Shaw and Mr. McCallister met at Step 1 on November 25, 2015. Mr. McCallister denied the grievance, and Mr. Shaw appealed the grievance to Step 2 on or about December 3, 2015. Mr. Shaw and George Joseph, Labor Relations Specialist, met at Step 2 on December 9, 2015 and January 15, 2016, and by letter dated January 25, 2016, Mr. Joseph denied the grievance. As a result, Mr. Shaw appealed the grievance to Step 3 on February 2, 2016. By letter dated March 31, 2016, the grievance was denied at Step 3. APWU appealed the grievance to arbitration on or about April 4, 2016.

APWU Position
APWU contended on or about October 3, 2015, the USPS violated Article 32.2 of the national agreement when it did not notify the union, at the local or national levels, of the renewal of HCRs 75241 and 75238. The union further contended management did not abide by requirements in its decision to restructure the aforementioned routes. The union argued management failed to provide any of the information as required by Article 32.1.C.

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Remedy requested: transition the work performed on HCRs 75238 and 75241 to the bargaining unit and pay the drivers on the rolls at the time of the contract renewal, October 3, 2015, all hours the contract drivers spent working HCR 75238 and HCR 75241.

USPS Position
Management, at Step 2, challenged the timeliness of the grievance at Step 1, and this timeliness argument was maintained at Step 3. The parties met at Step 1 one day after the expiration of the extension. The parties at the national level exchanged a disk with nearly 8,000 existing routes for review as provided in the Motor Vehicle Craft Jobs Memorandum of Understanding (MOU). The two HCRs were among the 8000 routes reviewed. The purpose of the review was to identify 600 HCRs to return to the motor vehicle craft. However since the two HCRs had contracts in effect prior to 2015, they were not considered in the determining the 600 routes.

Management contended the HCRs were previously done by contractors, so the bargaining unit employees did not suffer any harm. Management further contended all the drivers were fully employed for 40 or more hours per week, and in some cases worked extensive overtime. Management argued due to various reasons relative to the nature of the two HCRs, they could not have been insourced to the bargaining unit, and this was substantiated with an analysis which revealed a potential cost of $1.5 million.

Liability Assessment:

Based on management's assessment at Step 2, local management officials had no control over the renewal of these contracts. The decision was made at the area level. USPS was unable to get clarification on determining proper union notification prior to the renewals. Article 32 notification letters were not sent to the union. However, there is evidence that in June 2015, the parties at the national level exchanged a disk with 8000 routes for review. These two HCRs were included on the disk. Management maintained monetary damages should not be awarded or considered because there was no negative impact on the current bargaining unit employees who were working 40 hours per week throughout. Further, area labor relations (Step 3) contended the requirements for contracting out were properly met. It is evident bargaining unit drivers could not assume the work at the same or less expense to the USPS. For example, new equipment and new (additional) employees would have to be incurred to cover the trips.

The liability assessment remains reasonably possible in light of the August 2016 Das Award Case No. Q06C-4Q-C 11182451 ruling against the Postal Service on similar issues.

Damages Assessment:

The contracts remain in effect for four years unless the contractor fails to meet its commitments to the Postal Service.

The union's requested remedy is based on the value of the contract. Value is $2,661,789 (contract rate per year) for driver cost for both contracts combined.

$2,661,789 x 4 years = $10,647,156 (union's requested remedy)

Assessment based on the total estimated driver hours at postal cost (applicable USPS rate of pay) is a more appropriate measure of liability.

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The grievance file contains PS Forms 5505, Cost Evaluation Postal Vehicle Service vs Contract Service, for the two contracts at issue in this case. Contract 75241 has 3 segments: 75241-A, 75241-B, and 75241-C. Contract 75238 has 5 segments: 75238-A, 75238-B, 75238-C, 75238-D, and 75238-E.

Box 15 of the PS Form 5505 accounts for the "Annual Hours". The annual hours estimated for all eight segments equates to 60,000 hours for one year.

The annual salary, effective March 21, 2015, for a Level 8, Step O driver was $59,245. This was the basic rate that was in effect when the contracts were negotiated. $59245/2080 number of annual basic hours (at 40 hours/week) = $28.48 per hour at the straight time rate. This number was rounded up to $28.50 for purposes of the calculations on the Contingent Liability Report.

60,000 hours x $28.50 = Driver cost for 1 year = $1,710,000

The contracts ran for 4 years, $1,710,000 x 4 = $6,840,000.

For both contracts, total hours per year 60,000 x $28.50 (straight time hourly rate of pay for a Level 8, Step O driver) x 4 years = $ 6,840,000.

If an arbitrator were to assess the remedy at the overtime rate, it will be:

60,000 hours x $42.75 (overtime rate of pay) x 4 years = $10,260,000.

Current Status:

This grievance is open at the arbitration level. No arbitration date has been scheduled.

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Case Name	ELM Section 422 - Promotion Pay (NPMHU)
Case Number	Q16-M-6Q-C 17596532
Date Filed	08/25/2017
Amount Sought	[Unknown]
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: **$10.2** Million *[Previously reported as: $8.4 Million]* • **Maximum Reasonable Payout**: **$11.3** Million *[Previously reported as: $9.5 Million]*
Change in Status	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	Reimer, Brian M.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Patrick Devine, Manager, Contract Administration (NPMHU) and Leigh Hsu, Labor Relations Specialist (NPMHU)

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. FACTS AND POSITIONS

This case centers on revisions to the promotion pay rules for Mail Handlers found in ELM Section 422.3. On April 17, 2017, the Postal Service proposed revisions to ELM Section 422.323(a)(2) to change the amount of promotional increase employees in Rate Schedule Code (RSC) M7 receive upon a one-grade promotion within RSC M7.

After the new RSC M7 was created in the 2011-2016 National Agreement, necessary changes to the promotion pay rules for Mail Handlers were not promulgated. Because of this lack of action, Mail Handlers in RSC M7 who received a one-grade promotion earned inappropriate and excessive pay increases.

The uniform step increases of RSC M7 make the application of the previous "two times the most prevalent step" promotion pay rule inequitable. RSC M (the old Mail Handler pay schedule) has a "most prevalent step" in Grade 4 of $337; while in RSC M7, the most prevalent step for Grade 4 is $1522. Because of this, application of the "two times the most prevalent step" promotion pay rule in RSC M7 results in much larger and unwarranted promotional pay increases and causes inequities regarding seniority in the Mail Handler craft.

The proposed ELM revisions were meant to correct this inequity. After meeting with the Union, on August 11, 2017, the Postal Service modified its proposed revisions to ELM 422.323(a)(2) as follows:
"The Grade 4 employee receives a promotional increase that brings the salary to the same step in Grade 5. The promoted employee will retain the waiting period step credit that had been earned prior to the promotion in calculating the next step increase date."

In addition to the ELM language change, the Postal Service proposed a "hold

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in place" rule that would apply to all employees who were assigned to a Grade 4 position in RSC M7 and subsequently placed in a Grade 5 position. The purpose of the hold in place rule was to correct salary overpayments by holding impacted employees in place in the salary schedule either 52 or 104 weeks, depending into which step the employee was promoted.

On August 25, 2017, the Union filed a national level grievance challenging the Postal Service's proposed ELM revisions. (The grievance did not mention the "hold in place" rule.) The Union argued that the proposed changes must be bargained between the parties and could not be implemented under Article 19. The NPMHU also challenged the Postal Service's assertion that apply the two times the most prevalent step rule results in a windfall for employees promoted in RSC M7.

The Postal Service contends that the revisions made to the promotion pay rule are fair, reasonable, and equitable, and do not violate the National Agreement. The revisions realign the promotion pay rules for Mail Handlers in RSC M7 with the historical financial outcome of Mail Handler promotions.

Although the NPMHU's grievance was filed on August 25, 2017, the case was added to the report in Q4 FY18 because damages crossed the $1 million contingent liability threshold at that point.

II. LIABILITY ASSESSMENT

We have identified this case as reasonably possible. On one hand, the NALC settled a similar case, and some letter carriers received compensation. On the other hand, the Postal Service gave proper Article 19 notice of the change to the NPMHU, and the Union did not mention or ask for back pay.

III. DAMAGE ASSESSMENT

No specific amount has been claimed by the unions. Determining potential damages for this issue is a two-part calculation.
Because the NPMHU's grievance does not challenge the "hold in place" rule on its face, the most likely payout is assessed as the damages associated with the revision to the promotion pay rule, or **$10.2 million.** To determine the damages associated with the revision to the promotion pay rule, the salary of each employee who has received a promotion in RSC M7 from October 14, 2017 (the date the change to the rule went into effect) to present was compared to the salary he/she would be earning had he/she been promoted under the previous promotion rules. The damages associated with this action are approximately **$10.2 million. Approximately 1,757** Mail Handlers were promoted in RSC M7 since October 2017.

We calculate maximum reasonable damages to include damages associated with the promotion pay revision as well as potential damages associated with the hold in place rule. The "hold in place" damages assessment was determined by evaluating how many employees would have received step increases, if not for the "hold in place" action taken by the Postal Service. For these employees, we multiplied the number of pay periods that would need to be paid at the higher rate (achieved after a step increase) by the average pay period value of the step increase. This figure is approximately $**1.1** million. Approximately **539** Mail Handlers were held in place since October, 2017.

Total maximum reasonable damages are therefore **$11.3 million** (adding the two figures, and then rounding to the nearest 0.1 million) as of FY2020 **Q2.**

Damages are calculated through **March 31, 2020**.

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Case Name	FRESNO MVS CLASS ACTION
Case Number	F00V-1F-C 06042706 SAC; F00V-1F-C 07141326 SAC
Date Filed	01/10/2006
Amount Sought	**$12.4** Million *[Previously reported as: $12.2 Million]*
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: **$6.2** Million *[Previously reported as: $6.1 Million]* • **Maximum Reasonable Payout**: **$12.4** Million *[Previously reported as: $12.2 Million]*
Change in Status	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	Villegas, Jessica
Law Dept Co-Counsel	Randenberg, Corey J.
Law Dept Reporting Office	Pacific
Other Representative for USPS	Noah Rodriguez, Labor Relations Specialist

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

On December 27, 2005, Motor Vehicle Service (MVS) employees were provided a standup on subcontracting of MVS functions to Highway Contract Route contractors. Management stated the subcontracting would be done within 60 days.

On January 11, 2007, MVS craft received notice that under Article 12.5.C.5 of the National Agreement, craft would be reassigned.
The Fresno MVS craft was abolished effective April 28, 2007. All MVS employees were provided positions within the Fresno Post Office and Plant. The Union argues that National had not been informed of the subcontracting of Fresno MVS work, which is a violation of Article 32.2 of the National Agreement; improper subcontracting; requested information not provided.

Management rebuttal: The employees received written notice on or about January 11, 2007. There is not a copy of the letter on file, but the file references a letter from Rich Sarno, HR Manager to the employees notifying them that their jobs are being abolished. While the employees were given a standup as early as December 2005, there was not formal notification or sharing/exchange of documents with the union at that time because the contract was only a proposal, and nothing in the CBA or the ASM provides that information must be given to the union on a proposal. However, during the time from December 2005 to January 2007, the proposal became a reality.

The Union remedy is for subcontracting of MVS work to cease, and return all drivers to their MVS positions. In addition, the Union will argue that the affected employees should receive the value of the contracts from April 28, 2007 to the present, and ongoing. The value of the contract is $545,156 per year, which is $45,429.67 per month. The accrued liability under this

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calculation is $**6,996,169.18** at present, using a time period of **154** months.

Another possible assessment of liability would be based upon employees receiving their full salaries from the positions that they lost, which would be 17 MVS employees affected times average annual salary of $57,000, which is $4,750 per month per employee. This amounts to $80,750 per month for all 17 employees. For the **154-month** period covered by the grievance, this would be $1**2,435,500.** However, management will argue that the maximum relief should be only out of schedule pay -- the 50% premium that these employees would have earned had they not been transferred to new positions. This would amount to $**6,217,750** for the **154-month** period at issue (because the employees would have worked Tour 3 and received out of schedule pay). The maximum reasonable payout has been assessed as the amount sought.

All calculations have increased because liability is ongoing and an additional 3 months has been added. These cases have not been scheduled for arbitration and will not be heard in FY2020 **Q2.**

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Case Name	Ft. Myers AI/ATHS work assignment determination
Case Number	No. G006-1G-C 06136385
Date Filed	06/01/2006
Amount Sought	$42.5 Million
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: **$23.1** Million *[Previously reported as: $22.6 Million]* • **Maximum Reasonable Payout**: **$23.1** Million *[Previously reported as: $22.6 Million]*
Change in Status	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No • GATS Number of National-level Case: Q00C-4Q-J 06129138 and Q00M-6Q-J 06132126
Law Dept Counsel	Blum, Thomas J.
Law Dept Co-Counsel	Gann, Traci Gabhart
Law Dept Reporting Office	Southern
Other Representative for USPS	District Manager, Labor Relations: Richard Howard
Facts / Positions	APWU Grievance: G006 1G-C 06136385

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

The APWU argues that the flat prep work should be theirs subsequent to the installation of the AI/ATHS in 2006. The APWU is also asking for flat prep work hours for other operations throughout the building. Management's position is that when the AI/ATHS was installed in 2006, the jurisdictional assignment was given to the mail handler craft at the National level.

The local APWU timely challenged this assignment to the mail handler craft through the filing of grievance No. G006-1G-C 06136385, Local No. 2006-241. This case is currently being held in abeyance to the National Level Jurisdictional Dispute that is currently pending regarding the AI/ATHS work assignment determination.

The national level issue is summarized as: Whether the jurisdictional assignment and staffing in regard to the Automatic Induction (AI) and the Automatic Tray Handling System (ATHS) on the AFSM 100 violate the national agreement, RI-399 and the historical application of the jurisdictional rules of the parties.

Since the June 2018 MOU re: RI399, the Postal Service takes the position that this grievance should be withdrawn.

Historical Context:

A similar issue was previously argued in Grievance No. G98C-1G-J 00211029 in 2000 after the assignment of mail handlers as the primary craft for flat prep work on the AFSM 100 installed at the Ft. Myers PDC in the summer of 2000.

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The case was heard on the Jurisdictional Arbitration Panel by Arbitrator Edward E. Hales. Arbitrator Hales rendered a decision in August 15, 2013 awarding the flat prep work that was assigned to the mail handlers in the summer of 2000 to the clerk craft. Arbitrator Hales awarded back pay compensation to the clerk craft for the period of 2000-2006 and specifically declined to render an opinion about the flat prep work from 2006 forward due to the installation of new machines. Grievance G98C-1G-J 00211029 was settled in March 2016 for $5.2 Million and completely resolved all liability under the Hales Award and its subsequent non-compliance grievance (G10C-1G-C 13331188) for the period of 2000-2006.

The present contingent liability was filed in 2006 after the installation of the AI/ATHS and covers the flat prep work from 2006-the present.

This dispute was initially held in abeyance pending the jurisdictional dispute over the AI/THS. That dispute was withdrawn with the June 2018 MOU regarding RI 399. The local APWU will not withdraw this dispute in accordance with that MOU. Their claim is this is a Cross Craft grievance, not a Jurisdictional dispute due to Arbitrator Hales award.

Assessment of Liability:

Historically, there is no monetary remedy associated with RI-399 disputes. The process was designed to resolve jurisdictional disputes between the crafts, and thus should not result in monetary remedy when all parties have agreed to resolution of the disputed work through the use of a Jurisdictional Arbitration hearing. By agreeing to this process, LR has taken the position that all parties waive any right to a monetary remedy.

The APWU argues the liability is $42.5 million, primarily due to the fact they believe the flat prep work would have remained theirs subsequent to the installation of the AI/ATHS in 2006. The APWU is also asking for flat prep work hours and other operations throughout the building. Management's position is that when the AI/ATHS was installed in 2006, the jurisdictional assignment was given to the mail handler craft at the National level.

Damages Assessment:

Suncoast LR reviewed actual records to determine the average monthly hours of work for the time periods outlined below. Given no significant changes affecting the average work hours after August 2015, average work hours of 3610 are used to estimate the potential damages after August 2015 to the present in the calculations below.

Segment 1: July 2006 - January 2014

2862 average mailhandler workhours per month on flat prep duties

Segment 2: February 2014 - August 2015

3610 per average mailhandler workhours per month on flat prep duties in Ft. Myers PDC.

If an arbitrator agrees the work remains with the clerk craft despite installation of the AI/ATHS, estimated liability is as follows as of Quarter 4, FY2018 based on continued assumption of 3610 hours per month:

Segment 1: 2862 hours per month X 91 Months (July 2006 thru January 2014) = 260,442 hours X $43.80/hour* = $ 11,407,360

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Segment 2: 3610 hours per month X **74** months (February 2014 thru **March 2020) = 267,140 hours X $43.80/hour* = $ 11,700,732**

MAXIMUM REASONABLE PAYOUT:

Total Liability, (July 2006 thru **March): $23,108,092**

*Overtime pay rate increased to $43.80 due to contractual increase effective September 1, 2018.

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Case Name	Time and Attendance Collection System and Resource Management Database/Integrated Resource Management
Case Number	Q98T-4Q-C 01076275
Date Filed	01/24/2001
Amount Sought	[Unknown]
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: $3.4 Million • **Maximum Reasonable Payout**: $6.8 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	_____
Law Dept Counsel	Coolidge, Lucy R.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Rickey Dean, Labor Relations

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Facts & Positions

In December 2001, the Postal Service established a new Time and Attendance Collection System and Resource Management Database/Integrated Resource Management. Around that time, the American Postal Workers Union (APWU) filed a grievance alleging that the Postal Service violated the Collective Bargaining Agreement, including, but not limited to, Articles 1.2, 1.5, 1.6, 4, 7.2, 19, 35, and 38. The issue in dispute is whether Postal Service has shifted (and is shifting) maintenance work from Electronic Technicians to EAS employees.

In 2000, Arbitrator Goldberg addressed the maintenance levels issue by instructing representatives of the Postal Service and the APWU to meet in Norman, OK to discuss and define the appropriate tasks for the different occupational levels. These meetings proved to be unproductive, and the national case went before Arbitrator Das (Case Nos: Q98C-4Q-C 00183263 and Q98C-4Q-C 01002200). Prior to the award that was eventually issued by Das in 2005, the bargaining unit levels were assessed by the Maintenance Technical Support Center, and a Minimum Skill level was assigned to each task on a Preventive Maintenance Checklist and published as a MMO normally titled Preventive Maintenance Guidelines for (insert the specific equipment). While the 2005 Das award clarified tasks that could be performed by different occupational groups in the Maintenance Craft, it was not all inclusive; the process is still subjective and open to interpretation. The Postal Service and the APWU now review the bulletins using the Article 19 process and when necessary discuss the individual tasks in MMOs. The parties have had success in agreeing to levels before publication. The 2005 Das award is now being used as the standard to evaluate the minimum skill level.

Notably, in May 2002, the Postal Service issued Maintenance Management Order MMO-023-02 addressing the Time Attendance Collection System Interim Maintenance Guidelines and Maintenance Staffing Criteria. The Postal Service assigned the work at issue to Electronic Technicians upon the issuance of this May 2002 MMO. This MMO addressed the maintenance of the hardware itself, and the levels were in accordance with the 2005 Das

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award.

Arbitration has not been scheduled.

II. Assessment of Liability

Based on the file and information available, liability would have accrued from January 2001 to mid-May 2002. The original contingent liability report assumed continued liability since the deployment of TACS in early 2001. That has been adjusted based on Maintenance Management Order (MMO) MMO-023-02. MMO-023-02 established Preventive Maintenance (PM) guidelines and was published May 13, 2002 allowing staffing of the bargaining unit for performance of PM on the TACS system.

To provide more accurate evaluation of the potential damages we have obtained information on the number of TACS Electronic Badge Readers (EBR) that were deployed shortly after the time period in question. By applying the number of components to the corresponding PM time allowed per MMO-023-02, the total number of hours the bargaining unit may have been harmed can be estimated.

The maximum reasonable payout is estimated to be $6,755,358.
The most likely payout can be set at $3.38M based on a number of factors which can be argued but not quantified with absolute numbers. Factors include:

- There is a high likelihood that Maintenance had staffing for maintaining the preceding legacy systems of either Postal Service Data System (PSDS) or Electronic Time Clocks (ETC). As TACS replaced those systems, staffing already existed. In the case of PSDS sites the existing staffing likely exceeded the requirement of TACS.

- The work needed on the TACS system cannot be assumed to have been performed solely as a function of Information Technology (IT). Maintenance was likely involved to a varying extent.

- All systems were not simultaneously deployed. The TACS installation was performed over a period of time.

- Finally, based on past experience the actual damages are negotiated between the parties taking all relevant factors e.g. the legacy staffing, often resulting in a payout 50% or less than the maximum possible.

1/24/18 UPDATE - Because this case has been pending for 17 years without having been scheduled for arbitration, the liability assessment will be changed from "probable" to "reasonably possible." If the case is ever scheduled for arbitration, the liability assessment will be re-evaluated.

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C. Remote: Assessed At or Above $10 Million

1. Business Claims

Case Name	345 Property Owner, LLC v. U.S. Postal Service
Case Number	18-cv-01476
Date Filed	05/01/2019
Amount Sought	[Unknown]
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: $13.0 Million • **Maximum Reasonable Payout**: $13.0 Million
Change in Status	• **Additional Facts or Revision in Text**
Estimated Time to Resolution	**Less Than 1 Year** *[Previously reported as: 1 - 5 Years]*
Law Dept Counsel	Weaver, Michael D
Law Dept Reporting Office	HQ Legal Strategy

Facts / Positions

Highlighting any revisions made since

Report for FY2020 Q1:
New text and ***[deletion]***

The Postal Service leases a large property located at 345 W. Saint Paul Avenue, Milwaukee, Wisconsin, which it operates as a processing and distribution center. The Postal Service has leased the property since 1970. Its tenancy extends to at least 2025, and potentially as far as 2040, pursuant to multiple renewal options. Plaintiff in this case is the Postal Service's landlord, 345 Property Owner, LLC.

With limited exceptions, the terms of the lease make the Postal Service generally responsible for maintenance of the premises. In April 2018, after a recent tour of the property, Plaintiff sent the Postal Service a letter listing five conditions that the Plaintiff believed to be in need of repair. These included the installation of safety netting under portions of crumbled concrete ceiling, areas of concrete deterioration, and worn roof coating. The Postal Service did not immediately respond to Plaintiff's request for information about the property condition and repair plans. In May 2018, Plaintiff filed a records request under the Freedom of Information Act pursuant to which the Postal Service provided, among other documents, a comprehensive Physical Needs Assessment Report (PNA Report) that it had procured for the property in 2015. In July 2018, Plaintiff's attorney sent the Postal Service a notice of default for failure to maintain the property.

Plaintiff filed this lawsuit in Wisconsin Small Claims Court on August 21, 2018, as an action under state statute to evict the Postal Service from the property. Plaintiff alleges that the Postal Service has breached its contractual duty to maintain the property in proper condition, and that it has a right to terminate the contract and take possession of the property. The Postal Service removed the matter to the District Court for the Eastern District of Wisconsin. Plaintiff moved to amend the complaint on May 1, 2019. The amended complaint asserts that the Postal Service's continued possession of the premises amounts to a taking of property without just compensation in violation of the Fifth Amendment of the U.S. Constitution (takings claim). The amended complaint continues to assert a right to evict under state statute, as well as an independent count for breach of contract, and a count for breach of an implied covenant of good faith and fair dealing. Plaintiff does not quantify the amount

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of damages sought under any of these theories.

The Law Department's investigation reveals that the Postal Service has been planning and implementing extensive repair and maintenance projects at the property, as recommended in the 2015 PNA Report. This initiative was developed independent of, and well prior to, Plaintiff's March 2018 tour of the property. For the five items that Plaintiff identified, repairs are complete, underway, or imminent.

The Postal Service's basic position is that it has not breached the contract because: (1) the lease grants the Postal Service broad discretion over the timing and manner of repairs; and (2) Postal Service has already repaired, plans to imminently repair, or is otherwise reasonably exercising its maintenance and repair discretion over each of the conditions Plaintiff raises in the complaint (and over the property generally). The Postal Service filed a motion to dismiss on June 12, 2019. On October 9, 2019, the court agreed with the Postal Service, holding that the Postal Service was only obligated to maintain the property in sufficient condition to use as a postal facility, and avoid waste. The court dismissed the complaint without prejudice.

On November 8, 2019, Plaintiff filed a second amended complaint. This complaint asserts that the property is not in adequate condition for Postal Service use. Central to that allegation is a claim that the property's seawall is at risk of collapsing, flooding the property. Plaintiff does not provide any details of why the seawall is at risk of collapse, other than alleging that it has suffered unspecified "structural damage." **The Postal Service filed a motion to dismiss the new complaint on December 13th. Plaintiff filed its opposition on January 24th. The Postal Service filed its reply brief on February 14th.**

ASSESSMENT OF LIABILITY

Our investigation thus far indicates that the Postal Service is in compliance with the lease and that Plaintiff likely cannot prove breach of contract or a taking of Plaintiff's property. In the first dismissal, the court agreed with the Postal Service's legal theory that it had more limited repair obligations than Plaintiff claimed. Plaintiff's second amended complaint appears significantly weaker. Even if the court does find Plaintiff's breach claims plausible enough to survive a motion to dismiss, the Postal Service is very likely to prevail on summary judgement, based on the facts that we currently know. It is also unlikely that Plaintiff could succeed on its eviction or takings claims, as it did not provide adequate advanced notice of the most serious alleged defect, the seawall, to support eviction.

ASSESSMENT OF DAMAGES

As noted above, Plaintiff amended its complaint in May 2019 to add a takings claim. That claim, if successful, could significantly increase the potential maximum payout. A property owner whose private property has been taken by the government for public use is entitled to just compensation under the Fifth Amendment of the U.S. Constitution. Just compensation generally equates to the property's fair market value. We do not have an estimate of the property's current market value, so it is not possible to estimate with certainty USPS's potential maximum liability if it were to be found liable for a permanent taking of the property. Plaintiff reportedly purchased the property in 2015 for approximately $13.1 million. Accordingly, at this early stage in the proceedings, we estimate that Plaintiff's takings claim carries a potential maximum payout of approximately $13 million. That figure is somewhat speculative, and subject to change as the case proceeds.

Our preliminary assessment is that the risk of **damages** for this amount is

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remote. Even if the court finds that Plaintiff is entitled to damages under a takings theory, federal precedent supports an argument that USPS should be liable for only a temporary taking of the property, for which fair-market rent, rather than purchase value, constitutes just compensation. See Sunshine Dev., Inc., 674 F. Supp. 2d at 628; Allenfield Assocs., 40 Fed. Cl. at 487. This is similar to the damages that would likely be assessed if USPS were found liable on a breach of contract theory, in which case many federal courts have held that when a government-lessee holds over after a lease ends, the landlord is entitled to the reasonable rental value for the holdover period, plus any foreseeable special or consequential damages. 49 Am. Jur. 2d Landlord and Tenant § 278; U.S. Postal Serv. v. Sunshine Dev., Inc., 674 F. Supp. 2d 619, 627 (M.D. Pa. 2009); Prudential Ins. Co. v. United States, 801 F.2d 1295, 1296 n.4, 1300 (Fed. Cir. 1986). Under either approach, the total amount of USPS's **damages** will depend on several factors, including the amount of time that USPS is found to be in holdover.

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C. Remote [cont'd]

2. Labor Claims

Case Name	APWU VMF Class Action - Shuttling/Towing Services
Case Number	J06V-4J-C-10199964
Date Filed	03/24/2010
Amount Sought	**$10.2** Million *[Previously reported as: $10.1 Million]*
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: **$2.2** Million *[Previously reported as: $2.1 Million]* • **Maximum Reasonable Payout**: **$10.2** Million *[Previously reported as: $10.1 Million]*
Change in Status	• **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	_____
Law Dept Co-Counsel	Sloan, Heather R.
Law Dept Reporting Office	Great Lakes
Other Representative for USPS	Casandra Walker, LR Manager
Facts / Positions Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***	The APWU filed a grievance contending that management violated Article 32 of the National Agreement by subcontracting out vehicle shuttling/towing services at the St. Louis Vehicle Maintenance Facility (VMF). For the past thirty (30) years, Management has utilized local companies such as Mike's Towing, Bolin, and Gateway to subcontract shuttling/towing services. Indeed, evidence establishes that Management has provided the local union with documentation for the contracts with Mike's Towing and Bolin since October and November 2001, respectively. These contracts have been continuously utilized from that time until the present. Additionally, evidence demonstrates that management has presented many PS Forms 4541 to the Union to support their use of these contracts. In March 2010, Ted Nappier, Manager, Vehicle Maintenance, sent a notification via certified mail advising the APWU that, in accordance with Article 32 Section One of the CBA, management performed its due consideration of the requisite five factors to evaluate the need for the St. Louis VMF to subcontract APWU bargaining unit work. Specifically, management provided written notification to the APWU Local President that management decided at the local level to subcontract shuttling/towing services. The evidence establishes that this decision was made consistent with the requirements of Handbook EL-912, Article 32 Subcontracting, Section One, General Principles. Thereafter, beginning in May 2010, Mr. Nappier began subcontracting shuttling/towing services utilizing the National Contract with the

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United States Auto Club (USAC) that was negotiated by Postal Headquarters.

In its grievance, the Union contends that Management never met with the local Union President to discuss the shuttling/towing issue, the VMF has always had the resources and manpower to perform shuttling/towing services, and management failed to follow the provisions of Service Bulletin V-03-06. As such, the Union demands that management immediately stop using subcontractors, return all work to the VMF craft, evenly divide the equivalent of all monies paid to shuttling/towing contractors among the employees that were supposedly affected.

Management contends that the Union's grievance is not arbitrable because it is untimely and, in any event, should be barred under the doctrine of Laches due to the Union's failure to promptly act on the alleged violations. In this case, Management argues that after decades of delay in seeking redress, the Union waived its right to contest the subcontracting of this work. [fn.1 - Evidence also demonstrates that the Union was aware that the Coyle and Weather Stations were closed on Saturday and as such, when a vehicle broke down at those times the employees called Mike's towing or a subcontractor to shuttle/tow the vehicle.] Even if this grievance were to proceed, Management believes that it will prevail. Indeed, Management's evidence establishes that it performed the requisite "due consideration" prescribed in Article 32 related to subcontracting work. Management further contends that the Postal Service maintains its rights negotiated within Article 32 to subcontract out bargaining unit work as it deems necessary (Article 3) in support of its operational oversight. Management also contends that Article 3 Section D provides it with the right to determine the methods, means, and personnel assigned to repair Postal Service vehicles.

In the present case, Management can establish that it followed Article 32 by giving due consideration to public interest, cost, efficiency, availability of equipment, and qualification of employees and then sent a courtesy decision letter to the Union. The VMF manager's consideration of the five factors can be summarized as follows:

Public Interest: Private companies specialize and are professionals at moving vehicles. Over the years, VMF employees have had numerous accidents while moving vehicles. The contractors always use light bars while VMF employees do not.

Cost: The USPS labor cost is $45/hour plus overhead versus $26/hour under the contracts.

Efficiency: The VMF need to move approximately 700-900 vehicles. Contractor shuttling/towing allows more time for the technician to perform maintenance on Postal Vehicles which is consistent with the Postal Service's goal to continually improve the reliability and safety of its fleet.

Availability: The contractor has more equipment available than the VMF. The contractor provides and maintains its own equipment. The VMF employees are needed to make repairs and keep the fleet operational in the most cost effective way possible. Contracting increases in-shop repair time.

Qualification of Employee: The St. Louis VMF employees are qualified to shuttle the vehicle fleet; however, that is not their expertise. The shuttling/towing contract provides for full time shuttling/towing experts who move, shuttle, and tow vehicles as their occupation. The multiple vendors and drivers provided are dedicated to the shuttling and towing of vehicles. While VMF employees are "qualified" to perform the work, the vendor is more qualified. This factor is deemed less important to the overall decision.

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Based on these factors, the VMF manager decided to subcontract shuttling/towing of motor vehicles on an as-needed basis. [fn. 2 - The St. Louis VMF's has always managed shuttling/towing services in a manner promoting the efficiency of the Service via shared responsibility among the various Postal Service crafts as well as subcontractors. Management contends that such duties are not identified as a duty within any particular standard position description and are not the sole right of any particular craft.] Management contends that the "due consideration" process is solely Management's right and does not require Union input or approval.

Finally, the Union claims that management failed to follow the provisions of Service Bulletin V-03-06; however, the evidence demonstrates that this bulletin is only a draft, never implemented, not official, and as such, does not support any management violation.

Beyond the arguments presented by the Union, Management can also establish that VMF employees are being completely utilized at and beyond 40 hours in order to perform their currently assigned duties as outlined in their job descriptions. Accordingly, there has been no reduction in guaranteed work hours or reduction in staffing.

Based on the foregoing, management believes that the risk of loss is remote. However, liability in these grievances is essentially "all or nothing." As such, both the "Amount Sought" and the "Maximum Reasonable Payout" amounts are the full $1**0,231,222** (rounded) which is calculated based on Management records reflecting the actual monthly amounts expended for contracting services (current record calculation is through **January 2020).** While this is a continuing alleged violation, the amount of accrual each month/quarter is unpredictable because contracting services are obtained as needed.

Given the remote risk of loss, it is unlikely that management would settle these grievances. However, management believes if this grievance was somehow lost at arbitration, that the "Most Likely Payout" would be based upon the average annual cost paid to the craft to shuttle vehicles during FY2010, 2011, and 2012, multiplied by the past 7**.33 years** that such shuttling was subcontracted out, or $**2,171,073** ($296,190 annual average X **7.33 years = $2,171,073).**

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Case Name	Class Action, Introduction of the Automatic Induction (AI) enhancement on the AFSM/ATHS machines resulting in reassignment (excessing) of 21 Clerk craft employees to Mail Handler craft, APWU (Palatine P & DC)
Case Number	Grievance No. J00C-1J-C06289694 (Lakeland Disrict, formerly Northern Illinois District)
Date Filed	07/20/2007
Amount Sought	**$13.1** Million *[Previously reported as: $12.8 Million]*
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: **$6.7** Million *[Previously reported as: $6.6 Million]* • **Maximum Reasonable Payout**: **$13.1** Million *[Previously reported as: $12.8 Million]*
Change in Status	• **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	No
Law Dept Counsel	McDermott, Heather L.
Law Dept Co-Counsel	Zadina, Christopher W.
Law Dept Reporting Office	Great Lakes
Other Representative for USPS	Fred Schroeder, A/District Manager, Labor Relations; Ronald Hirn, LR Specialist
Facts / Positions	I. Facts/Positions

Highlighting any revisions made since

Report for FY2020 Q1:
New text and ***[deletion]***

At the national level, it was decided to install the Automatic Induction (AI) enhancement to the Automatic Flat Sorting Machine/Automatic Tub Handling System (AFSM/ATHS) 100. This changed the staffing matrix on the AFSM/ATHS 100. The change in staffing due to the implementation of the new equipment began on July 7, 2007.

At the Palatine P&DC, there are five (5) AFSM/ATHS 100 machines. Prior to the introduction of the AI, four (4) clerk employees staffed each machine. These machines are run on two (2) tours, seven (7) days a week. The staffing matrix was changed with the AI to three to five (3-5) mail handlers prepping the mail and one (1) clerk monitoring the three (3) feed stations to clear jams. The sweeping duties are performed by the mail handlers. These amounts are in relation to the National Staffing Package for the AI. These were used in the impact statement.

The impact statement contained in the file reflects the review period dates from April 1, 2006, through March 30, 2007. The anticipated date of impact was March 31, 2007.

On or about February 9, 2007, the local APWU was informed that the Palatine P&DC was introducing the AI retrofitted on the AFSM/ATHS l00 machines. Due to this modification and the fact that the duties on the AI belonged to the mail handler craft, clerks would be reassigned (excessed) from the clerk craft to the mail handler craft. Management and the APWU were in talks regarding the number of excessed employees, attrition, posting bids, etc. during this

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time.

An original on March 5, 2007, and corrected copy on April 12, 2007, of the impact statement were also exchanged. The adjusted impact statement showed the clerk craft was overstaffed by fifty (50) clerks and forty-one (41) would be excessed into the mail handler craft or outside the facility. The impact was reduced by nine (9) due to expected attrition. The statement showed a savings of 2,296 hours per week.

The APWU union at the headquarters level was notified with a letter dated April 12, 2007, about the deployment of the AFSM/ATHS 100 Automatic Induction at the Palatine P&DC. This letter stated that nine (9) full-time clerks may be attritted from the facility and that forty-one (41) may be excessed outside the craft and/or installation.

On July 7, 2007, management proposed an excessing impact with the implementation of the AI on the AFSM/ATHS 100 machines at the Palatine P&DC. Many employees voluntarily went to the mail handler craft prior to the excessing. Other employees were excessed based on the reduction. In the end, nineteen (19) employees left due to attrition, twenty-one (21) were reassigned (excessed) to other crafts within the installation, and one veteran preference employee was reassigned outside the installation.

The union claims a violation of the National Agreement, Articles 3, 5, 8, 10, 11, 12, 15, 19, 37 and bases this claim on management's numbers used in the equation to determine the amount of clerks to be excessed due to the AI implementation. The union argues that some clerks were excluded from the equation, such as the light/limited duty clerks who are not able to perform their duty assignments and the clerks removed from the rolls based on terminations or transfers. The union argues the inclusion of these clerks would decrease the number excessed. The union contends that no clerk should have been excessed to the mail handler craft. The union requests that all forty-one (41) clerks be returned to the clerk craft, receive out of schedule pay and guaranteed hours.

II. Assessment of Liability

Management's Position: The union is also asking for guaranteed hours. However, excessed employees are still full-time employees and, thus, are already being compensated. Management's contentions are that the AI is a National Level Program. The new duties are assigned to the mail handler craft and the amount of clerks needed has decreased. No new equipment or work has been created or initiated for the clerk craft in the Palatine P&DC. The clerk craft duties do not substantiate the maintaining of these clerks. Overtime does not create positions and arbitrators have upheld this position. The union argues for application of the Labor Scheduler Program, which is a National Program used to establish a staffing package for a facility based on the mail volume and arrival time of the mail. It provides management with the amount of employees needed to perform the necessary functions and how many employees are needed per tour and at what time to maximize efficiency. The Labor Scheduler Program argument was contained in another grievance that was decided over two years ago. Management was successful in defending against this grievance. Article 12 was abided by throughout the process. The APWU was contacted and kept informed, the employees were correctly notified and the positions went away. These employees were unassigned and the Postal Service found other work for them. Even if an arbitrator rules against the Postal Service, the remedy that the union seeks is inappropriate. The employees are working and the excessed employees are at saved grade. The issue would be the schedule difference. The attritted employees volunteered to go and selected their new positions.

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III. Assessment of Damages

Based on the fact that full-time employees are not entitled to guaranteed hours, the figures below are only for out-of-schedule pay.

The amount sought and maximum reasonable payout is based upon 41 clerks working 80 hours per pay period (41 clerks x 80 hours per pay period = 3280 hours), during the operative liability period, as shown below. Out of schedule pay is 50% of pay. Consequently the calculations would be based on 41 clerks X 80 hours per pay period, at the applicable out-of-schedule rate of pay, through the present quarter, as referenced below:

Total hours for FY 2007 thru FY 2019: 1,066,000
Total from Current FY chart below: **42,640**

FY Hours/Pay Period Number of PP Total Hours

2020 3280 **13 42,640**

The current FY20 hours X $12.70 (OOS rate) (FN.1) = **$541,528**

Total hours from FY2007 thru FY2019, or 1,066,000 X the applicable, annual OSS rate (See chart attached to client report)(See FN.1) = $12,566,860.80.

In summary, the amount sought and maximum reasonable payout is based upon the total hours tabulated above, or **$13,108,388.80.**

If the grievance is upheld, we expect an arbitrator to award compensation on the basis of 21 clerks, versus 41, because although the original impact proposed 41 excessed employees the number was reduced due to unanticipated attrition. Accordingly, the most likely payout is based upon 21 clerks working 80 hours per pay period (21 clerks x 80 hours per pay perod = 1680 hours), during the operative liability period, as shown below. Out of schedule pay is 50% of pay. Consequently the calculations would be based on 21 clerks X 80 hours per pay period, at the applicable out-of-schedule rate of pay, through the present quarter, as referenced below:

Total hours for FY 2007 thru FY 2019: 546,000
Total from Current FY chart below: **21,840**

FY Hours/Pay Period Number of PP Total Hours

2020 1680 **13 21, 840**

The current FY20 hours X $12.70 (OOS rate) (FN. 1) = **$277,368.00**

Total hours from FY2007 thru FY2019, or 546,000 X the applicable, annual OSS rate (See chart attached to client report)(See FN.1) = $6,436,684.80.

The most likely payout would be based upon the total of the hours for FY 2007 through the present, or $**6,714,052.80.**

Footnote 1 -The OSS rates of pay are based upon the applicable, end of year schedule pay scales from the National Agreement. The chart attached to the client's report articulates this based upon Step H, of either Level 5 or Level 6 (upon conversion), for each end of year pay schedule. The OOS rate utilized in FY2018 Q1 ($12.24) has been adjusted to $12.70 to reflect the current pay schedule which was not available at the time the Q1 report was completed.

AMERICAN OVERSIGHT

Case Name	Mail Transport Equipment Service Center Network (NPMHU)
Case Number	Q94M-4Q-C 98048417
Date Filed	01/10/1998
Amount Sought	[Unknown]
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: $1.0 Million • **Maximum Reasonable Payout**: $312.0 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	Flynn, Terence F
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Patrick Devine, Manager, Contract Administration (NPMHU), and Leigh Hsu, Labor Relations Specialist (NPMHU)

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. FACTS AND POSITIONS

The Mail Transport Equipment Service Center Network centralizes the operations needed for inventory, repair, maintenance, replacement and distribution of mail transport equipment. These centers were staffed by maintenance craft employees of both the National Postal Mail Handlers Union ("NPMHU" or "Mail Handlers") and the American Postal Workers Union (APWU). After a decision was made to subcontract this work, both the Mail Handlers and the APWU filed grievances alleging violations of Article 32. The Postal Service contends it followed Article 32. The NPMHU case is now at Step 4 of the grievance procedure. The APWU case is not listed on this report because the effect (if any) of the subcontract on the APWU bargaining unit was so negligible that any damages the APWU could possibly recoup would not reach the contingent liability threshold.

II. LIABILITY ASSESSMENT

We have reassessed this case as remote because the Postal Service gave proper notice of the subcontracting to the NPMHU and the Article 32 factors appear to have been taken into account in deciding to subcontract. The union has not provided specific evidence to the contrary.

In addition, Postal Service Operations is undertaking a cost analysis using the new Mail Handler Associate (MHA) rates to determine whether it is appropriate to bring MTESC work back to the bargaining unit. This analysis may make it feasible to bring work back in house and reach a settlement with little to no monetary damages.

III. DAMAGE ASSESSMENT

No specific amount has been claimed by the unions. Approximately 1,377 NPMHU employees have been affected by contracting out the Mail Transport Equipment Service Center (MTESC) work. If the Postal Service is found to be in violation of Article 32, an estimate of the potential damages is calculated as follows:

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There are currently 15 MTESCs in operation which use contractors. To calculate the maximum liability, the work hours from these facilities for 2012 and 2013 were used as a baseline, for an average yearly work hour estimate of 2,148,120 hours per year. (The work hours are less in 1998, the starting year of the project, because the 15 facilities did not open all at once.) These hours were multiplied by the average Mail Handler overtime rate for each year the MTESCs have been in existence (since 1998). This results in a maximum theoretical liability of approximately $1.56 billion ($1,560,000,000.00).

(Previously, damages were calculated based solely on one facility - the Greensboro MTESC - which was a pilot facility. These revised calculations reflect the multiple facilities that exist.)

However, if the case were to be lost, there is simply no way an arbitrator would award the Union $1.56 billion, or even half of that number. We estimate damages would be substantially less based on past practice in settling large claims. Given the length of time this case has been pending, we anticipate that an arbitrator would not award damages for every year the Postal Service has incurred liability. Rather, we would anticipate an arbitrator would remand the case back to the parties to determine damages. Based on our experience, it is unlikely these damages would exceed twenty (20) percent of the total liability, for maximum reasonable damages of approximately $312 million.

Because we do not foresee an arbitrator awarding the Union more than $312 million, we cap maximum reasonable damages at this level.

The most likely payout, however, will be between $0 and $1 million. We are confident that if we can settle this case, the Union will not seek monetary damages, or will settle for a nominal amount, in exchange for the Postal Service returning the work to the NPMHU bargaining unit.

AMERICAN OVERSIGHT

Case Name	On Site repair service provided by HP/Compaq under National Maintenance Agreement (Contract # 102591-02-M-0803)
Case Number	Q00T-4Q-C 04012916
Date Filed	10/20/2003
Amount Sought	[Unknown]
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: $11.6 Million • **Maximum Reasonable Payout**: $29.1 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	_____
Law Dept Counsel	McClease, Tiffany N.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Rickey Dean, Labor Relations

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Facts and Positions

The Postal Service entered into a 5-year Information Technology contract with HP/Compaq a National Maintenance Agreement (Contract # 102591-02-M-0803)in October 2003. Thereafter, the American Postal Workers Union (APWU) filed a grievance alleging they were deprived of their rights as contained in Article 32.1.B. The Postal Service renewed the 5-year contract for a third time in October 2013. That contract ended in 2018 and is no longer in effect. The Postal Service subsequently entered into a global enterprise contract with HP that covers a broad range of items and services, most of which would not be considered bargaining unit work and included in this national dispute.

Arbitration has not been scheduled.

II. Assessment of Liability

At this time, we assess the likelihood of an unfavorable outcome in this case as remote, because arbitrators have held that Administrative Computers are under the jurisdiction of the Information Technology employees, and that the bargaining unit is restricted to the mail processing equipment.

III. Assessment of Damages

We do not have data for the work hours involved, but based on our experience in negotiating and litigating these types of grievances, we estimate damages to be approximately forty percent (40%) of the total contract amount of $9,700,000, or $3.88 million. These IT contracts are generally five years in duration, and given that we renewed the contract three times, we have tripled the estimate of damages.

Accordingly, the most likely payout estimate is $11.64 million, and the maximum reasonable payout estimate is $29.1 million. As the contract is no longer in effect, we cap damages at those levels.

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Case Name	Subcontracting APC installation
Case Number	Q00T-4Q-C 04134582
Date Filed	05/18/2004
Amount Sought	[Unknown]
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: $6.0 Million • **Maximum Reasonable Payout**: $12.0 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	McClease, Tiffany N.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Rickey Dean, Manager Contract Administration (APWU)

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Facts & Positions

The American Postal Workers Union (APWU) alleges that in May 2004 the Postal Service did not give advance notice for subcontracting at the National level of the installation of Automated Postal Centers (APCs) at 2500 mail facilities. The APWU filed a grievance alleging the Article 32 process was violated.

The Postal Service's position is that installation of retail equipment is not bargaining unit work.

Arbitration has not been scheduled.

II. Assessment of Liability

At this time, we assess the likelihood of an unfavorable outcome in this case as remote. Recently, the Postal Service prevailed in the APPS arbitration concerning the ability to subcontract the installation of a major mail processing system (APPS) under Article 32 of its collective bargaining agreement. The arbitrator found that the work of installing the APPS was not bargaining unit work, so the Postal Service did not violate Article 32 by not assigning the APPS installation to the union. This favorable decision affords the Postal Service greater license to subcontract work that is not bargaining unit work. Based on this clarity in the case law, we have determined that the liability assessment in this case is more appropriately classified as "remote." A more thorough analysis of liability will be made as the case progresses to arbitration and as more information becomes available.

III. Assessment of Damages

The work at issue would involve a one-time commitment of approximately 100 work hours at 2500 facilities at $48 per hour (FY14 ET-10 OT rate) which equals $12.0 million.

We estimate the most likely damages payable in this matter at $6.0 million, and, thus, we cap most likely damages at this amount. This determination of

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most likely damages is based on a variety of reasons (e.g., the absence of a significant impact on current employees, the general reasonableness/need of the out-sourcing decision, avoidance of windfall payments to employees, Postal history of resolving these types of grievances, etc.).

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Case Name	Subcontracting Private Branch Exchange (PBX) telephone systems
Case Number	Q00T-4Q-C 05143223
Date Filed	08/10/2005
Amount Sought	[Unknown]
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: $1.0 Million - $4.0 Million • **Maximum Reasonable Payout**: $22.8 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	Coolidge, Lucy R.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Terry LeFevre, TA

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Facts and Positions

The American Postal Workers Union (APWU) alleges that In August 2005 the Postal Service did not give advance notice for subcontracting at the National level of the installation of Private Branch Exchange telephone systems at mail facilities. The APWU filed a grievance alleging the Article 32 process was deficient. The Postal Service's position is that installation of telephone equipment is not bargaining unit work.

Arbitration has not been scheduled yet.

II. Liability Assessment

At this time, we assess the likelihood of an unfavorable outcome in this case as remote. Recently, the Postal Service prevailed in a pair of arbitrations concerning the ability to subcontract bargaining unit work under Article 32 of its collective bargaining agreements. In MPI-LAN, which involved the installation of certain wiring related to a postal-wide network upgrade, the subcontracted work represented less than 1% of all work performed by the maintenance craft. Accordingly, the arbitrator found that there was no significant impact to the bargaining unit, and thus no requirement that the Postal Service consult with the union on the decision to subcontract. In APPS, which involved the subcontracting of installation of a major mail processing system, the arbitrator found that the union did not typically perform the kind of installation work at issue, so the Postal Service need not consider whether the work had a significant impact to the bargaining unit. These favorable decisions afford the Service greater license to subcontract if either (a) the work represents only a small portion of overall bargaining unit work (the MPI-LAN arbitration); or (b) the subcontracting involves work not traditionally performed by craft employees - i.e., it is not bargaining unit work (the APPS arbitration). Based on this clarity in the case law, we have determined that the liability assessment in this case is more appropriately classified as "remote." A more thorough analysis of liability will be made as the case progresses to arbitration and as more information becomes available.

III. Damages Assessment

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The work at issue involved a one-time commitment of approximately 200 work hours at 3,000 facilities at $38 per hour (FY05 ET-10 OT rate), which equals $22.8 million. We have set the Maximum Reasonable Payout at $22.8 million, and capped the amount at that level for this one time event.

We set the Most Likely Payout at $1-4 million for this one time event. We believe that we can limit damages to a range of $1 to 4 million for a variety of reasons (e.g., the absence of a significant impact on current employees, the general reasonableness/need of the out-sourcing decision, avoidance of windfall payments to employees, Postal history of resolving these types of grievances, etc.).

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Case Name	Subcontracting Work of building and maintenance functions at the Priority Mail Processing Centers (PMPCs)
Case Number	Q98C-4Q-C 01179896
Date Filed	06/08/2001
Amount Sought	[Unknown]
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: **$44.8** Million *[Previously reported as: $42.7 Million]* • **Maximum Reasonable Payout**: **$89.5** Million *[Previously reported as: $85.4 Million]*
Change in Status	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout**
Estimated Time to Resolution	1 - 5 Years
If Field Grievance, held in abeyance?	_____
Law Dept Counsel	Coolidge, Lucy R.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Rickey Dean, Labor Relations Manager, APWU

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. Facts & Positions

The American Postal Workers Union (APWU) alleges that, in June 2001, the Postal Service did not give advance notice for subcontracting at the National level of building and maintenance functions at the Priority Mail Processing Centers (PMPCs). The APWU filed a grievance alleging the Article 32 process was deficient.

The Postal Service's position is that work was properly outsourced pursuant to Article 32.

Arbitration has not been scheduled.

II. Assessment of Liability

At this time, we assess the likelihood of an unfavorable outcome in this case as reasonably possible because the union's grievance does not appear to be frivolous, and an arbitrator may find that the grievance has merit. A more thorough analysis of liability will be made as the case progresses to arbitration and as more information becomes available.

III. Assessment of Damages

The work at issue would involve staffing for several years at several PMPC facilities. The original dispute involved 10 PMPC sites, which the calculations reflect. The PMPC transition was required to be completed in January 2002; therefore, the calculations include 2002 through **2020.**

Please see the attached spreadsheet (last updated 2/15/19), which was used to calculate damages. With one noted exception, damages were estimated

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using an average custodial productivity of 15,000 square feet per custodian and rounding the result to estimate how many custodians would have been staffed in each facility each year. An exception is Phoenix West Valley, which was in-sourced, and the number of custodians staffed when in-sourced was used to estimate staffing during the period of time the facility used contractors to complete the work. Where the facility increased in size, there are two lines reflecting the different sizes. At the bottom of the spreadsheet is Total Employees, which reflects the number of estimated employees by year. Total Annual Cost by Year is the Total Employees multiplied by the Annual Custodial Rate, or yearly salary, for the corresponding pay level by year. Sites where the custodial work was, or is now, performed by Postal employees have "0" entered for that year and partial years have been rounded.

Nashua NH shows no liability because the case was adjudicated in 2006. The remedy was to staff the facility with Postal employees. The Seattle PMPC was never cleaned by contractors.

Custodian Laborers received an upgrade in 2008; therefore, the pay level changes that year from PS-3 to PS-4. Annual Cost by Year is the product of the Total Employees for each year and the Annual Custodial Rate.

Based on the above methodology and factors, the **most Reasonable Payout is changed from $85.4M to $89.5M and the Most Likely Payout is changed from $42.7M to $44.8M, accounting for damages calculated through December 2020.**

UPDATE

In consideration of the age of this case, as well as recent favorable precedent related to subcontracting, we are reassessing this case as "remote."

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Case Name	Terminal Handling Services - FedEx
Case Number	Q98M-4Q-C 01210465
Date Filed	09/05/2001
Amount Sought	[Unknown]
Liability Assessment	Remote
Damages Assessment	• **Most Likely Payout**: $93.1 Million • **Maximum Reasonable Payout**: $100.0 Million
Change in Status	• No Change Since Last Report
Estimated Time to Resolution	Over 5 Years
If Field Grievance, held in abeyance?	N/A
Law Dept Counsel	McClease, Tiffany N.
Law Dept Reporting Office	HQ Employment and Labor Law
Other Representative for USPS	Leigh Hsu, Labor Relations Specialist (NPMHU)

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

I. FACTS AND POSITIONS

The American Postal Workers Union (APWU) has withdrawn its grievance (Q98C-4Q-C 01242609) in this matter.

The National Postal Mail Handlers Union (NPMHU) alleges the Postal Service improperly contracted out bargaining unit work when it decided to subcontract Terminal Handling Services associated with the FedEx air transportation agreement.

Based on an internal review, the Postal Service had determined that there was a need to outsource ground handling operations at approximately sixty (60) locations. As a result, the Postal Service had contracted PricewaterhouseCoopers to conduct an Article 32 Comparative Analysis of the costs associated with performing ground handling operations in-house versus the estimated costs of contracting those services. The Article 32 Comparative Analysis (CA) was based upon reasonable assumptions, and all computations are valid. Indeed, the financials are based on anticipated costs related to building up and breaking down air cargo containers. The CA indicates that by outsourcing, a cost avoidance of $54 million (undiscounted over seven years) may be realized over the same operation performed in-house.

Upon completion of the CA, on January 10, 2001 the Postal Service entered into a seven-year, $6.36 billion agreement with FedEx to provide air transportation for Priority, Express and First-Class mail. At the time of the agreement, the cost benefit analysis anticipated terminal handling costs for only outgoing volume. Subsequent to the agreement, Operations determined that both originating and destinating volume will require terminal handling. About 3/4 of the contracts at issue have already been extended through 2020, the remainder are currently in the process of being extended until then as well.

II. ASSESSMENT OF LIABILITY

We assess the case as remote.

Article 32 of the applicable National Agreements gives management the right

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to subcontract, provided we follow the contractual provisions and procedures, and give due consideration to the agreed upon factors. We believe that an arbitrator would find that the record supports that management's decision was reached following the required Article 32 process and deny the grievance.

III. ESTIMATE OF DAMAGES

As remedy, the NPMHU requests rescission of the decision to contract out the work, termination of the contracts, restoration of all appropriate work to NPMHU represented employees, and that the employees be made whole for lost wages. No specific amount of damages has been claimed, however, based on the DAR and Article 32 comparative analysis, damages could be awarded as specified below.

The calculations below show the new labor cost that would have been incurred by the Postal Service if the work had been awarded to NPMHU bargaining unit employees, who would have otherwise performed the work, instead of the contractor.

For FY02, the internal New Labor costs were as follows: $52 million.
For FY03, the internal New Labor costs were as follows: $53 million.
For FY04, the internal New Labor costs were as follows: $55 million.
For FY05, the internal New Labor costs were as follows: $57 million.
For FY06, the internal New Labor costs were as follows: $59 million.
For FY07, the internal New Labor costs were as follows: $59 million.
For FY08, the internal New Labor costs were as follows: $65 million.
For FY09, the internal New Labor costs were as follows: $66 million.
For FY10, the internal New Labor costs were as follows: $68 million.
For FY11, the internal New Labor costs were as follows: $70 million.
For FY12, the internal New Labor costs were as follows: $71 million.
For FY13, the internal New Labor costs were as follows: $71 million.
For FY14 the internal New Labor costs were as follows: $72 million.
For FY15 the internal New Labor costs were as follows: $75 million
For FY16 Quarter 2 the internal New Labor costs were as follows: $38 million.

The total estimated Most Likely Payout for the period FY02 through FY16 Quarter 1 is $93.1 million. Although damages continue to accrue at the rate of approximately $75 million per year, based on our experience with arbitral awards, and the assessment of "remote" we cap the Maximum Reasonable Payout at $100 million. We believe that it is unlikely that an arbitrator would award more than $100 million.

Despite the APWU's withdrawal of its grievance, the assessment of damages remain the same given the lack of significant impact this subcontracting decision would have had on the APWU bargaining unit.

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III. Contingent Liabilities: Assessed Below $5 Million

A. Probable

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
(Richard E.) Erickson v. Brennan	AT-3443-07-0016-C-1	$1.2 Million	Probable	*Most Likely Payout:* $1.2 Million *Max Reasonable Payout:* $1.2 Million	• **Additional Facts or Revision in Text**	1 - 5 Years
APWU CILO Grievance (Providence, RI P&DC)	B00C-1B-C-05035241	$5.8 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $3.6 Million	• **Additional Facts or Revision in Text** • **Settlement, Not Yet Final and Paid**	Less Than 1 Year
APWU Class Action Challenging Maintenance Mechanic (PS Level 8) Staffing Levels - St. Louis NDC	J00T-1J-C 05181228 (lead case)	$2.1 Million	Probable	*Most Likely Payout:* $1.5 Million *Max Reasonable Payout:* $2.1 Million	• No Change Since Last Report	1 - 5 Years
APWU Clerk Craft Class Action Lead Clerks/TACS Duties - St. Louis Installation	J15C-4J-C 18331943	**$1.6** Million	Probable	*Most Likely Payout:* **$1.6** Million *Max Reasonable Payout:* **$1.6** Million	• **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**	1 - 5 Years
APWU Grievance - Class Action - F/Y 2017 Line H Staffing	C15T-4C-C 18255039	$4.0 Million	Probable	*Most Likely Payout:* **$1.2** Million *Max Reasonable Payout:* $2.5 Million	• **Additional Facts or Revision in Text** • **Settlement, Not Yet Final and Paid**	Less Than 1 Year
Atlanta - MS 47	K06-1K-C 11461125	$1.1 Million	Probable	*Most Likely Payout:* $1.1 Million *Max Reasonable Payout:* $1.1 Million	• No Change Since Last Report	1 - 5 Years
Deborah Cooper, Wanda West, et.al v. USPS	EEOC Appeal No. 0720090043	$42.7 Million	Probable	*Most Likely Payout:* $1.2 Million *Max Reasonable Payout:* $1.2 Million	• **Additional Facts or Revision in Text**	1 - 5 Years
Line H	E15T-1E-C	$1.3	Probable	*Most Likely Payout:*	• **Additional**	1 - 5

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Minneapolis, Minnesota	18406092 / E15T-1E-C 19068316	Million		$1.3 Million *Max Reasonable Payout:* $1.3 Million	**Facts or Revision in Text**	Years
Line H Staffing FY2015 APWU Class Action	C10T-4C-C 16043991	$3.0 Million	Probable	*Most Likely Payout:* **$1.0** Million *Max Reasonable Payout:* $1.1 Million	• **Additional Facts or Revision in Text** • **Settlement, Not Yet Final and Paid**	Less Than 1 Year
Mail Handler Assistants (MHA) Retroactive Holiday Leave Pay	Q11M-6Q-C 17583292	$4.0 Million	Probable	*Most Likely Payout:* $2.0 Million *Max Reasonable Payout:* $2.0 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
Sales Retention Team (SRT) Pilot Program	USPS Q10C-4Q-C 14011344	[Unknown]	Probable	*Most Likely Payout:* $3.6 Million *Max Reasonable Payout:* $3.6 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
U. S. Postal Service v. APWU (San Francisco HCR)	F11V-1F-C 11297707	$4.0 Million	Probable	*Most Likely Payout:* $4.0 Million *Max Reasonable Payout:* **$4.5** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**	1 - 5 Years
Utilization of Acting Supervisors, 204-Bs (Detroit Bid Cluster)	APWU Grievance No. J10C-4J-C 13283366	$7.8 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.2 Million - $3.8 Million	• **Additional Facts or Revision in Text** • **Settlement, Not Yet Final and Paid**	Less Than 1 Year

A. Probable [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Administrative Claim of Larry Blanchard, Jr.	_____	$15.0 Million	Probable	*Most Likely Payout:* $2.0 Million *Max Reasonable Payout:* $3.5 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year

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Administrative Claim of Richard Essendrop	N/A	$3.9 Million	Probable	*Most Likely Payout:* $1.5 Million *Max Reasonable Payout:* $2.5 Million	• No Change Since Last Report	Less Than 1 Year
Administrative Claim of Ronald Gutierrez	_____	$25.0 Million	Probable	*Most Likely Payout:* **$2.0** Million *Max Reasonable Payout:* $3.0 Million	• **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**	Less Than 1 Year
Christian Fuggi and Daniel Fisher v. United States of America, Amazon, Inc. & Robert Fuggi III	3:17-CV-04036;	$40.0 Million	Probable	*Most Likely Payout:* $1.5 Million *Max Reasonable Payout:* $2.5 Million	• No Change Since Last Report	1 - 5 Years
Clem Dewayne Dalrymple v. United States of America	2:18-cv-14237	$8.3 Million	Probable	*Most Likely Payout:* $1.8 Million *Max Reasonable Payout:* $3.3 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
David and Deborah Peterson v. United States	2:19-CV-00312	$25.0 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.5 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
Estate of Germaine Kollias and E.K., a minor child v. United States	3:19-cv-01238-JR	$6.1 Million	Probable	*Most Likely Payout:* **$1.7** Million *Max Reasonable Payout:* **$2.2** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Additional Facts or Revision in Text** • **Settlement, Not Yet Final and Paid**	Less Than 1 Year
Henry Hernandez-Duran v. United States	1:18-CV-05998	$10.0 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.5 Million	• **Additional Facts or Revision in Text**	**Less Than 1 Year** *[Previously reported as: 1 - 5 Years]*
Henry Mora Hernandez individ and Admin Estate of Sergios Mora Hernandez and Kothan	3:19-cv-01457-AJB-AGS	$20.7 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $2.0 Million	• **Additional Facts or Revision in Text**	**Less Than 1 Year** *[Previously reported as: 1 - 5 Years]*

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Mora Hernandez v. United States						
Jose Rodriguez v. United States of America	940-17-00363478A	$20.0 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.8 Million	• **Additional Facts or Revision in Text**	1 - 5 Years
Kasey and Jessica Ridout v. United States	941-15-0262	$8.0 Million	Probable	*Most Likely Payout:* $2.0 Million *Max Reasonable Payout:* $3.0 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
Nicholas Angel Perez v. USA	1:18-cv-01734	$6.8 Million	Probable	*Most Likely Payout:* $1.5 Million *Max Reasonable Payout:* $3.0 Million	• **Additional Facts or Revision in Text**	1 - 5 Years
Rhea Donahue v. United States of America	1:18-CV-00086	$3.0 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.5 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
Thomas and Tina Rodriguez v. United States of America	17-cv-251	$4.0 Million	Probable	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.5 Million	• No Change Since Last Report	Less Than 1 Year

B. Reasonably Possible

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
2018 Christmas Annex	E16M-1E-C 18024717	$2.3 Million	Reasonably Possible	*Most Likely Payout:* **$1.0** Million *Max Reasonable Payout:* **$1.0** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text** • **Settlement, Not Yet Final and Paid**	Less Than 1 Year
APWU Challenges	E87C-1E-J-	$2.5 Million	Reasonably Possible	*Most Likely Payout:* $2.5 Million	• **Revised Most Likely**	Over 5 Years

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Distribution and Spreading of By-Pass Mail	89014768			*Max Reasonable Payout:* $2.5 Million	**Payout or Maximum Reasonable Payout**	
APWU Jurisdictional Claim - Mail Handler Work at Mt. Hood DDC	24 cases E98C-1E-J 01169646, E00C-1E-J 03056567, et al.	$66.1 Million	Reasonably Possible	*Most Likely Payout:* $2.8 Million *Max Reasonable Payout:* $2.8 Million	• No Change Since Last Report	1 - 5 Years
Atlanta - Retreat Rights	11386356, 11386366, 11386417, 11386368	$1.2 Million	Reasonably Possible	*Most Likely Payout:* $1.2 Million *Max Reasonable Payout:* $1.2 Million	• No Change Since Last Report	1 - 5 Years
Everett Hub NPHMU	E11M-4E-C 15260712 / E11M-4E-C 15260715	**$4.9** Million	Reasonably Possible	*Most Likely Payout:* **$2.0** Million *Max Reasonable Payout:* **$4.9** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**	Less Than 1 Year

[Case previously reported as Short-term Liability (Estimated Time to Resolution: Less Than 1 Year]

Case Name HCR-151AQ MVS Runs

Case Number C11V-C-C-12107884

Date Filed 02/16/2012

Amount Sought $2.5 Million

Liability Assessment Reasonably Possible

Damages Assessment
- **Most Likely Payout**: $2.5 Million
- **Maximum Reasonable Payout**: $2.5 Million

Change in Status
- **Change in Damages Assessment or Amount Sought (Still Meets Threshold)**
- **Revised Most Likely Payout or Maximum Reasonable Payout**
- **Additional Facts or Revision in Text**

Estimated Time to Resolution **1 - 5 Years**
[Previously reported as: Less Than 1 Year]

If Field Grievance, held in abeyance? **No**

Law Dept Counsel Breslin, Jennifer S.

Law Dept Reporting Office Eastern

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Other Representative for USPS	Tracy Wood, DLRS
Facts / Positions Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***	In accordance with the APWU 2010-2015, MOU Re: Motor Vehicle Craft Jobs, the Employer was to designate 600 PVS routes to be assigned to the Motor Vehicle Craft. The Union contends that the USPS failed to convert the runs, which instigated this grievance. The run in question is HCR 151AQ, which is still operating today and consists of 4 shuttle runs from the NDC to the THS Cargo Force at the Pittsburgh Airport. Headquarters Labor Relations was recently consulted with regard to this matter and it was determined that these runs should be converted now. UPDATED INFORMATION, FY19 QIV: Eastern Area Labor Relations conducted further research on this case since it was first reported. Based upon the new information that was received in FY19 QIV, HQ LR was consulted who advised that this case should be held pending the outcome of national level case Q10V-4Q-C 14256800 that deals with what the definition of "route" encompasses as it relates to Section 2 of Motor Vehicle Crafts Jobs MOU found in the 2010 National Agreement**, as it was anticipated that they would be able to reach the agreement to hold the case in abeyance. However, in FY20 QII, the Area LR Specialist has been in communication with the MVS NBA, and as of this report, the NBA has not agreed to hold the case in abeyance. Because the case is not priority scheduled, we have changed the estimated time to resolution from "less than 1 year" to "1 to 5 years." It** is the Postal Service's position that we have met our requirement to convert 600 HCR "routes" to PVS in accordance with the MVC Jobs MOU. Therefore, it would not be appropriate to convert HCR 151AQ. In addition, while this route appeared on the initial list in September 2011, there continued to be ongoing revisions to the list of routes where HCR 151AQ was not listed. The APWU, at the national level, was kept apprised of the ongoing revisions. LIABILITY ***[deletion]*** ASSESSMENT: Given the foregoing new information, it has been determined that the liability assessment should be changed from Probable to Reasonably Possible. CALCULATION METHODOLGY: 4 runs @ 36 hours per week X 52 weeks per grievance filed 2/4/2012 years @1.5 OT rate+= $**2,539,309.74.** ***Unable to attach FY20 QII **Spreadsheet** to this online report, but it is included in the paper copy.***

Jacksonville NDC Custodial Staffing	G06T-1G-C 10442318	$1.1 Million	Reasonably Possible	*Most Likely Payout:* $1.1 Million *Max Reasonable Payout:* $1.1 Million	● No Change Since Last Report	1 - 5 Years
Macon Zebulon Jurisdiction	G00M 4G J 04138439	$2.1 Million	Reasonably Possible	*Most Likely Payout:* $2.1 Million *Max Reasonable Payout:* $2.1 Million	● **Change in Damages Assessment or Amount Sought (Still**	1 - 5 Years

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					Meets Threshold) ● **Additional Facts or Revision in Text**	
MVS Subcontracting of Mail Transportation to HCR Operator After AMF Closure - Grand Rapids, MI	J00V-1J-C 07032514 & J06V-1J-C 07350441	**$2.7** Million	Reasonably Possible	*Most Likely Payout:* **$1.6** Million *Max Reasonable Payout:* **$2.7** Million	● **Revised Most Likely Payout or Maximum Reasonable Payout** ● **Additional Facts or Revision in Text**	1 - 5 Years
Queens P&DC Maintenance Craft (APWU) - Class Action Grievance	09018849 (Lead Case)	$2.2 Million	Reasonably Possible	*Most Likely Payout:* $1.5 Million *Max Reasonable Payout:* $2.2 Million	● **Additional Facts or Revision in Text**	Less Than 1 Year
St. Petersburg P&DC APWU - Contract for Highway Contract Services	G06V-1G-C07242600	$1.4 Million	Reasonably Possible	*Most Likely Payout:* $1.8 Million *Max Reasonable Payout:* $1.8 Million	● **Additional Facts or Revision in Text**	**Over 5 Years** *[Previously reported as: 1 - 5 Years]*

B. Reasonably Possible [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Administrative Claims of Luis Rios and Luz Rios	335-18-003911270A&B	$2.5 Million	Reasonably Possible	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.5 Million	● **Additional Facts or Revision in Text**	1 - 5 Years
Brandi Handley as Personal Representative of the Estate of Edward Handley and Mother and Next Friend of Jaxsyn Handley, a minor child v. United States	5:17-cv-01278-HNJ	$9.0 Million	Reasonably Possible	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.5 Million	● **Additional Facts or Revision in Text**	Less Than 1 Year
Joyce and Roland Osentowski v. United States of America	19-cv-194-C	$2.5 Million	Reasonably Possible	*Most Likely Payout:* $1.0 Million *Max Reasonable Payout:* $1.5 Million	● **Additional Facts or Revision in Text**	Less Than 1 Year

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IV. Contingent Receivables: Assessed At or Above $5 Million

B. Reasonably Possible

1. Business Claims

Case Name	Northrop Grumman Systems Corp. v. United States
Case Number	Fed. Cl. No. 12-286
Date Filed	05/04/2012
Amount Sought	$180.0 Million
Liability Assessment	Reasonably Possible
Damages Assessment	• **Most Likely Payout**: [Unknown] • **Maximum Reasonable Payout**: $117.0 Million
Change in Status	• **Additional Facts or Revision in Text**
Estimated Time to Resolution	**Less Than 1 Year** *[Previously reported as: 1 - 5 Years]*
Law Dept Counsel	Kiely, Michael F.
Law Dept Co-Counsel	Windmueller, Michelle A.
Law Dept Reporting Office	HQ Legal Strategy
Other Representative for USPS	See main report
Facts / Positions Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***	For a statement of the facts and the assessments, see the entry for this case in the Contingent Liabilities Report. The claim by Northrop and the counterclaim by the Postal Service will be discussed in one report. The maximum amount of the Postal Service's counterclaim for delay damages was reduced, as stated in the main report.

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IV. Contingent Receivables: Assessed Below $5 Million

[No Cases]

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V. Addendum: Contingent Liabilities: Most Likely Payout Below $1 Million and Maximum Reasonable Payout At or Above $1 Million

A. Probable

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
APWU v. U.S. Postal Service (Oakland HCR)	F10V-1F-C 15342226 - MO-260-15	$17.2 Million	Probable	*Most Likely Payout:* $0.3 Million *Max Reasonable Payout:* $17.2 Million	● **Additional Facts or Revision in Text**	Less Than 1 Year
Baltimore - Subcontracting Routine Vehicle Maintenance	K10V-4K-C 11300812	$7.5 Million	Probable	*Most Likely Payout:* $0.1 Million *Max Reasonable Payout:* $7.5 Million	● No Change Since Last Report	Less Than 1 Year
Carlos Williams v. Postmaster General	Civil Action No. 17 C 8613 (ND IL)	**$1.8 Million**	**Probable**	*Most Likely Payout:* **$0.8 Million** *Max Reasonable Payout:* **$1.0 Million**	● **New This Quarter**	**1 - 5 Years**
Charlotte NC P&DC MS-47	K15T-1K-C-19018468	$1.3 Million	Probable	*Most Likely Payout:* $0.1 Million *Max Reasonable Payout:* $1.3 Million	● No Change Since Last Report	1 - 5 Years
Howard L. Shumate v. Megan J. Brennan, Postmaster General	Agency No. 4H-000-0003-06; EEOC No. 510-2007-00062X; Appeal No. 0120093856	$2.5 Million	Probable	*Most Likely Payout:* $0.1 Million *Max Reasonable Payout:* $2.5 Million	● No Change Since Last Report	1 - 5 Years
Kelly Temps, Seattle APWU	E90C-1E-9305 0477	$10.0 Million	Probable	*Most Likely Payout:* $0.1 Million *Max Reasonable Payout:* $1.2 Million	● No Change Since Last Report	1 - 5 Years
Line "H" Violations-FY 16, 17, 18 and 19	None Currently	$1.4 Million	Probable	*Most Likely Payout:* $0.3 Million *Max Reasonable Payout:* $1.4 Million	● **Additional Facts or Revision in Text** ● **Settlement, Not Yet Final and Paid**	Less Than 1 Year
Marie Rodgers v. Postmaster General	14-cv-06113	$1.1 Million	Probable	*Most Likely Payout:* $0.8 Million *Max Reasonable Payout:* $1.1 Million	● No Change Since Last Report	1 - 5 Years
MVS Baltimore	K10V-1K-C	$1.0	Probable	*Most Likely Payout:*	● No Change	Less

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Annual Bid	15104667	Million		$0.1 Million *Max Reasonable Payout:* $1.0 Million	Since Last Report	Than 1 Year
NJI/NDC MS-47	B06T-1B-C 08263946/MA-066-08-C;A06T-1A-C 08231761/MA-061-08-C; A06T-1A-C 08270950/MA-054-08-C; B06T-1B-C 08311585/MA-083-08-C	$1.2 Million - $2.0 Million	Probable	*Most Likely Payout:* $0.0 Million - $0.4 Million *Max Reasonable Payout:* $2.0 Million	• No Change Since Last Report	1 - 5 Years
RI-399 2018 Global Settlement	_____	[N/A]	Probable	*Most Likely Payout:* $0.6 Million *Max Reasonable Payout:* $1.0 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year

A. Probable [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Administrative Claim of Kathy Burch	_____	$4.0 Million	Probable	*Most Likely Payout:* $0.5 Million *Max Reasonable Payout:* $1.0 Million	• **Additional Facts or Revision in Text**	**Less Than 1 Year** *[Previously reported as: 1 - 5 Years]*
Administrative Claim of Olga Benitez	100-18-00408587A	**$10.0 Million**	**Probable**	*Most Likely Payout:* **$0.5 Million** *Max Reasonable Payout:* **$1.0 Million**	• **New This Quarter**	**1 - 5 Years**

[Case previously reported as Short-term Liability (Estimated Time to Resolution: Less Than 1 Year]

Case Name Administrative Claim of Paul Reed

Case Number _____

Date Filed 07/22/2019

Amount Sought $9.5 Million

Liability Assessment Probable

Damages Assessment
- **Most Likely Payout**: $0.8 Million
- **Maximum Reasonable Payout**: $1.3 Million

Change in Status
- **Additional Facts or Revision in Text**

Estimated Time to Resolution **1 - 5 Years**

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[Previously reported as: Less Than 1 Year]

Law Dept Counsel Kupper, David R

Law Dept Reporting Office St. Louis

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

On August 14, 2017, a rural carrier associate (RCA) delivered mail to a CBU at an apartment complex. The RCA returned to her LLV and began to reverse when the LLV collided with the front passenger side of a Chevrolet Malibu. The Claimant was a front seat passenger in the Malibu. The RCA reported that the Malibu pulled into the parking lot behind her after she had returned to the LLV and was already in motion. Claimant alleges that the Malibu was in the parking lot and trying to back into a parking spot when the LLV struck it. Claimant also alleges that the RCA was involved in an argument with a resident of the apartments just prior to reversing her vehicle and she was distracted and not paying attention. We are still trying to gather more information regarding the facts of this accident and assignment of fault.

Claimant was 36 years old at the time of this minor accident. No injuries were reported on scene to police and the accident was so minor that only a one page police report was completed. Two weeks after the accident he began seeing an orthopedic surgeon with complaints of pain and severe spasms in his neck and back. Claimant already had a relationship with this surgeon as he treated with him between 2004-2007 and had a spinal surgery with a lumbar disc replacement in 2007. He also had pain injections to his neck during that period of time. Despite this preexisting history, Claimant alleges that his pain was controlled with pain medications and the subject accident made his pain worse and exacerbated his low back issues. MRIs showed multiple bulging discs in the Claimant's neck and back. He tried physical therapy but did not have relief. He then tried lumbar and cervical injections with minimal relief. In July 2018, the Claimant underwent a cervical fusion surgery at two levels, C4-6. Following surgery he continued to complain of pain and severe spasm in the lumbar back. In June 2019 a trial spinal cord stimulator was performed and Claimant alleges that it was successful and a permanent stimulator was implanted on July 22, 2019. We **have not received any medical records regarding the permanent stimulator or actual cost**. ***[deletion]***

Claimant claims his current medical expenses total approximately $387,000. **We have verified past medical treatment of over $150,000 but do not have the actual cost of the alleged spinal cord stimulator. Plaintiff has retained a financing company to pay for his treatment and according to its lien from July 2019 they estimated treatment costs to total almost $260,000 though this was using estimates for the spinal cord stimulator procedure. Spinal** Cord Stimulators also require future maintenance and monitoring and future expenses can be significant. **Claimant** submitted a certified life care plan asserting future medical costs in the range of $700,000 to $900,000. Based on our experience with Spinal Cord Stimulators, future expenses are highly speculative so if we are found responsible for the stimulator the future expenses should be much lower than claimed. Additionally, this accident was extremely minor and Claimant has a significant past history to include a previous

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surgery so we need to review historic MRIs and evaluate the findings pre and post accident. While we will need to know much more about Claimant's medical history to assess this matter, and believe we have a comparative fault argument against the driver of the Malibu, we provide a preliminary most likely payout estimate of $750,000 with a maximum reasonable payout of about 1.3M. We are continuing to re**quest and review** records and anticipate with the issues in dispute in this matter any administrative offer we make will be relatively low and therefore the matter will likely end up in litigation. **Having come to the conclusion the matter will not settle administratively, the estimated time to resolution for the litigation that will follow will be greater than one year.**

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Administrative Claim of William Lucas	390-19-00443170B	**$1.2 Million**	**Probable**	*Most Likely Payout:* **$0.8 Million** *Max Reasonable Payout:* **$1.0 Million**	• **New This Quarter**	**Less Than 1 Year**
Administrative Claims of David and Michal Carmely	_____	**$10.5 Million**	**Probable**	*Most Likely Payout:* **$0.5 Million** *Max Reasonable Payout:* **$1.0 Million**	• **New This Quarter**	**Less Than 1 Year**
David Crimmins v. USA	17-CV-03470	$2.0 Million	Probable	*Most Likely Payout:* $0.7 Million *Max Reasonable Payout:* $1.3 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
Harry Halstead and Roy Joffrion v. United States	4:16-CV-3219	$20.0 Million	Probable	*Most Likely Payout:* $0.8 Million *Max Reasonable Payout:* $1.0 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
James Matthews v. United States of America	18-cv-01280-HNJ	$15.0 Million	Probable	*Most Likely Payout:* $0.8 Million *Max Reasonable Payout:* $1.2 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year

[Case previously reported as Short-term Liability (Estimated Time to Resolution: Less Than 1 Year]

Case Name Jeannette Toppin Indiv & As Administrator for the EO Daquan Monicure v. United States

Case Number 1:20-CV-00001

Date Filed 02/01/2019

Amount Sought $5.0 Million

Liability Assessment Probable

Damages Assessment
- **Most Likely Payout**: $0.6 Million
- **Maximum Reasonable Payout**: $1.2 Million

Change in Status
- **Additional Facts or Revision in Text**

Estimated Time to Resolution **1 - 5 Years**
[Previously reported as: Less Than 1 Year]

Law Dept Counsel Bjurstrom, Stanford M.

Law Dept Reporting Office St. Louis

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

On September 6, 2017 RCA Debra Yarborough was travelling west on MLK Jr. Boulevard in Lexington, NC on her way back to the Lexington, NC Postal Office in her privately owned 2017 Jeep. She had completed delivering mail on her assigned route and was on her way back to the Post Office when she drove left of the center line into the oncoming eastbound traffic and hit the operator of a moped, Daquan Monicure, causing him to be

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ejected from the moped and thrown 70 feet from the point of impact. Although Yarborough initially told police that the moped had crossed into her lane of travel, three other witnesses interviewed by police contradicted her statement and advised that Yarborough had crossed the center line and hit Mr. Monicure, never slowing down. An open bottle of alcohol as well as a bottle of muscle relaxers were found in Yarborough's Jeep. She was arrested for DWI at the scene and later charged with Involuntary Manslaughter for which she plead guilty and received a 60 month suspended execution of sentence. Yarborough was terminated by the Postal Service for Failure to Observe Safety Rule and Regulations. The Postal Service is liable for this incident.

Mr. Monicure (22 YO) did not regain consciousness and was pronounced dead at the accident scene. He was observed by EMS to have significant head trauma with an open skull fracture to the left side of his head.

It is unclear at the time of the accident how Mr. Monicure was employed. Although correspondence from counsel for his Estate claims that he was working for a trucking company, there is also information we obtained noting that he worked at Lowe's in some capacity although no W-2's or tax returns have been provided. We recently received an economist's report which calculated Mr. Monicure's wage loss over his lifetime to be $837,134 reduced to present value as required under North Carolina law. The report did not reference any specific earnings of Mr. Monicure but simply used data from the Census Bureau for a male high school graduate. If graduating high school and a few blue collar skill class we know about are all Mr. Monicure has to offer to support a past and present wage history, the wage loss associated with his death might be half as much.

The economist's report also provided a calculation for loss of household activities of $144,239. The report calculated the figure from Mr. Monicure's age at death, 22 YO, to 36 YO. While the Estate's counsel has advised that Mr. Monicure had a 4 YO son at the time of his death, it appears he shared custody of his son with his son's mother and it seems likely he was not playing a large role in his son's life, which could reduce the value of the loss of household activities considerably. Mr. Monicure was also survived by his mother, Jeannette Toppin (the administer of his estate) and by his father John Montague.

Under North Carolina law, a claim may be made under the wrongful death statute by the personal representative. The wrongful death statute allows for recovery of medical expenses incurred by the decedent, as well as funeral expenses. It also provides for the present value of income of the decedent, services and assistance provided by the decedent as well as loss of society, companionship and comfort. The estate is also entitled to recover for the decedent's pain and suffering prior to death (although that does not appear to be a significant issue in this case).

The non-economic damages for his son's loss of Mr. Monicure's society, comfort and companionship is difficult to measure based on what we know at this point. We do know that a young boy has lost his father who was also very young. If the court finds the

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decedent and his son had a close relationship, the non-economic damages could be significant.

Based on the information we currently have regarding the decedent, it appears that the most likely payout amount will be near $600,000, but a maximum reasonable payout of up to $1.2 million is reasonably possible.

Although we attempted to engage in settlement discussions with claimant, the amount she sought far exceeded our value of the case. As a result, we denied the claim on November 6, 2019. We **recently were served with a complaint filed by the Estate in the US District Court for the Middle District of North Carolina. We expect to file an answer to the complaint in the next 30 days but it will take some time for the litigation to develop.**

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Jerry L. Williams II v. United States of America	1:17-CV-04169-TCB	$10.0 Million	Probable	*Most Likely Payout:* $0.7 Million *Max Reasonable Payout:* $1.2 Million	• **Additional Facts or Revision in Text**	Less Than 1 Year
Julio Mayorga Martinez, Sandi Vargas Moreno, Jake Mayorga, and Miles Mayorga v. USA, et al.	2:17-cv-08810	$7.5 Million	Probable	*Most Likely Payout:* **$0.4** Million *Max Reasonable Payout:* $1.0 Million	• **Settlement, Not Yet Final and Paid**	Less Than 1 Year

[Case previously reported as Short-term Liability (Estimated Time to Resolution: Less Than 1 Year]

Case Name Kelvin Comeaux v. United States

Case Number 2:19-cv-12801

Date Filed **09/24/2019**

Amount Sought $1.4 Million

Liability Assessment Probable

Damages Assessment
- **Most Likely Payout**: $0.5 Million
- **Maximum Reasonable Payout**: $1.0 Million

Change in Status
- **Additional Facts or Revision in Text**

Estimated Time to Resolution **1 - 5 Years**
[Previously reported as: Less Than 1 Year]

Law Dept Counsel Kupper, David R

Law Dept Reporting Office St. Louis

Facts / Positions

Highlighting any revisions made since Report for FY2020 Q1: **New text** and ***[deletion]***

Previously reported as the Administrative Claim of Kelvin Comeaux. Estimated Time to Resolution changed to over 1 year due to the fact that the matter has now entered litigation.

On March 3, 2018, a Postal Supervisor was operating a Postal Caravan when she tried to turn left at an intersection from the right traffic lane of a two lane road. **Plaintiff was** in the left lane just behind the Postal vehicle and proceeding straight at this intersection. The Postal vehicle crossed into **Plaintiff's path and struck the Plaintiff's** vehicle. The accident was witnessed by a police unit on patrol in the area. The police determined that the Postal Supervisor caused the accident and assessed her with improper lane usage; however no citation was issued.

This was a relatively minor accident in that the property damage to the **Plaintiff's** Chevrolet Tahoe was about $2,500. **Plaintiff (32** years old) also has a complicated medical history which includes a gunshot wound with resulting injuries to his back, chest, and head. His jaw required a fixation surgery and his medical records reference multiple surgeries following the gunshot. We **requested the historical records administratively but Plaintiff's attorney would not submit them so at this time we** do not yet know the

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extent of his preexisting issues. **We intend to obtain them in the litigation. The Plaintiff was** disabled and unemployed following his gunshot wound in 2016 although he has told medical providers he was working construction after the accident at issue.

Following the accident, the **Plaintiff complained** of neck, low back and left shoulder pain. He began conservative treatment including physical therapy. In June 2018, **he** had an SI joint injection for pain. At the end of July 2018, he then underwent a SI fusion surgery along with a fusion at the C4-6 levels in his cervical spine (neck). **Plaintiff was** then diagnosed with a left shoulder labral tear and in October 2018, he underwent surgery on his left shoulder to repair the tear.

The **Plaintiff alleges** that his current medical expenses total approximately $325,000. He also submitted an estimate from a certified life care planner that his future medical costs will be just under $200,000. **Discovery has not even begun** and ***[deletion]*** there is significant preexisting medical information that we need prior to determining the most likely and maximum reasonable payout values. We ***[deletion]*** think it quite possible that some or all of the **Plaintiff's** medical issues predated this relatively minor motor vehicle accident, but if we are unable to prove that, judgments in Louisiana tend to be hi**gh. Therefore,** if the court determines that all of his injuries arose from our accident**, the** maximum reasonable payment in this case would reach $1 million. The most likely payout we are listing, half of that amount, is only an early estimate at this time. ***[deletion]***

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Lionel Singleton, Jr. v. USA	19-cv-02684	**$3.5 Million**	**Probable**	*Most Likely Payout:* **$0.7 Million** *Max Reasonable Payout:* **$1.2 Million**	• **New This Quarter**	**Less Than 1 Year**
Onlilea Parrott et al. v. United States Postal Service	WDMO 4:19-cv-00019	$44.0 Million	Probable	*Most Likely Payout:* $0.5 Million *Max Reasonable Payout:* $1.0 Million	• **Additional Facts or Revision in Text** • **Settlement, Not Yet Final and Paid**	Less Than 1 Year
Rachel Flowers, individually and as heir and personal representative of the estate of Kente Summers, and as parent and natural guardian of Donte Summers v. United States of America	4:17-cv-01028-HFS	$33.0 Million	Probable	*Most Likely Payout:* **$0.6** Million *Max Reasonable Payout:* $1.0 Million	• **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text** • **Settlement, Not Yet Final and Paid**	Less Than 1 Year

B. Reasonably Possible

1. Business Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
CITY OF NEW YORK, STATE OF CALIFORNIA, ET AL. V. USPS AND BRENNAN	19-cv-05934	**[Unknown]**	**Reasonably Possible**	*Most Likely Payout:* **$0.0 Million - $42.0 Million** *Max Reasonable Payout:* **$420.0 Million**	• **New This Quarter**	**1 - 5 Years**
Paul LaBell	PSBCA Nos. 6719, 6720, & 6721	$1.1 Million	Reasonably Possible	*Most Likely Payout:* $0.1 Million *Max Reasonable Payout:* $1.1 Million	• **Additional Facts or Revision in Text**	1 - 5 Years

B. Reasonably Possible [cont'd]

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution

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Advanced Parcel Processing System (APPS) - Twin Cities BMC	E00T-1E-C 05138587	$5.1 Million	Reasonably Possible	*Most Likely Payout:* $0.2 Million - $2.5 Million *Max Reasonable Payout:* $2.5 Million	• No Change Since Last Report	Over 5 Years
Air Mail Center - Boston	Q00C-4Q-C 06040312	[Unknown]	Reasonably Possible	*Most Likely Payout:* $0.6 Million *Max Reasonable Payout:* $3.7 Million	• No Change Since Last Report	1 - 5 Years
Air Mail Centers - Six Sites	Q00C-4Q-C 06168520	[Unknown]	Reasonably Possible	*Most Likely Payout:* $0.9 Million *Max Reasonable Payout:* $5.0 Million	• No Change Since Last Report	1 - 5 Years
Class Action (Rural vs. City Territory) - All City Offices	F90N-4F-J, et seq.	[Unknown]	Reasonably Possible	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* $45.0 Million	• No Change Since Last Report	1 - 5 Years
Class Action (Rural vs. City Territory) - Hot Springs, AR	G90N-4G-J 95040547	[Unknown]	Reasonably Possible	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* $12.7 Million	• No Change Since Last Report	1 - 5 Years
Class Action (Rural vs. City Territory) - Sun City, AZ	E94N-4E-J 97065424 & F01N-4F-C 04057884	[Unknown]	Reasonably Possible	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* $9.5 Million	• No Change Since Last Report	1 - 5 Years
Injured Carriers Transferred to Clerk Craft	K00C-4K-C 06124439	$1.5 Million	Reasonably Possible	*Most Likely Payout:* $0.7 Million *Max Reasonable Payout:* $1.5 Million	• No Change Since Last Report	1 - 5 Years
Maintenance Mechanic Level 7 Excessing and Bid Repostings at Detroit P&DC (Detroit District)	APWU Grievance No. J10T-4J-C 10106355	$0.8 Million	Reasonably Possible	*Most Likely Payout:* $0.8 Million *Max Reasonable Payout:* **$9.9** Million	• **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**	1 - 5 Years
MVS Highway Contract Route (HCR) Notification of Renewals	Q06C-4Q-C 11182451	[Unknown]	Reasonably Possible	*Most Likely Payout:* $0.0 Million - $0.0 Million *Max Reasonable Payout:* **$108.7** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Additional Facts or Revision in Text**	1 - 5 Years

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Olympia Hub - NPMHU	E11M-4E-C 15264865/E11M-4E-C 15264888	**$4.1** Million	Reasonably Possible	*Most Likely Payout:* $0.8 Million *Max Reasonable Payout:* **$4.1** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**	Less Than 1 Year

B. Reasonably Possible [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Administrative claim of Dean Rust	_____	**$25.0 Million**	**Reasonably Possible**	*Most Likely Payout:* **$0.2 Million** *Max Reasonable Payout:* **$1.0 Million**	• **New This Quarter**	**1 - 5 Years**
Administrative Claim of Estate of Gary Pietropaolo	NA	$3.0 Million	Reasonably Possible	*Most Likely Payout:* $0.5 Million *Max Reasonable Payout:* $1.0 Million	• No Change Since Last Report	Less Than 1 Year
Administrative Claim of the Estate of Lawrence L. Henry	N/A	$1.5 Million	Reasonably Possible	*Most Likely Payout:* $0.2 Million *Max Reasonable Payout:* $1.0 Million	• **Additional Facts or Revision in Text**	1 - 5 Years
Tracey Houston v. United States	18-cv-02914	**$10.0 Million**	**Reasonably Possible**	*Most Likely Payout:* **$0.7 Million** *Max Reasonable Payout:* **$1.0 Million**	• **New This Quarter**	**Less Than 1 Year**

C. Remote

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Class Action Maintenance Custodial Staffing (APWU) at the St.	Grievance No. J94T-1J-C 98101478	$1.0 Million	Remote	*Most Likely Payout:* $0.8 Million *Max Reasonable Payout:*	• No Change Since Last Report	1 - 5 Years

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Louis, Missouri BMC	(Gateway District)			$1.0 Million		
Clerks Performing MH Work-AFC 200 machines NPMHU	C06M-1C-C 13048098	**$5.0** Million	Remote	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* **$5.0** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**	1 - 5 Years
Excessing/Retreat Rights Mail Handlers	K00M-1K-C 05164031	$4.8 Million	Remote	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* $4.8 Million	• No Change Since Last Report	1 - 5 Years
Mail Handlers Alleging Clerks Spreading Mail to Carrier Cases (Flint, MI PO)	NPMHU Grievance No. J98M-4J-C 01080311 (Detroit District)	**$8.4** Million	Remote	*Most Likely Payout:* $0.8 Million *Max Reasonable Payout:* **$8.4** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)**	Less Than 1 Year
Mailhandlers Doing Clerk Work	C 94C-1C-C 99236816	$8.5 Million	Remote	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* $8.5 Million	• No Change Since Last Report	1 - 5 Years
NAPS District Court Action	1:19 CV 2236	[Unknown]	Remote	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* $313.0 Million	• **Additional Facts or Revision in Text**	1 - 5 Years
NPMHU Louisville, Kentucky	C06M-1C-C-13036221	**$3.1** Million	Remote	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* **$2.1** Million	• **Change in Damages Assessment or Amount Sought (Still Meets Threshold)** • **Revised Most Likely Payout or Maximum Reasonable Payout** • **Additional Facts or Revision in Text**	Over 5 Years
RI-399 Input Subsystem to the Advanced Facer Canceller (AFCS)	Q94C-4Q-J 97028616	[Unknown]	Remote	*Most Likely Payout:* $0.3 Million *Max Reasonable Payout:*	• No Change Since Last Report	1 - 5 Years

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				$1.0 Million		
SPSS (RI-399)	Q11M-6Q-J 15281315 / Q10C-4Q-J 15291805	[Unknown]	Remote	*Most Likely Payout:* $0.0 Million *Max Reasonable Payout:* $173.3 Million	● **Additional Facts or Revision in Text**	**Less Than 1 Year** *[Previously reported as: 1 - 5 Years]*
Subcontracting IDR Installation Postal Service	Q00T-4Q-C 05123891	[Unknown]	Remote	*Most Likely Payout:* $0.2 Million - $1.0 Million *Max Reasonable Payout:* $2.1 Million	● No Change Since Last Report	1 - 5 Years
Subcontracting on the Small Parcel and Bundle Sorter	Q00T-4Q-C 05003952	[Unknown]	Remote	*Most Likely Payout:* $0.5 Million - $4.6 Million *Max Reasonable Payout:* $4.6 Million	● No Change Since Last Report	1 - 5 Years
Utilization of Acting Supervisors, 204-Bs (Customer Care Center) (Detroit District)	APWU Grievance No. Y10C-4Y-C 17192940 (Local#14-1090)	**$1.4 Million**	**Remote**	*Most Likely Payout:* **$0.4 Million - $0.6 Million** *Max Reasonable Payout:* **$1.0 Million**	● **New This Quarter**	**1 - 5 Years**

C. Remote [cont'd]

3. Tort Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Estimated Time to Resolution
Leo Pappas v. USA	2:19-cv-05263	$4000.0 Million	Remote	*Most Likely Payout:* $0.1 Million *Max Reasonable Payout:* $1.5 Million	● **Additional Facts or Revision in Text**	1 - 5 Years
Paige Ray v. USA	2:20-cv-04023	**$15.0 Million**	**Remote**	*Most Likely Payout:* **$0.3 Million** *Max Reasonable Payout:* **$3.0 Million**	● **New This Quarter**	**1 - 5 Years**

C. Remote [cont'd]

2. Labor Claims

Case Name	Case Number	Amount Sought	Liability Assessment	Damages Assessment	Status	Payout Amount	Payout Date
APWU v.	Civil Action	$4.0 Million	Remote	*Most Likely Payout:* **$0.0** Million	● **Change in Damages**	_____	_____

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USPS	No. 18-cv-11027	*Max Reasonable Payout:* $4.0 Million	**Assessment or Amount Sought (Still Meets Threshold)** ● **Additional Facts or Revision in Text** ● **Favorable Decision** ● **Reassessed; No Longer Meets Threshold**

USPS-20-1215-A-009207

U.S Postal Service

Statement of Facts / Draft Report Technical Comments

Review Of: Congressional Action to Enable a Sustainable Business Model is Essential (GAO-20-385)

Page No:	Location on Page	Comment Provided By	Original Text:	Recommended Edits / Justification:
Highlights, p. 1	Main text, 1st para	Jacob Howley	USPS's work force had increased from 617,700 in fiscal year 2013 to about 630,000 in fiscal year 2019.	This selective period focuses only on an interim increase in headcount, but a fuller perspective (see page 9) shows that headcount remains significantly lower than before the PAEA. Also, it should be mentioned that the USPS has achieved compensation reforms that lower the cost of new hires.
Highlights, p. 1	Sidebar, 1st paragraph	Tony Mazzei, Jacob Howley	While USPS is to be self-sustaining, it lost about $78 billion from fiscal years 2007 through 2019 due primarily to declining mail volumes and increased costs.	Should say "due primarily to declining mail volumes, increased costs, and new, unfunded legislative mandates and constraints." (That would encompass RHB as well as the price cap and product limitations.)
Highlights, p. 1	Main text, 2nd paragraph	Tony Mazzei, Jacob Howley	To address these challenges, USPS has taken actions such as providing increased self-service options and reducing facility hours.	These are certainly things we've done, but hardly the most significant measures. More salient things to mention would be deferring capital investments, rationalizing the mail processing and delivery networks, creating new tiers of employees, utilizing significantly higher levels of non-career employees, and securing approval for a rate surcharge to recover some of the revenue lost during the Great Recession. Despite these efforts, the Postal Service has been forced to default on pension and RHB payments in order to preserve liquidity to maintain operations.
Highlights, p. 1	Main text, 2nd paragraph	Jacob Howley	However, statutory requirements limit USPS's ability to make changes in areas such as certain service offerings and its employee compensation and benefits.	Add "pricing" as an area of significant statutory constraint.
Highlights, p. 2	Sidebar, 1st paragraph	Jacob Howley	"… (2) five countries—Australia, France, Germany, New Zealand, and the United Kingdom. The businesses and countries had	This should probably read "foreign posts in five countries… The business and foreign posts... For each of these businesses and foreign posts…" (The countries

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			characteristics similar to USPS… For each of these businesses and countries…"	themselves do not have characteristics similar to the USPS, for instance.)
Highlights, p. 2	Main text, bullet list	Jacob Howley		Bullets should be added for (1) pricing flexibility and (2) government assumption of liabilities. Germany, UK, and France all liberalized their price caps in ways that allowed for significant above-inflation price increases, and Australia Post was allowed to make similar above-inflation price increases. Regarding legacy costs, the UK government assumed Royal Mail's pension liability and operation of the post office network prior to privatization.
1	Para 1	Steve Nickerson, Jacob Howley	"its productivity has declined in recent years	This would benefit from fuller context. Overall mail volume (hence output) has continued to decline, while the ability to reduce inputs is hampered by the growth in higher-cost-to-deliver packages and continued growth in delivery points. Meanwhile, much of the "low-hanging fruit" in terms of productivity-enhancing measures has already been gleaned in the post-Great-Recession years, and the necessity of deferring capital investment has hindered access to potential new efficiency improvements.
1	Para 2	Steve Nickerson, Jacob Howley	USPS has been unable to make broad changes…because USPS and its stakeholders…	Should say "Congress has not made broad changes…" Major reforms of the type discussed here require legislation, and the lack of stakeholder consensus bears on Congress's willingness to make changes more than the USPS's willingness.
1	Para 3	Jacob Howley	to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; and to be an independent establishment …	Could cite 39 U.S.C. § 2401 and 39 U.S.C. § 201 (respectively).
4	1st paragraph under "Background"	Jacob Howley	USPS has the mission of providing prompt, reliable, and efficient universal postal service, and federal law requires USPS to "provide postal	Could cite 39 U.S.C. § 101 and 39 U.S.C. § 403(a) (respectively).

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			services to bind the Nation together through the personal, educational, literary, and business correspondence of the people." USPS is required to serve, as nearly as practicable, the entire population of the United States.	
4	2nd paragraph under "Background"	Jacob Howley	For example, USPS is a key part of the mailing industry, and over time, it has become both a competitor and partner to private companies that also operate in the broader mail and delivery industries. For example, although …	Should revise so that both sentences aren't "For example."
5	Paragraph below Figure 1	Jacob Howley	At that time, Congress was involved in many aspects of the department's operations, such as selecting postmasters, and setting postal rates and wages. By the late 1960s, the department had several major problems including financial losses, management problems, service breakdowns, and low productivity. Because key postal business decisions were made by Congress through the legislative process, postal management had limited ability to plan and finance department operations and capital investments in accordance with postal needs.	Should also note Presidential control over hiring and firing of Postmasters General, as well as other officials, which the Kappel Commission identified as a source of politicization and discontinuity that hindered efficient, businesslike decision-making. Postal management's relative independence from direct Presidential control was a major innovation of the Postal Reorganization Act.
6	1st paragraph, footnote 10	Jacob Howley		Should cite 39 U.S.C. § 2401. Also, the main text to which this footnote pertains discusses the footing on which Congress placed the USPS in 1970. In that light, it should be mentioned that Congress provided for appropriations to support rural service, which were scaled down to $460 million by the early 1980s. That appropriation remains authorized, but the USPS has not requested it (and Congress has not appropriated it) since the early 1980s.
6	2nd paragraph, sentence 1	Renee Sheehy	"By the early 2000s, USPS faced a bleak financial outlook that put its mission of providing universal postal service at risk."	Remove sentence. While the early 2000s were a challenging time for the Postal Service because of the advertising recession and the volume drop due to September 11 and the anthrax attacks, the Postal Service's overall financial position

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				was relatively strong given it was on track to overfund its pension program and mail volume continued to grow through 2006. Moreover, the cost-of-service regulatory format provided automatic rightsizing of revenue to costs.
6	2nd paragraph, last sentence	Jacob Howley	PAEA provided USPS additional pricing flexibility for mail products,12 but balanced this with provisions for increased transparency, oversight, and accountability, among other things.	Should say "PAEA provided USPS with some additional pricing flexibility concerning its competitive products, but also imposed a price cap on most of its volumes and new unfunded mandates and constraints, as well as provisions for increased transparency, oversight, and accountability." (The draft text makes it seem like we got a largely free hand with pricing, when much of it – particularly for "mail products" – actually became subject to a rigid price cap. And given the constraints' overwhelming influence on the USPS's finances since the PAEA, "balanced" gives the wrong impression.)
6	Final para, 1st sentence	Jacob Howley	Specifically, PAEA gave USPS broader latitude to change postal rates in a more streamlined process that included review by the newly created Postal Regulatory Commission (PRC).13	While the USPS got some broader latitude and review was streamlined, it must also be acknowledged that most USPS revenues were subjected to a rigid price cap for at least the first ten years. The price cap is discussed later, but some mention should be made here that the PAEA constrained pricing, in addition to liberalizing it to some small degree. Also, the footnote should cite 39 U.S.C. §§ 3622 and 3632, which set forth the rate-regulation processes.
7	1st full para	Steve Nickerson, Jacob Howley	USPS's current business model is not financially sustainable due to declining mail volumes, increased compensation and benefits costs…	Further context should be given to avoid the misimpression that rising costs are the USPS's fault. Compensation and benefits are largely the result of high-cost federal benefits programs (in which the USPS is legislatively mandated to participate), the requirement for binding arbitration on labor contracts, and the USO mandate. Also, a fourth contributor is missing: the rigid price cap on most USPS revenue, which prevents the USPS from

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				raising prices faster than the rate of inflation to stabilize revenue amid volume declines.
7	2nd full paragraph	Keith Weidner	USPS continues to face decreases in mail volume, its primary revenue source, as online communication and e-commerce have expanded.	It is not clear what is meant by e-commerce in this context. Typically that means purchasing goods over the internet, which has in fact had a positive impact on our volumes by increasing package volume.
8	Top of page, 1st full sentence	Renee Sheehy	Due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices.	Replace with "As a compromise effort to right-size the retail network and due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices." The current discussion makes it sound like the hour reductions were completely independent of the earlier plan when in reality it was an alternative approach in a sustained effort to find a way to cut retail costs.
8	1st para	Steve Nickerson	…but did not fully implement this initiative following opposition from various stakeholders, including postal labor unions.	Delete "including postal labor unions". Many other stakeholders objected to closing facilities; it seems unfair to single out one group.
8	1st para	Jacob Howley		The Postal Service has also been able to restrain the growth in the cost of its workforce by obtaining agreements or arbitration decisions with its unions to implement lower-cost classes of employees and expand the use of noncareer employees.
8	Last bullet on page – second sentence	Jacob Howley	Specifically, USPS is required to provide 6 day a week delivery and to operate postal facilities across the country.	Should cite annual appropriations bill and 39 U.S.C. §§ 101(b) and 403(b)(3).
9	First bullet	Jacob Howley, Keith Weidner	Postal products and pricing: USPS's pricing flexibility is limited by a price cap on market-dominant products that generally limits rate increases for these products to inflation. Each competitive product is required to cover its attributable costs, competitive products collectively are required to recover their attributable costs, and	Citations for each sentence (respectively): - 39 U.S.C. § 3622(d)(1)(A), (C). [It should be noted that this price cap applies for at least the first ten years after the PAEA, and may now be modified by the Postal Regulatory Commission if necessary to achieve certain statutory criteria.]

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			competitive products collectively are required to cover a PRC-specified minimum of USPS's institutional costs. In addition, USPS is prohibited from providing new non-postal products and services.	- 39 U.S.C. § 3633. - 39 U.S.C. § 404(e). Also, while the price cap and nonpostal restrictions undoubtedly impact the Postal Service's ability to generate revenue, it is unclear why the report cites the rules that set a price floor for competitive products as having that same effect.
9	1st full para	Steve Nickerson, Jacob Howley	While mail volumes have decreased, USPS's compensation and benefits costs for current employees have been increasing since 2014.	This implies that USPS has been failing to control costs in line with volumes. But because of the USO, many of our costs are fixed and should not be expected to vary with volume. (E.g., we have to visit nearly every address every day regardless of volume.) And within our cost base, factors outside our control account for inflation, from changes in our benefits due to health-care cost inflation and external actuarial determinations, to step increases, layoff protections, and inflation-based COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration) and increases in normal cost contributions to the Federal Employees Retirement System (FERS). The draft report later gives context about collective bargaining, arbitration, and the USPS's cost-reduction efforts. Hence, it might be helpful to either reframe the statement here to make it seem like less of a (potentially blameworthy) contradiction (e.g., "Despite significant cost-reduction efforts, USPS's compensation and benefits costs have risen even as mail volumes have decreased…"), or else reserve it until after the necessary context has been established.
9	1st full paragraph, sentence 4	Renee Sheehy	The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing.	Add something that acknowledges that overtime can be a less expensive way to achieve work hours than hiring additional staff such as "The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing, although using

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				regular overtime is less expensive than hiring additional employees."
9	1st full para, last sentence	Steve Nickerson, Tony Mazzei, Jacob Howley	According to USPS, total compensation and benefits costs increased by almost $1 billion in fiscal year 2019 alone.	The increase in compensation and benefits was 2.1%, only slightly higher than CPI growth of 1.7%. Unsurprisingly, given the overlap with general inflation, major drivers of the $1 billion increase in compensation and benefits were the step increases and COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration).
9	Footnote 22, 2nd sentence	Renee Sheehy	Non-career employees are generally considered temporary and hired, for example, during times of large mail volume such as holidays.	Replace with "Non-career employees include those with lower-paid positions such as city carrier assistants and postal support employees and temporary employees hired during times of large mail volume such as holidays." (Many non-career employees are not temporary.)
11	First full sentence	Jacob Howley	Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP) which covers current employees and retirees.	Should be expanded: "Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP), which covers current employees and retirees, as well as federal pension and workers' compensation programs." (These programs impose substantially greater costs on the USPS than private-sector counterparts. GAO has previously studied the disparity as to FECA costs.)
11	Last paragraph	Jacob Howley	USPS's unfunded liabilities and debt … [were] 226 percent of its fiscal year 2019 revenues.35 At the end of fiscal year 2019, USPS's unfunded liabilities and debt totaled … more than double its annual revenues (see figure 2).	Consider eliminating the redundancy between these two sentences: "226 percent" is the same as "more than double."
12	First sentence	Tony Mazzei, Jacob Howley	Total unfunded liabilities and debt have risen in part due to USPS not making payments to fund its retiree health and pension benefits.	Some explanation of GAO's use of "unfunded liabilities" is in order. Also, debt should not be included here: defaulting on benefits payments is not why debt has increased. (Defaults conserve cash; borrowing also increases cash.

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				It would be different if the USPS were defaulting in order to pay down debt.) In fact, both measures are due to the Board's decision to maintain cash on hand in furtherance of the USPS's primary service mission.
13	1st paragraph, 3rd sentence	Jacob Howley	USPS is required to prefund its share of health benefits for its retirees and under PAEA, the first 10 years of prefunding payments were fixed—ranging from $5.4 billion to $5.8 billion annually from fiscal years 2007 to 2016.	The comma is incorrect punctuation. Given that the next sentence discusses another type of RHB payment, there should probably be a sentence break there.
13	1st paragraph, 4th sentence	Jacob Howley	From fiscal years 2007 through 2016, USPS was also required to continue "pay-as-you-go" payments for its share of premiums for current retirees.	Mention should be made of the fact that the USPS is no longer required to pay RHB premiums; these are now paid out of the RHB Fund unless/until it is depleted, whereupon the USPS will resume paying premiums on a pay-as-you-go basis. (See 5 U.S.C. § 8906(g)(2)(A).)
13	1st paragraph, 6th sentence	Jacob Howley	As we previously reported, survey data we reviewed indicated that most companies do not offer retiree health benefits and that the number of companies providing such benefits is decreasing over time.	Mention should be made of the fact that the rest of the Federal Government (other than Tricare) does not prefund RHB at all, and that Tricare RHB is funded to a much smaller degree than USPS RHB, with funds appropriated by Congress.
13	1st paragraph, 2nd to last sentence	Renee Sheehy, Jacob Howley	Many companies that have retained their retiree health benefits have done so by making changes to control costs, including tightening eligibility and restructuring benefits.	Replace with "The few companies that have retained their retiree health benefits have nearly universally done so by requiring eligible participants to enroll in Medicare and by making changes to control costs, including tightening eligibility and restructuring benefits." Employers that do provide retiree benefits require participation in Medicare, which should be mentioned.
13	2nd paragraph	Jacob Howley		Mention should be made of the fact that the rest of the Federal Government's pension accounts are substantially less well-funded than the USPS's.
13	overall	Jacob Howley		Mention should be made of the fact that all companies with post-retirement benefits invest those assets in funds that are more diversified and higher-yielding (over the long run, notwithstanding short-term risks) than the low-yield Treasuries in which the USPS's funds are invested. This reduces the need for annual contributions to the funds.

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16	1st paragraph and Footnote 48	Renee Sheehy	[large text and the comment is more global]	The footnote discusses work rules and how they can affect productivity, but as a whole the paragraph does not make clear that some changes can increase productivity while others such as wage and benefit cuts have no effect on productivity.
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33	Table 1, column 2, row 6	Renee Sheehy, Jacob Howley	Postal and other revenues, such as logistics or banking.	Replace with "Postal and other revenues, such as logistics or banking and revenues, including increased revenues from services currently mandated to be supplied free or at a discount" A private company is even less likely to provide services or discounts for free to the government without reimbursement. Also, any of the other models could also have other revenue streams, depending on what Congress allows. This is not unique to a private company.
33	Bullet point	Steve Nickerson, Keith Weidner	USPS further stated that changing it to a typical government agency could reduce incentives…	While USPS did not disagree with the statement in the SOF that that changing from the current structure to a full government agency could theoretically have this impact or that other stakeholders might make that argument, we do not agree that our incentive to be efficient would change as a result of our institutional form, whatever that might be. For that reason, GAO should present this as a general criticism that could be levied against such a change in institutional structure by stakeholders, without ascribing it specifically to the Postal Service. To the contrary, as a practical matter, the Postal Service has been operating for years in a manner that seeks to drive efficiencies, and it is part of our DNA. Particularly given the alternatives that our customers have to using the Postal Service to send their mail and packages, even if we move to being a typical agency there will still be a strong incentive to keep operations as efficient as possible. Efficient operation is simply a part of our culture. Second, even as a theoretical matter, the effect of such a change on Postal Service incentives would depend on the precise statutory structure that Congress creates,

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				including the extent to which appropriations are provided (and for what purposes).
34	2nd bullet	Jacob Howley, Steve Nickerson, Renee Sheehy		Eliminate, unless more substance can be provided to distinguish this model from the status quo. The draft text here does not explain how a government corporation or GSE model would differ in substance from an independent establishment, let alone why the redesignation would increase efficiency incentives. After all, the original idea of reorganizing the USPS as an independent establishment (with material changes in substantive powers and freedoms) was to do the very thing purported here: "providing a public service with a predominantly business nature." If that is all there is to being a GSE, then that's the same as what the USPS is today.
35	1st bullet	Jacob Howley	If USPS were to be a private company—an option that is increasingly common among postal operators in other countries—…	It should be acknowledged that, though increasing, this business model represents only a small handful of the world's postal operators – even a small handful among industrialized countries.
35	1st bullet	Keith Weidner	USPS told us that as a private company its primary incentive would be to maximize profits and that, in its view, private shareholders would be most focused on short term financial outcomes	Replace "would" with "could', consistent with terminology used in the rest of this section

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U.S Postal Service

Statement of Facts / Draft Report Technical Comments

Review Of: Congressional Action to Enable a Sustainable Business Model is Essential (GAO-20-385)

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Highlights, p. 1	Main text, 1st para	Jacob Howley	USPS's work force had increased from 617,700 in fiscal year 2013 to about 630,000 in fiscal year 2019.	This selective period focuses only on an interim increase in headcount, but a fuller perspective (see page 9) shows that headcount remains significantly lower than before the PAEA. Also, it should be mentioned that the USPS has achieved compensation reforms that lower the cost of new hires.
Highlights, p. 1	Sidebar, 1st paragraph	Tony Mazzei, Jacob Howley	While USPS is to be self-sustaining, it lost about $78 billion from fiscal years 2007 through 2019 due primarily to declining mail volumes and increased costs.	Should say "due primarily to declining mail volumes, increased costs, and new, unfunded legislative mandates and constraints." (That would encompass RHB as well as the price cap and product limitations.)
Highlights, p. 1	Main text, 2nd paragraph	Tony Mazzei, Jacob Howley	To address these challenges, USPS has taken actions such as providing increased self-service options and reducing facility hours.	These are certainly things we've done, but hardly the most significant measures. More salient things to mention would be deferring capital investments, rationalizing the mail processing and delivery networks, creating new tiers of employees, utilizing significantly higher levels of non-career employees, and securing approval for a rate surcharge to recover some of the revenue lost during the Great Recession. Despite these efforts, the Postal Service has been forced to default on pension and RHB payments in order to preserve liquidity to maintain operations.
Highlights, p. 1	Main text, 2nd paragraph	Jacob Howley	However, statutory requirements limit USPS's ability to make changes in areas such as certain service offerings and its employee compensation and benefits.	Add "pricing" as an area of significant statutory constraint.
Highlights, p. 2	Sidebar, 1st paragraph	Jacob Howley	"… (2) five countries—Australia, France, Germany, New Zealand, and the United Kingdom. The businesses and countries had	This should probably read "foreign posts in five countries… The business and foreign posts... For each of these businesses and foreign posts…" (The countries

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			characteristics similar to USPS… For each of these businesses and countries…"	themselves do not have characteristics similar to the USPS, for instance.)
Highlights, p. 2	Main text, bullet list	Jacob Howley		Bullets should be added for (1) pricing flexibility and (2) government assumption of liabilities. Germany, UK, and France all liberalized their price caps in ways that allowed for significant above-inflation price increases, and Australia Post was allowed to make similar above-inflation price increases. Regarding legacy costs, the UK government assumed Royal Mail's pension liability and operation of the post office network prior to privatization.
1	Para 1	Steve Nickerson, Jacob Howley	"its productivity has declined in recent years	This would benefit from fuller context. Overall mail volume (hence output) has continued to decline, while the ability to reduce inputs is hampered by the growth in higher-cost-to-deliver packages and continued growth in delivery points. Meanwhile, much of the "low-hanging fruit" in terms of productivity-enhancing measures has already been gleaned in the post-Great-Recession years, and the necessity of deferring capital investment has hindered access to potential new efficiency improvements.
1	Para 2	Steve Nickerson, Jacob Howley	USPS has been unable to make broad changes…because USPS and its stakeholders…	Should say "Congress has not made broad changes…" Major reforms of the type discussed here require legislation, and the lack of stakeholder consensus bears on Congress's willingness to make changes more than the USPS's willingness.
1	Para 3	Jacob Howley	to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; and to be an independent establishment …	Could cite 39 U.S.C. § 2401 and 39 U.S.C. § 201 (respectively).
4	1st paragraph under "Background"	Jacob Howley	USPS has the mission of providing prompt, reliable, and efficient universal postal service, and federal law requires USPS to "provide postal	Could cite 39 U.S.C. § 101 and 39 U.S.C. § 403(a) (respectively).

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			services to bind the Nation together through the personal, educational, literary, and business correspondence of the people." USPS is required to serve, as nearly as practicable, the entire population of the United States.	
4	2nd paragraph under "Background"	Jacob Howley	For example, USPS is a key part of the mailing industry, and over time, it has become both a competitor and partner to private companies that also operate in the broader mail and delivery industries. For example, although …	Should revise so that both sentences aren't "For example."
5	Paragraph below Figure 1	Jacob Howley	At that time, Congress was involved in many aspects of the department's operations, such as selecting postmasters, and setting postal rates and wages. By the late 1960s, the department had several major problems including financial losses, management problems, service breakdowns, and low productivity. Because key postal business decisions were made by Congress through the legislative process, postal management had limited ability to plan and finance department operations and capital investments in accordance with postal needs.	Should also note Presidential control over hiring and firing of Postmasters General, as well as other officials, which the Kappel Commission identified as a source of politicization and discontinuity that hindered efficient, businesslike decision-making. Postal management's relative independence from direct Presidential control was a major innovation of the Postal Reorganization Act.
6	1st paragraph, footnote 10	Jacob Howley		Should cite 39 U.S.C. § 2401. Also, the main text to which this footnote pertains discusses the footing on which Congress placed the USPS in 1970. In that light, it should be mentioned that Congress provided for appropriations to support rural service, which were scaled down to $460 million by the early 1980s. That appropriation remains authorized, but the USPS has not requested it (and Congress has not appropriated it) since the early 1980s.
6	2nd paragraph, sentence 1	Renee Sheehy	"By the early 2000s, USPS faced a bleak financial outlook that put its mission of providing universal postal service at risk."	Remove sentence. While the early 2000s were a challenging time for the Postal Service because of the advertising recession and the volume drop due to September 11 and the anthrax attacks, the Postal Service's overall financial position

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				was relatively strong given it was on track to overfund its pension program and mail volume continued to grow through 2006. Moreover, the cost-of-service regulatory format provided automatic rightsizing of revenue to costs.
6	2nd paragraph, last sentence	Jacob Howley	PAEA provided USPS additional pricing flexibility for mail products,12 but balanced this with provisions for increased transparency, oversight, and accountability, among other things.	Should say "PAEA provided USPS with some additional pricing flexibility concerning its competitive products, but also imposed a price cap on most of its volumes and new unfunded mandates and constraints, as well as provisions for increased transparency, oversight, and accountability." (The draft text makes it seem like we got a largely free hand with pricing, when much of it – particularly for "mail products" – actually became subject to a rigid price cap. And given the constraints' overwhelming influence on the USPS's finances since the PAEA, "balanced" gives the wrong impression.)
6	Final para, 1st sentence	Jacob Howley	Specifically, PAEA gave USPS broader latitude to change postal rates in a more streamlined process that included review by the newly created Postal Regulatory Commission (PRC).13	While the USPS got some broader latitude and review was streamlined, it must also be acknowledged that most USPS revenues were subjected to a rigid price cap for at least the first ten years. The price cap is discussed later, but some mention should be made here that the PAEA constrained pricing, in addition to liberalizing it to some small degree. Also, the footnote should cite 39 U.S.C. §§ 3622 and 3632, which set forth the rate-regulation processes.
7	1st full para	Steve Nickerson, Jacob Howley	USPS's current business model is not financially sustainable due to declining mail volumes, increased compensation and benefits costs…	Further context should be given to avoid the misimpression that rising costs are the USPS's fault. Compensation and benefits are largely the result of high-cost federal benefits programs (in which the USPS is legislatively mandated to participate), the requirement for binding arbitration on labor contracts, and the USO mandate. Also, a fourth contributor is missing: the rigid price cap on most USPS revenue, which prevents the USPS from

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				raising prices faster than the rate of inflation to stabilize revenue amid volume declines.
7	2nd full paragraph	Keith Weidner	USPS continues to face decreases in mail volume, its primary revenue source, as online communication and e-commerce have expanded.	It is not clear what is meant by e-commerce in this context. Typically that means purchasing goods over the internet, which has in fact had a positive impact on our volumes by increasing package volume.
8	Top of page, 1st full sentence	Renee Sheehy	Due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices.	Replace with "As a compromise effort to right-size the retail network and due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices." The current discussion makes it sound like the hour reductions were completely independent of the earlier plan when in reality it was an alternative approach in a sustained effort to find a way to cut retail costs.
8	1st para	Steve Nickerson	…but did not fully implement this initiative following opposition from various stakeholders, including postal labor unions.	Delete "including postal labor unions". Many other stakeholders objected to closing facilities; it seems unfair to single out one group.
8	1st para	Jacob Howley		The Postal Service has also been able to restrain the growth in the cost of its workforce by obtaining agreements or arbitration decisions with its unions to implement lower-cost classes of employees and expand the use of noncareer employees.
8	Last bullet on page – second sentence	Jacob Howley	Specifically, USPS is required to provide 6 day a week delivery and to operate postal facilities across the country.	Should cite annual appropriations bill and 39 U.S.C. §§ 101(b) and 403(b)(3).
9	First bullet	Jacob Howley, Keith Weidner	Postal products and pricing: USPS's pricing flexibility is limited by a price cap on market-dominant products that generally limits rate increases for these products to inflation. Each competitive product is required to cover its attributable costs, competitive products collectively are required to recover their attributable costs, and	Citations for each sentence (respectively): - 39 U.S.C. § 3622(d)(1)(A), (C). [It should be noted that this price cap applies for at least the first ten years after the PAEA, and may now be modified by the Postal Regulatory Commission if necessary to achieve certain statutory criteria.]

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			competitive products collectively are required to cover a PRC-specified minimum of USPS's institutional costs. In addition, USPS is prohibited from providing new non-postal products and services.	- 39 U.S.C. § 3633. - 39 U.S.C. § 404(e). Also, while the price cap and nonpostal restrictions undoubtedly impact the Postal Service's ability to generate revenue, it is unclear why the report cites the rules that set a price floor for competitive products as having that same effect.
9	1st full para	Steve Nickerson, Jacob Howley	While mail volumes have decreased, USPS's compensation and benefits costs for current employees have been increasing since 2014.	This implies that USPS has been failing to control costs in line with volumes. But because of the USO, many of our costs are fixed and should not be expected to vary with volume. (E.g., we have to visit nearly every address every day regardless of volume.) And within our cost base, factors outside our control account for inflation, from changes in our benefits due to health-care cost inflation and external actuarial determinations, to step increases, layoff protections, and inflation-based COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration) and increases in normal cost contributions to the Federal Employees Retirement System (FERS). The draft report later gives context about collective bargaining, arbitration, and the USPS's cost-reduction efforts. Hence, it might be helpful to either reframe the statement here to make it seem like less of a (potentially blameworthy) contradiction (e.g., "Despite significant cost-reduction efforts, USPS's compensation and benefits costs have risen even as mail volumes have decreased…"), or else reserve it until after the necessary context has been established.
9	1st full paragraph, sentence 4	Renee Sheehy	The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing.	Add something that acknowledges that overtime can be a less expensive way to achieve work hours than hiring additional staff such as "The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing, although using

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				regular overtime is less expensive than hiring additional employees."
9	1st full para, last sentence	Steve Nickerson, Tony Mazzei, Jacob Howley	According to USPS, total compensation and benefits costs increased by almost $1 billion in fiscal year 2019 alone.	The increase in compensation and benefits was 2.1%, only slightly higher than CPI growth of 1.7%. Unsurprisingly, given the overlap with general inflation, major drivers of the $1 billion increase in compensation and benefits were the step increases and COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration).
9	Footnote 22, 2nd sentence	Renee Sheehy	Non-career employees are generally considered temporary and hired, for example, during times of large mail volume such as holidays.	Replace with "Non-career employees include those with lower-paid positions such as city carrier assistants and postal support employees and temporary employees hired during times of large mail volume such as holidays." (Many non-career employees are not temporary.)
11	First full sentence	Jacob Howley	Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP) which covers current employees and retirees.	Should be expanded: "Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP), which covers current employees and retirees, as well as federal pension and workers' compensation programs." (These programs impose substantially greater costs on the USPS than private-sector counterparts. GAO has previously studied the disparity as to FECA costs.)
11	Last paragraph	Jacob Howley	USPS's unfunded liabilities and debt … [were] 226 percent of its fiscal year 2019 revenues.35 At the end of fiscal year 2019, USPS's unfunded liabilities and debt totaled … more than double its annual revenues (see figure 2).	Consider eliminating the redundancy between these two sentences: "226 percent" is the same as "more than double."
12	First sentence	Tony Mazzei, Jacob Howley	Total unfunded liabilities and debt have risen in part due to USPS not making payments to fund its retiree health and pension benefits.	Some explanation of GAO's use of "unfunded liabilities" is in order. Also, debt should not be included here: defaulting on benefits payments is not why debt has increased. (Defaults conserve cash; borrowing also increases cash.

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				It would be different if the USPS were defaulting in order to pay down debt.) In fact, both measures are due to the Board's decision to maintain cash on hand in furtherance of the USPS's primary service mission.
13	1st paragraph, 3rd sentence	Jacob Howley	USPS is required to prefund its share of health benefits for its retirees and under PAEA, the first 10 years of prefunding payments were fixed—ranging from $5.4 billion to $5.8 billion annually from fiscal years 2007 to 2016.	The comma is incorrect punctuation. Given that the next sentence discusses another type of RHB payment, there should probably be a sentence break there.
13	1st paragraph, 4th sentence	Jacob Howley	From fiscal years 2007 through 2016, USPS was also required to continue "pay-as-you-go" payments for its share of premiums for current retirees.	Mention should be made of the fact that the USPS is no longer required to pay RHB premiums; these are now paid out of the RHB Fund unless/until it is depleted, whereupon the USPS will resume paying premiums on a pay-as-you-go basis. (See 5 U.S.C. § 8906(g)(2)(A).)
13	1st paragraph, 6th sentence	Jacob Howley	As we previously reported, survey data we reviewed indicated that most companies do not offer retiree health benefits and that the number of companies providing such benefits is decreasing over time.	Mention should be made of the fact that the rest of the Federal Government (other than Tricare) does not prefund RHB at all, and that Tricare RHB is funded to a much smaller degree than USPS RHB, with funds appropriated by Congress.
13	1st paragraph, 2nd to last sentence	Renee Sheehy, Jacob Howley	Many companies that have retained their retiree health benefits have done so by making changes to control costs, including tightening eligibility and restructuring benefits.	Replace with "The few companies that have retained their retiree health benefits have nearly universally done so by requiring eligible participants to enroll in Medicare and by making changes to control costs, including tightening eligibility and restructuring benefits." Employers that do provide retiree benefits require participation in Medicare, which should be mentioned.
13	2nd paragraph	Jacob Howley		Mention should be made of the fact that the rest of the Federal Government's pension accounts are substantially less well-funded than the USPS's.
13	overall	Jacob Howley		Mention should be made of the fact that all companies with post-retirement benefits invest those assets in funds that are more diversified and higher-yielding (over the long run, notwithstanding short-term risks) than the low-yield Treasuries in which the USPS's funds are invested. This reduces the need for annual contributions to the funds.

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				including the extent to which appropriations are provided (and for what purposes).
34	2nd bullet	Jacob Howley, Steve Nickerson, Renee Sheehy		Eliminate, unless more substance can be provided to distinguish this model from the status quo. The draft text here does not explain how a government corporation or GSE model would differ in substance from an independent establishment, let alone why the redesignation would increase efficiency incentives. After all, the original idea of reorganizing the USPS as an independent establishment (with material changes in substantive powers and freedoms) was to do the very thing purported here: "providing a public service with a predominantly business nature." If that is all there is to being a GSE, then that's the same as what the USPS is today.
35	1st bullet	Jacob Howley	If USPS were to be a private company—an option that is increasingly common among postal operators in other countries—…	It should be acknowledged that, though increasing, this business model represents only a small handful of the world's postal operators – even a small handful among industrialized countries.
35	1st bullet	Keith Weidner	USPS told us that as a private company its primary incentive would be to maximize profits and that, in its view, private shareholders would be most focused on short term financial outcomes	Replace "would" with "could', consistent with terminology used in the rest of this section

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U.S Postal Service

Statement of Facts / Draft Report Technical Comments

Review Of: Congressional Action to Enable a Sustainable Business Model is Essential (GAO-20-385)

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Highlights, p. 1	Main text, 1st para	Jacob Howley	USPS's work force had increased from 617,700 in fiscal year 2013 to about 630,000 in fiscal year 2019.	This selective period focuses only on an interim increase in headcount, but a fuller perspective (see page 9) shows that headcount remains significantly lower than before the PAEA. Also, it should be mentioned that the USPS has achieved compensation reforms that lower the cost of new hires.
Highlights, p. 1	Sidebar, 1st paragraph	Tony Mazzei, Jacob Howley	While USPS is to be self-sustaining, it lost about $78 billion from fiscal years 2007 through 2019 due primarily to declining mail volumes and increased costs.	Should say "due primarily to declining mail volumes, increased costs, and new, unfunded legislative mandates and constraints." (That would encompass RHB as well as the price cap and product limitations.)
Highlights, p. 1	Main text, 2nd paragraph	Tony Mazzei, Jacob Howley	To address these challenges, USPS has taken actions such as providing increased self-service options and reducing facility hours.	These are certainly things we've done, but hardly the most significant measures. More salient things to mention would be deferring capital investments, rationalizing the mail processing and delivery networks, creating new tiers of employees, utilizing significantly higher levels of non-career employees, and securing approval for a rate surcharge to recover some of the revenue lost during the Great Recession. Despite these efforts, the Postal Service has been forced to default on pension and RHB payments in order to preserve liquidity to maintain operations.
Highlights, p. 1	Main text, 2nd paragraph	Jacob Howley	However, statutory requirements limit USPS's ability to make changes in areas such as certain service offerings and its employee compensation and benefits.	Add "pricing" as an area of significant statutory constraint.
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			characteristics similar to USPS… For each of these businesses and countries…"	themselves do not have characteristics similar to the USPS, for instance.)
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1	Para 1	Steve Nickerson, Jacob Howley	"its productivity has declined in recent years	This would benefit from fuller context. Overall mail volume (hence output) has continued to decline, while the ability to reduce inputs is hampered by the growth in higher-cost-to-deliver packages and continued growth in delivery points. Meanwhile, much of the "low-hanging fruit" in terms of productivity-enhancing measures has already been gleaned in the post-Great-Recession years, and the necessity of deferring capital investment has hindered access to potential new efficiency improvements.
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1	Para 3	Jacob Howley	to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; to be financially self-sustaining by covering its costs, primarily with revenues generated from its postal operations; and to be an independent establishment …	Could cite 39 U.S.C. § 2401 and 39 U.S.C. § 201 (respectively).
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			services to bind the Nation together through the personal, educational, literary, and business correspondence of the people." USPS is required to serve, as nearly as practicable, the entire population of the United States.	
4	2nd paragraph under "Background"	Jacob Howley	For example, USPS is a key part of the mailing industry, and over time, it has become both a competitor and partner to private companies that also operate in the broader mail and delivery industries. For example, although …	Should revise so that both sentences aren't "For example."
5	Paragraph below Figure 1	Jacob Howley	At that time, Congress was involved in many aspects of the department's operations, such as selecting postmasters, and setting postal rates and wages. By the late 1960s, the department had several major problems including financial losses, management problems, service breakdowns, and low productivity. Because key postal business decisions were made by Congress through the legislative process, postal management had limited ability to plan and finance department operations and capital investments in accordance with postal needs.	Should also note Presidential control over hiring and firing of Postmasters General, as well as other officials, which the Kappel Commission identified as a source of politicization and discontinuity that hindered efficient, businesslike decision-making. Postal management's relative independence from direct Presidential control was a major innovation of the Postal Reorganization Act.
6	1st paragraph, footnote 10	Jacob Howley		Should cite 39 U.S.C. § 2401. Also, the main text to which this footnote pertains discusses the footing on which Congress placed the USPS in 1970. In that light, it should be mentioned that Congress provided for appropriations to support rural service, which were scaled down to $460 million by the early 1980s. That appropriation remains authorized, but the USPS has not requested it (and Congress has not appropriated it) since the early 1980s.
6	2nd paragraph, sentence 1	Renee Sheehy	"By the early 2000s, USPS faced a bleak financial outlook that put its mission of providing universal postal service at risk."	Remove sentence. While the early 2000s were a challenging time for the Postal Service because of the advertising recession and the volume drop due to September 11 and the anthrax attacks, the Postal Service's overall financial position

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				was relatively strong given it was on track to overfund its pension program and mail volume continued to grow through 2006. Moreover, the cost-of-service regulatory format provided automatic rightsizing of revenue to costs.
6	2nd paragraph, last sentence	Jacob Howley	PAEA provided USPS additional pricing flexibility for mail products,12 but balanced this with provisions for increased transparency, oversight, and accountability, among other things.	Should say "PAEA provided USPS with some additional pricing flexibility concerning its competitive products, but also imposed a price cap on most of its volumes and new unfunded mandates and constraints, as well as provisions for increased transparency, oversight, and accountability." (The draft text makes it seem like we got a largely free hand with pricing, when much of it – particularly for "mail products" – actually became subject to a rigid price cap. And given the constraints' overwhelming influence on the USPS's finances since the PAEA, "balanced" gives the wrong impression.)
6	Final para, 1st sentence	Jacob Howley	Specifically, PAEA gave USPS broader latitude to change postal rates in a more streamlined process that included review by the newly created Postal Regulatory Commission (PRC).13	While the USPS got some broader latitude and review was streamlined, it must also be acknowledged that most USPS revenues were subjected to a rigid price cap for at least the first ten years. The price cap is discussed later, but some mention should be made here that the PAEA constrained pricing, in addition to liberalizing it to some small degree. Also, the footnote should cite 39 U.S.C. §§ 3622 and 3632, which set forth the rate-regulation processes.
7	1st full para	Steve Nickerson, Jacob Howley	USPS's current business model is not financially sustainable due to declining mail volumes, increased compensation and benefits costs…	Further context should be given to avoid the misimpression that rising costs are the USPS's fault. Compensation and benefits are largely the result of high-cost federal benefits programs (in which the USPS is legislatively mandated to participate), the requirement for binding arbitration on labor contracts, and the USO mandate. Also, a fourth contributor is missing: the rigid price cap on most USPS revenue, which prevents the USPS from

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				raising prices faster than the rate of inflation to stabilize revenue amid volume declines.
7	2nd full paragraph	Keith Weidner	USPS continues to face decreases in mail volume, its primary revenue source, as online communication and e-commerce have expanded.	It is not clear what is meant by e-commerce in this context. Typically that means purchasing goods over the internet, which has in fact had a positive impact on our volumes by increasing package volume.
8	Top of page, 1st full sentence	Renee Sheehy	Due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices.	Replace with "As a compromise effort to right-size the retail network and due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices." The current discussion makes it sound like the hour reductions were completely independent of the earlier plan when in reality it was an alternative approach in a sustained effort to find a way to cut retail costs.
8	1st para	Steve Nickerson	…but did not fully implement this initiative following opposition from various stakeholders, including postal labor unions.	Delete "including postal labor unions". Many other stakeholders objected to closing facilities; it seems unfair to single out one group.
8	1st para	Jacob Howley		The Postal Service has also been able to restrain the growth in the cost of its workforce by obtaining agreements or arbitration decisions with its unions to implement lower-cost classes of employees and expand the use of noncareer employees.
8	Last bullet on page – second sentence	Jacob Howley	Specifically, USPS is required to provide 6 day a week delivery and to operate postal facilities across the country.	Should cite annual appropriations bill and 39 U.S.C. §§ 101(b) and 403(b)(3).
9	First bullet	Jacob Howley, Keith Weidner	Postal products and pricing: USPS's pricing flexibility is limited by a price cap on market-dominant products that generally limits rate increases for these products to inflation. Each competitive product is required to cover its attributable costs, competitive products collectively are required to recover their attributable costs, and	Citations for each sentence (respectively): - 39 U.S.C. § 3622(d)(1)(A), (C). [It should be noted that this price cap applies for at least the first ten years after the PAEA, and may now be modified by the Postal Regulatory Commission if necessary to achieve certain statutory criteria.]

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			competitive products collectively are required to cover a PRC-specified minimum of USPS's institutional costs. In addition, USPS is prohibited from providing new non-postal products and services.	- 39 U.S.C. § 3633. - 39 U.S.C. § 404(e). Also, while the price cap and nonpostal restrictions undoubtedly impact the Postal Service's ability to generate revenue, it is unclear why the report cites the rules that set a price floor for competitive products as having that same effect.
9	1st full para	Steve Nickerson, Jacob Howley	While mail volumes have decreased, USPS's compensation and benefits costs for current employees have been increasing since 2014.	This implies that USPS has been failing to control costs in line with volumes. But because of the USO, many of our costs are fixed and should not be expected to vary with volume. (E.g., we have to visit nearly every address every day regardless of volume.) And within our cost base, factors outside our control account for inflation, from changes in our benefits due to health-care cost inflation and external actuarial determinations, to step increases, layoff protections, and inflation-based COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration) and increases in normal cost contributions to the Federal Employees Retirement System (FERS). The draft report later gives context about collective bargaining, arbitration, and the USPS's cost-reduction efforts. Hence, it might be helpful to either reframe the statement here to make it seem like less of a (potentially blameworthy) contradiction (e.g., "Despite significant cost-reduction efforts, USPS's compensation and benefits costs have risen even as mail volumes have decreased…"), or else reserve it until after the necessary context has been established.
9	1st full paragraph, sentence 4	Renee Sheehy	The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing.	Add something that acknowledges that overtime can be a less expensive way to achieve work hours than hiring additional staff such as "The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing, although using

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				regular overtime is less expensive than hiring additional employees."
9	1st full para, last sentence	Steve Nickerson, Tony Mazzei, Jacob Howley	According to USPS, total compensation and benefits costs increased by almost $1 billion in fiscal year 2019 alone.	The increase in compensation and benefits was 2.1%, only slightly higher than CPI growth of 1.7%. Unsurprisingly, given the overlap with general inflation, major drivers of the $1 billion increase in compensation and benefits were the step increases and COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration).
9	Footnote 22, 2nd sentence	Renee Sheehy	Non-career employees are generally considered temporary and hired, for example, during times of large mail volume such as holidays.	Replace with "Non-career employees include those with lower-paid positions such as city carrier assistants and postal support employees and temporary employees hired during times of large mail volume such as holidays." (Many non-career employees are not temporary.)
11	First full sentence	Jacob Howley	Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP) which covers current employees and retirees.	Should be expanded: "Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP), which covers current employees and retirees, as well as federal pension and workers' compensation programs." (These programs impose substantially greater costs on the USPS than private-sector counterparts. GAO has previously studied the disparity as to FECA costs.)
11	Last paragraph	Jacob Howley	USPS's unfunded liabilities and debt … [were] 226 percent of its fiscal year 2019 revenues.35 At the end of fiscal year 2019, USPS's unfunded liabilities and debt totaled … more than double its annual revenues (see figure 2).	Consider eliminating the redundancy between these two sentences: "226 percent" is the same as "more than double."
12	First sentence	Tony Mazzei, Jacob Howley	Total unfunded liabilities and debt have risen in part due to USPS not making payments to fund its retiree health and pension benefits.	Some explanation of GAO's use of "unfunded liabilities" is in order. Also, debt should not be included here: defaulting on benefits payments is not why debt has increased. (Defaults conserve cash; borrowing also increases cash.

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				It would be different if the USPS were defaulting in order to pay down debt.) In fact, both measures are due to the Board's decision to maintain cash on hand in furtherance of the USPS's primary service mission.
13	1st paragraph, 3rd sentence	Jacob Howley	USPS is required to prefund its share of health benefits for its retirees and under PAEA, the first 10 years of prefunding payments were fixed—ranging from $5.4 billion to $5.8 billion annually from fiscal years 2007 to 2016.	The comma is incorrect punctuation. Given that the next sentence discusses another type of RHB payment, there should probably be a sentence break there.
13	1st paragraph, 4th sentence	Jacob Howley	From fiscal years 2007 through 2016, USPS was also required to continue "pay-as-you-go" payments for its share of premiums for current retirees.	Mention should be made of the fact that the USPS is no longer required to pay RHB premiums; these are now paid out of the RHB Fund unless/until it is depleted, whereupon the USPS will resume paying premiums on a pay-as-you-go basis. (See 5 U.S.C. § 8906(g)(2)(A).)
13	1st paragraph, 6th sentence	Jacob Howley	As we previously reported, survey data we reviewed indicated that most companies do not offer retiree health benefits and that the number of companies providing such benefits is decreasing over time.	Mention should be made of the fact that the rest of the Federal Government (other than Tricare) does not prefund RHB at all, and that Tricare RHB is funded to a much smaller degree than USPS RHB, with funds appropriated by Congress.
13	1st paragraph, 2nd to last sentence	Renee Sheehy, Jacob Howley	Many companies that have retained their retiree health benefits have done so by making changes to control costs, including tightening eligibility and restructuring benefits.	Replace with "The few companies that have retained their retiree health benefits have nearly universally done so by requiring eligible participants to enroll in Medicare and by making changes to control costs, including tightening eligibility and restructuring benefits." Employers that do provide retiree benefits require participation in Medicare, which should be mentioned.
13	2nd paragraph	Jacob Howley		Mention should be made of the fact that the rest of the Federal Government's pension accounts are substantially less well-funded than the USPS's.
13	overall	Jacob Howley		Mention should be made of the fact that all companies with post-retirement benefits invest those assets in funds that are more diversified and higher-yielding (over the long run, notwithstanding short-term risks) than the low-yield Treasuries in which the USPS's funds are invested. This reduces the need for annual contributions to the funds.

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16	1st paragraph and Footnote 48	Renee Sheehy	[large text and the comment is more global]	The footnote discusses work rules and how they can affect productivity, but as a whole the paragraph does not make clear that some changes can increase productivity while others such as wage and benefit cuts have no effect on productivity.
19	2nd bullet	Jacob Howley	("new GM")	Defining this term is unnecessary, because it's not used anywhere else in the report.
21	1st full paragraph	Jacob Howley	For example, Royal Mail raised postal rates above the rate of inflation after relaxation of its price cap.	In contrast with the more specific accounts for other countries, this text is vague and belies how dramatic the UK price increases really were. Royal Mail's price increases were substantially above inflation (basic letter rates rose 30-40% in 2012) and generally rose with inflation thereafter, although I believe the most recent increase was again above-inflation. Some mention should be made of this.
21	1st full paragraph	Jacob Howley	In France, the postal regulator established a price cap in 2018 of 5 percent annual rate increases (including inflation) for 2019 through 2022 for letter mail and packages considered to be part of universal postal service. This price cap allows La Poste more price flexibility than the previous one.	France actually has a longer history of above-inflation price increases. The 2013-2014 price cap was CPI+1% per year. The 2015-2018 price cap was CPI+3.5% per year, with half of the overall increase front-loaded into the first year.
21	1st full paragraph	Jacob Howley	Likewise, Australia Post implemented an above-inflation rate increase in January 2020, citing the need to generate revenues to offset growing financial pressures from declining letter mail volume.	Mention should be made of the more dramatic pricing history in Australia. In 2015, Australia Post raised the basic letter rate 16.7% (vs. 5.9% inflation since the prior rate increase). In 2016, it split its letter product, such that the slower service stayed at the same rate, but to get the same level of service, one would pay 42.9% more (vs. 1.8% inflation).
22	1st bullet	Jacob Howley	Royal Mail and La Poste reduced the number of mail sorting centers by about 40 percent over the past two decades.	This should be double-checked for Royal Mail. According to this study (p. 12), Royal Mail closed 43% of its mail sorting centers (30 out of 69) between 2008 and 2015 alone, not counting earlier changes in the "past two decades."
23	1st bullet	Jacob Howley	For example, Royal Mail has reduced the number of sorting centers from 69 to 37 since 2007, and Deutsche Post officials stated they had streamlined their parcel sorting process and went from 140 parcel sorting centers in 1990 to 34 in 2019.	This point seems to belong with the other posts' mail-sorting-center consolidations in the earlier "Infrastructure" bullet.

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27	1st full paragraph, 2nd sentence	Renee Sheehy	Currently, many members of Congress support the preservation of both 6-day and door-to-door delivery, and some mailer groups support one or both of these positions.	Replace with "Currently, many members of Congress support the preservation of both 6-day and door-to-door delivery for addresses that have it, and some mailer groups support one or both of these positions." Most households do not receive door delivery today.
29	1st para	Steve Nickerson, Jacob Howley	As we have also reported…	This remark would benefit from (1) being tied more closely to the next paragraph about binding arbitration and (2) acknowledgment of external cost drivers, such as federal benefit programs and the USO.
29	Last para	Jacob Howley	We also reported that while reducing USPS's delivery frequency…	This and the next sentence seem out of place in this paragraph, the rest of which relates to proposals to change collective bargaining.
31	1st para below bullets	Jacob Howley	Moreover, reliance on federal funding would mean that USPS would be exposed to the uncertainty inherent in the annual appropriations process.	Replace with "Moreover, reliance on appropriations would …" (This is true only of the first two bullets, which involve direct appropriations. Debt forgiveness or assumption of pension/RHB liabilities would likely be a one-time event outside of annual appropriations.)
32	Top of page	Jacob Howley	… ensuring fair competition between USPS and the private sector.	Note that financial support for legal mandates such as the USO or pension/RHB obligations that are inflated relative to private companies would not seem to create "fair competition" concerns at all, and that in general fair competition can be assured through mechanisms such as cost coverage requirements for competitive products.
33	Table 1, column 2, row 4 and 5	Renee Sheehy	Postal revenues	Replace with "Postal revenues, including increased revenues from services currently mandated to be supplied free or at a discount" There is no reason to think that as a government corporation or government sponsored enterprise, the Postal Service should be expected to finance using its own revenues services required by the government such as "Free Mail for the Blind and Overseas Voters."

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33	Table 1, column 2, row 6	Renee Sheehy, Jacob Howley	Postal and other revenues, such as logistics or banking.	Replace with "Postal and other revenues, such as logistics or banking and revenues, including increased revenues from services currently mandated to be supplied free or at a discount" A private company is even less likely to provide services or discounts for free to the government without reimbursement. Also, any of the other models could also have other revenue streams, depending on what Congress allows. This is not unique to a private company.
33	Bullet point	Steve Nickerson, Keith Weidner	USPS further stated that changing it to a typical government agency could reduce incentives…	While USPS did not disagree with the statement in the SOF that that changing from the current structure to a full government agency could theoretically have this impact or that other stakeholders might make that argument, we do not agree that our incentive to be efficient would change as a result of our institutional form, whatever that might be. For that reason, GAO should present this as a general criticism that could be levied against such a change in institutional structure by stakeholders, without ascribing it specifically to the Postal Service. To the contrary, as a practical matter, the Postal Service has been operating for years in a manner that seeks to drive efficiencies, and it is part of our DNA. Particularly given the alternatives that our customers have to using the Postal Service to send their mail and packages, even if we move to being a typical agency there will still be a strong incentive to keep operations as efficient as possible. Efficient operation is simply a part of our culture. Second, even as a theoretical matter, the effect of such a change on Postal Service incentives would depend on the precise statutory structure that Congress creates,

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			services to bind the Nation together through the personal, educational, literary, and business correspondence of the people." USPS is required to serve, as nearly as practicable, the entire population of the United States.	
4	2nd paragraph under "Background"	Jacob Howley	For example, USPS is a key part of the mailing industry, and over time, it has become both a competitor and partner to private companies that also operate in the broader mail and delivery industries. For example, although …	Should revise so that both sentences aren't "For example."
5	Paragraph below Figure 1	Jacob Howley	At that time, Congress was involved in many aspects of the department's operations, such as selecting postmasters, and setting postal rates and wages. By the late 1960s, the department had several major problems including financial losses, management problems, service breakdowns, and low productivity. Because key postal business decisions were made by Congress through the legislative process, postal management had limited ability to plan and finance department operations and capital investments in accordance with postal needs.	Should also note Presidential control over hiring and firing of Postmasters General, as well as other officials, which the Kappel Commission identified as a source of politicization and discontinuity that hindered efficient, businesslike decision-making. Postal management's relative independence from direct Presidential control was a major innovation of the Postal Reorganization Act.
6	1st paragraph, footnote 10	Jacob Howley		Should cite 39 U.S.C. § 2401. Also, the main text to which this footnote pertains discusses the footing on which Congress placed the USPS in 1970. In that light, it should be mentioned that Congress provided for appropriations to support rural service, which were scaled down to $460 million by the early 1980s. That appropriation remains authorized, but the USPS has not requested it (and Congress has not appropriated it) since the early 1980s.
6	2nd paragraph, sentence 1	Renee Sheehy	"By the early 2000s, USPS faced a bleak financial outlook that put its mission of providing universal postal service at risk."	Remove sentence. While the early 2000s were a challenging time for the Postal Service because of the advertising recession and the volume drop due to September 11 and the anthrax attacks, the Postal Service's overall financial position

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				was relatively strong given it was on track to overfund its pension program and mail volume continued to grow through 2006. Moreover, the cost-of-service regulatory format provided automatic rightsizing of revenue to costs.
6	2nd paragraph, last sentence	Jacob Howley	PAEA provided USPS additional pricing flexibility for mail products,12 but balanced this with provisions for increased transparency, oversight, and accountability, among other things.	Should say "PAEA provided USPS with some additional pricing flexibility concerning its competitive products, but also imposed a price cap on most of its volumes and new unfunded mandates and constraints, as well as provisions for increased transparency, oversight, and accountability." (The draft text makes it seem like we got a largely free hand with pricing, when much of it – particularly for "mail products" – actually became subject to a rigid price cap. And given the constraints' overwhelming influence on the USPS's finances since the PAEA, "balanced" gives the wrong impression.)
6	Final para, 1st sentence	Jacob Howley	Specifically, PAEA gave USPS broader latitude to change postal rates in a more streamlined process that included review by the newly created Postal Regulatory Commission (PRC).13	While the USPS got some broader latitude and review was streamlined, it must also be acknowledged that most USPS revenues were subjected to a rigid price cap for at least the first ten years. The price cap is discussed later, but some mention should be made here that the PAEA constrained pricing, in addition to liberalizing it to some small degree. Also, the footnote should cite 39 U.S.C. §§ 3622 and 3632, which set forth the rate-regulation processes.
7	1st full para	Steve Nickerson, Jacob Howley	USPS's current business model is not financially sustainable due to declining mail volumes, increased compensation and benefits costs…	Further context should be given to avoid the misimpression that rising costs are the USPS's fault. Compensation and benefits are largely the result of high-cost federal benefits programs (in which the USPS is legislatively mandated to participate), the requirement for binding arbitration on labor contracts, and the USO mandate. Also, a fourth contributor is missing: the rigid price cap on most USPS revenue, which prevents the USPS from

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				raising prices faster than the rate of inflation to stabilize revenue amid volume declines.
7	2nd full paragraph	Keith Weidner	USPS continues to face decreases in mail volume, its primary revenue source, as online communication and e-commerce have expanded.	It is not clear what is meant by e-commerce in this context. Typically that means purchasing goods over the internet, which has in fact had a positive impact on our volumes by increasing package volume.
8	Top of page, 1st full sentence	Renee Sheehy	Due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices.	Replace with "As a compromise effort to right-size the retail network and due in part to USPS's efforts to expand retail alternatives, USPS began reducing retail hours at selected post offices in 2012, ultimately decreasing retail hours at approximately 13,000 post offices." The current discussion makes it sound like the hour reductions were completely independent of the earlier plan when in reality it was an alternative approach in a sustained effort to find a way to cut retail costs.
8	1st para	Steve Nickerson	…but did not fully implement this initiative following opposition from various stakeholders, including postal labor unions.	Delete "including postal labor unions". Many other stakeholders objected to closing facilities; it seems unfair to single out one group.
8	1st para	Jacob Howley		The Postal Service has also been able to restrain the growth in the cost of its workforce by obtaining agreements or arbitration decisions with its unions to implement lower-cost classes of employees and expand the use of noncareer employees.
8	Last bullet on page – second sentence	Jacob Howley	Specifically, USPS is required to provide 6 day a week delivery and to operate postal facilities across the country.	Should cite annual appropriations bill and 39 U.S.C. §§ 101(b) and 403(b)(3).
9	First bullet	Jacob Howley, Keith Weidner	Postal products and pricing: USPS's pricing flexibility is limited by a price cap on market-dominant products that generally limits rate increases for these products to inflation. Each competitive product is required to cover its attributable costs, competitive products collectively are required to recover their attributable costs, and	Citations for each sentence (respectively): - 39 U.S.C. § 3622(d)(1)(A), (C). [It should be noted that this price cap applies for at least the first ten years after the PAEA, and may now be modified by the Postal Regulatory Commission if necessary to achieve certain statutory criteria.]

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			competitive products collectively are required to cover a PRC-specified minimum of USPS's institutional costs. In addition, USPS is prohibited from providing new non-postal products and services.	- 39 U.S.C. § 3633. - 39 U.S.C. § 404(e). Also, while the price cap and nonpostal restrictions undoubtedly impact the Postal Service's ability to generate revenue, it is unclear why the report cites the rules that set a price floor for competitive products as having that same effect.
9	1st full para	Steve Nickerson, Jacob Howley	While mail volumes have decreased, USPS's compensation and benefits costs for current employees have been increasing since 2014.	This implies that USPS has been failing to control costs in line with volumes. But because of the USO, many of our costs are fixed and should not be expected to vary with volume. (E.g., we have to visit nearly every address every day regardless of volume.) And within our cost base, factors outside our control account for inflation, from changes in our benefits due to health-care cost inflation and external actuarial determinations, to step increases, layoff protections, and inflation-based COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration) and increases in normal cost contributions to the Federal Employees Retirement System (FERS). The draft report later gives context about collective bargaining, arbitration, and the USPS's cost-reduction efforts. Hence, it might be helpful to either reframe the statement here to make it seem like less of a (potentially blameworthy) contradiction (e.g., "Despite significant cost-reduction efforts, USPS's compensation and benefits costs have risen even as mail volumes have decreased…"), or else reserve it until after the necessary context has been established.
9	1st full paragraph, sentence 4	Renee Sheehy	The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing.	Add something that acknowledges that overtime can be a less expensive way to achieve work hours than hiring additional staff such as "The number of work hours associated with higher costs—overtime and penalty overtime—have also been increasing, although using

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				regular overtime is less expensive than hiring additional employees."
9	1st full para, last sentence	Steve Nickerson, Tony Mazzei, Jacob Howley	According to USPS, total compensation and benefits costs increased by almost $1 billion in fiscal year 2019 alone.	The increase in compensation and benefits was 2.1%, only slightly higher than CPI growth of 1.7%. Unsurprisingly, given the overlap with general inflation, major drivers of the $1 billion increase in compensation and benefits were the step increases and COLAs in labor contracts imposed by arbitrators (or negotiated under the shadow of binding arbitration).
9	Footnote 22, 2nd sentence	Renee Sheehy	Non-career employees are generally considered temporary and hired, for example, during times of large mail volume such as holidays.	Replace with "Non-career employees include those with lower-paid positions such as city carrier assistants and postal support employees and temporary employees hired during times of large mail volume such as holidays." (Many non-career employees are not temporary.)
11	First full sentence	Jacob Howley	Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP) which covers current employees and retirees.	Should be expanded: "Federal law requires USPS to participate in the Federal Employees Health Benefits Program (FEHBP), which covers current employees and retirees, as well as federal pension and workers' compensation programs." (These programs impose substantially greater costs on the USPS than private-sector counterparts. GAO has previously studied the disparity as to FECA costs.)
11	Last paragraph	Jacob Howley	USPS's unfunded liabilities and debt … [were] 226 percent of its fiscal year 2019 revenues.35 At the end of fiscal year 2019, USPS's unfunded liabilities and debt totaled … more than double its annual revenues (see figure 2).	Consider eliminating the redundancy between these two sentences: "226 percent" is the same as "more than double."
12	First sentence	Tony Mazzei, Jacob Howley	Total unfunded liabilities and debt have risen in part due to USPS not making payments to fund its retiree health and pension benefits.	Some explanation of GAO's use of "unfunded liabilities" is in order. Also, debt should not be included here: defaulting on benefits payments is not why debt has increased. (Defaults conserve cash; borrowing also increases cash.

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				It would be different if the USPS were defaulting in order to pay down debt.) In fact, both measures are due to the Board's decision to maintain cash on hand in furtherance of the USPS's primary service mission.
13	1st paragraph, 3rd sentence	Jacob Howley	USPS is required to prefund its share of health benefits for its retirees and under PAEA, the first 10 years of prefunding payments were fixed—ranging from $5.4 billion to $5.8 billion annually from fiscal years 2007 to 2016.	The comma is incorrect punctuation. Given that the next sentence discusses another type of RHB payment, there should probably be a sentence break there.
13	1st paragraph, 4th sentence	Jacob Howley	From fiscal years 2007 through 2016, USPS was also required to continue "pay-as-you-go" payments for its share of premiums for current retirees.	Mention should be made of the fact that the USPS is no longer required to pay RHB premiums; these are now paid out of the RHB Fund unless/until it is depleted, whereupon the USPS will resume paying premiums on a pay-as-you-go basis. (See 5 U.S.C. § 8906(g)(2)(A).)
13	1st paragraph, 6th sentence	Jacob Howley	As we previously reported, survey data we reviewed indicated that most companies do not offer retiree health benefits and that the number of companies providing such benefits is decreasing over time.	Mention should be made of the fact that the rest of the Federal Government (other than Tricare) does not prefund RHB at all, and that Tricare RHB is funded to a much smaller degree than USPS RHB, with funds appropriated by Congress.
13	1st paragraph, 2nd to last sentence	Renee Sheehy, Jacob Howley	Many companies that have retained their retiree health benefits have done so by making changes to control costs, including tightening eligibility and restructuring benefits.	Replace with "The few companies that have retained their retiree health benefits have nearly universally done so by requiring eligible participants to enroll in Medicare and by making changes to control costs, including tightening eligibility and restructuring benefits." Employers that do provide retiree benefits require participation in Medicare, which should be mentioned.
13	2nd paragraph	Jacob Howley		Mention should be made of the fact that the rest of the Federal Government's pension accounts are substantially less well-funded than the USPS's.
13	overall	Jacob Howley		Mention should be made of the fact that all companies with post-retirement benefits invest those assets in funds that are more diversified and higher-yielding (over the long run, notwithstanding short-term risks) than the low-yield Treasuries in which the USPS's funds are invested. This reduces the need for annual contributions to the funds.

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16	1st paragraph and Footnote 48	Renee Sheehy	[large text and the comment is more global]	The footnote discusses work rules and how they can affect productivity, but as a whole the paragraph does not make clear that some changes can increase productivity while others such as wage and benefit cuts have no effect on productivity.
19	2nd bullet	Jacob Howley	("new GM")	Defining this term is unnecessary, because it's not used anywhere else in the report.
21	1st full paragraph	Jacob Howley	For example, Royal Mail raised postal rates above the rate of inflation after relaxation of its price cap.	In contrast with the more specific accounts for other countries, this text is vague and belies how dramatic the UK price increases really were. Royal Mail's price increases were substantially above inflation (basic letter rates rose 30-40% in 2012) and generally rose with inflation thereafter, although I believe the most recent increase was again above-inflation. Some mention should be made of this.
21	1st full paragraph	Jacob Howley	In France, the postal regulator established a price cap in 2018 of 5 percent annual rate increases (including inflation) for 2019 through 2022 for letter mail and packages considered to be part of universal postal service. This price cap allows La Poste more price flexibility than the previous one.	France actually has a longer history of above-inflation price increases. The 2013-2014 price cap was CPI+1% per year. The 2015-2018 price cap was CPI+3.5% per year, with half of the overall increase front-loaded into the first year.
21	1st full paragraph	Jacob Howley	Likewise, Australia Post implemented an above-inflation rate increase in January 2020, citing the need to generate revenues to offset growing financial pressures from declining letter mail volume.	Mention should be made of the more dramatic pricing history in Australia. In 2015, Australia Post raised the basic letter rate 16.7% (vs. 5.9% inflation since the prior rate increase). In 2016, it split its letter product, such that the slower service stayed at the same rate, but to get the same level of service, one would pay 42.9% more (vs. 1.8% inflation).
22	1st bullet	Jacob Howley	Royal Mail and La Poste reduced the number of mail sorting centers by about 40 percent over the past two decades.	This should be double-checked for Royal Mail. According to this study (p. 12), Royal Mail closed 43% of its mail sorting centers (30 out of 69) between 2008 and 2015 alone, not counting earlier changes in the "past two decades."
23	1st bullet	Jacob Howley	For example, Royal Mail has reduced the number of sorting centers from 69 to 37 since 2007, and Deutsche Post officials stated they had streamlined their parcel sorting process and went from 140 parcel sorting centers in 1990 to 34 in 2019.	This point seems to belong with the other posts' mail-sorting-center consolidations in the earlier "Infrastructure" bullet.

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27	1st full paragraph, 2nd sentence	Renee Sheehy	Currently, many members of Congress support the preservation of both 6-day and door-to-door delivery, and some mailer groups support one or both of these positions.	Replace with "Currently, many members of Congress support the preservation of both 6-day and door-to-door delivery for addresses that have it, and some mailer groups support one or both of these positions." Most households do not receive door delivery today.
29	1st para	Steve Nickerson, Jacob Howley	As we have also reported…	This remark would benefit from (1) being tied more closely to the next paragraph about binding arbitration and (2) acknowledgment of external cost drivers, such as federal benefit programs and the USO.
29	Last para	Jacob Howley	We also reported that while reducing USPS's delivery frequency…	This and the next sentence seem out of place in this paragraph, the rest of which relates to proposals to change collective bargaining.
31	1st para below bullets	Jacob Howley	Moreover, reliance on federal funding would mean that USPS would be exposed to the uncertainty inherent in the annual appropriations process.	Replace with "Moreover, reliance on appropriations would …" (This is true only of the first two bullets, which involve direct appropriations. Debt forgiveness or assumption of pension/RHB liabilities would likely be a one-time event outside of annual appropriations.)
32	Top of page	Jacob Howley	… ensuring fair competition between USPS and the private sector.	Note that financial support for legal mandates such as the USO or pension/RHB obligations that are inflated relative to private companies would not seem to create "fair competition" concerns at all, and that in general fair competition can be assured through mechanisms such as cost coverage requirements for competitive products.
33	Table 1, column 2, row 4 and 5	Renee Sheehy	Postal revenues	Replace with "Postal revenues, including increased revenues from services currently mandated to be supplied free or at a discount" There is no reason to think that as a government corporation or government sponsored enterprise, the Postal Service should be expected to finance using its own revenues services required by the government such as "Free Mail for the Blind and Overseas Voters."

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33	Table 1, column 2, row 6	Renee Sheehy, Jacob Howley	Postal and other revenues, such as logistics or banking.	Replace with "Postal and other revenues, such as logistics or banking and revenues, including increased revenues from services currently mandated to be supplied free or at a discount" A private company is even less likely to provide services or discounts for free to the government without reimbursement. Also, any of the other models could also have other revenue streams, depending on what Congress allows. This is not unique to a private company.
33	Bullet point	Steve Nickerson, Keith Weidner	USPS further stated that changing it to a typical government agency could reduce incentives…	While USPS did not disagree with the statement in the SOF that that changing from the current structure to a full government agency could theoretically have this impact or that other stakeholders might make that argument, we do not agree that our incentive to be efficient would change as a result of our institutional form, whatever that might be. For that reason, GAO should present this as a general criticism that could be levied against such a change in institutional structure by stakeholders, without ascribing it specifically to the Postal Service. To the contrary, as a practical matter, the Postal Service has been operating for years in a manner that seeks to drive efficiencies, and it is part of our DNA. Particularly given the alternatives that our customers have to using the Postal Service to send their mail and packages, even if we move to being a typical agency there will still be a strong incentive to keep operations as efficient as possible. Efficient operation is simply a part of our culture. Second, even as a theoretical matter, the effect of such a change on Postal Service incentives would depend on the precise statutory structure that Congress creates,

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				including the extent to which appropriations are provided (and for what purposes).
34	2nd bullet	Jacob Howley, Steve Nickerson, Renee Sheehy		Eliminate, unless more substance can be provided to distinguish this model from the status quo. The draft text here does not explain how a government corporation or GSE model would differ in substance from an independent establishment, let alone why the redesignation would increase efficiency incentives. After all, the original idea of reorganizing the USPS as an independent establishment (with material changes in substantive powers and freedoms) was to do the very thing purported here: "providing a public service with a predominantly business nature." If that is all there is to being a GSE, then that's the same as what the USPS is today.
35	1st bullet	Jacob Howley	If USPS were to be a private company—an option that is increasingly common among postal operators in other countries—…	It should be acknowledged that, though increasing, this business model represents only a small handful of the world's postal operators – even a small handful among industrialized countries.
35	1st bullet	Keith Weidner	USPS told us that as a private company its primary incentive would be to maximize profits and that, in its view, private shareholders would be most focused on short term financial outcomes	Replace "would" with "could', consistent with terminology used in the rest of this section

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- I'd like to start reviewing the specific information we are sending and make sure all the folks understand what the data represents.
  - Volume information:
    - First Class Single Piece volumes represents the change in mail volume versus last year that is stamped by individuals and entered into mail boxes, as well as meter mail volume that is typically mailed by larger companies that possess a meter. This volume represents approximately 30% of total First Class Mail volume.
    - Entered Presort First Class Mail represents the change in mail volume versus last year that is entered by large commercial mailers into the mail stream. This volume represents approximately 70% of First-Class Mail volume. I will note that this volume also includes one-time mailings of Census, as well as Stimulus checks and notices.
    - Entered USPS Marketing mail represents the change in mail volume versus last year that is entered by large commercial mailers into the mail stream. This mail volume is typically advertising in nature and is dependent upon economic activity. The pandemic has greatly impacted the amount of marketing mail volume within the system.
    - Entered Periodicals represents the change in mail volume versus last year that is entered by large commercial mailers, as well as smaller newspapers. This mail volume includes local and county newspapers, as well as monthly and weekly magazines. This category has proven to be extremely volatile during this pandemic period, and is representative of some of the issues that are occurring within the economy.
    - Total Delivered Mail volume represents the change in total mail volume versus last year that has been delivered. This includes all letter and flat categories, mail and flats.
    - Delivered Package volume represents the change in package volume versus last year that was delivered by the Postal Service. This includes all package mail classes including network volume that has gone through the Postal Service network, as well as last mile product that is entered directly at the Post Office.
    - International and Military Packages represents the change in package volume versus last year that was delivered by the Postal Service.

  - Revenue Information:
    - The revenue data provided is our daily operating sales. This excludes the majority of accounting adjustments which include PIHOP (Postage in the Hands of the Public), Mail in transit (which is a measurement of how much mail is still in the system versus delivered) in order to get a sense as to the daily revenue changes.
    - The actual column represents the total cash sales over that week period.
    - The plan column represents the pre-COVID plan amount we expected. This revenue amount includes what we assumed we would earn over this time period in the absence of COVID. This is based on trends, econometric models, price changes, as well as known one-time events, such as the census mailings.
    - The Plan variance column represents the difference between what we actually earned versus what he had planned for in a pre-COVID world. This column represents the impact COVID is having on our business
    - The Like-Date column represents the total amount of sales for the previous year for the same date range.
    - The Like-date variance column represents the difference between what we actually earned versus the sales level in the previous year.

    - A couple of points I'd like to make on the revenue trends
      - The best way to understand the impact that COVID is having on the Postal Service is to look at the actual versus what we had planned for. The plan incorporates normal volume changes we experience, price changes that have

Commented [MTJ-WD1]: Does this category represent only inbound/delivered volume?

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taken place, the elasticity effects of those price changes, as well as one-time events, such as census.

- While comparing to the previous year is helpful, that will ~~does~~ not provide a good sense as to what the actual COVID impact is because all of those items mentioned above weren't in last year's data.
- Finally, the bottom section was created to try and isolate those one-time events that we have been able to quantify, specifically census and the stimulus check mailings. We had planned for the census mailings, but we had not planned for the stimulus checks (since that was an unknown event).
    - So, for example, without the stimulus checks we would have been worse-off versus the plan.
    - Similarly, without the stimulus checks and census, we would have been worse-off versus last year.
    - The reason we are isolating these one-time events is to understand how things may look moving forward and the true impact of the economic impact of COVID on the business.

- **Also, I want to make it clear that as time progresses, systems update and data reconciles, so numbers may be updated from previous weeks as our systems get final updates, accounting adjustments are made and data is received from rural offices.**

- We are in the midst of closing the books for the month of April, but from preliminary revenue information we are currently seeing a $225M reduction from last year's levels which is $380.9M worse than our pre-COVID plan (since revenue growth over last year was planned). The reason for the difference between these two numbers is we had planned for increased revenue associated with the one-time Census mailings which have taken place across the country which generated ~~was~~ approximately $23.7M in revenue in April. In addition, the economic stimulus check mailings led to a one-time increase in revenue of $19.3M for the month of April.

- We are also beginning to see an increase in expenses due to the impact of COVID. COVID has led to an increase in paid leave versus last year's levels, as the CARES Act leave policies which are not reimbursable to the Postal Service as it is for all other entities have been utilized by our impacted employees. In addition, the Postal Service has had to shift a significant amount of the volume that used to fly via commercial air carriers to more expensive air cargo networks as commercial air carriers have significantly reduced flights. Finally, we have seen a large increase related to supplies and services to support the purchase of Personal Protective Equipment to support our employees and contract cleaners to sanitize facilities and Post Offices that have had incidences of positive COVID-19 diagnosis'es present. We are in the midst of quantifying these impacts now for April and do not have the final numbers.

- In terms of the trends we are seeing right now:
    - So far we have not seen the significant revenue reduction for this first month of the quarter that we projected based on the limited information available at the time we developed the projections.
    - Mail volumes have not declined quite as precipitously as we expected, and package volumes have grown more than anticipated and thus far such growth is continuing.
    - As noted in our letter dated April 17th which articulated our thinking at the time as to how we derived our initial estimates, given the economic uncertainty underlying all of this, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy.
    - The new information will necessitate updates to our forecast, and the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

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- The specific new information that has come to light over the last few weeks includes a significant increase in package volumes and revenues as stay at home orders have been put in place across the country and consumers have looked to e-commerce to provide them with goods.
  - Much of this growth is also tied to challenges shippers have had across the delivery markets, with some fulfillment organizations not allowing consumers to ship through them and thus these shippers have turned to the Postal Service to continue shipping.
  - While this recent growth in packages has provided the organization with some revenue lift and has helped to replace some of the revenue lost on the mail side, we have significant concern that this package growth will only be a short-term lift to our revenues and will not be sustained in the long-run as States reopen their economies and customers return to purchasing goods at stores.
  - The likely economic impact of the pandemic on consumer incomes could dampen consumer spending on goods in the future which will also lead to a decrease in packages.
  - In addition, we have seen in past recessions that mail volume declines typically ~~are~~ lag~~ged~~ from the beginning of a recession, in particular First Class mail, so we still believe more precipitously mail volume declines are likely..

- Tremendous uncertainty underlies any prediction of the future. Given the tremendous uncertainty underlying the economy right now due to the pandemic and its current and eventual impact on mail and package volume and revenue, we will continue to assess our financial condition and inform the committee, but we are not prepared to revise our projections.

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	Firms Considered	Interest	Proposing	Proposal (due 5/1/20)	Comments
Tier 1	KPMG	Yes	No		Did not propose because of too much risk associated with their clients and their brand for this initiative.
	Oliver Wyman	Yes	No		Did not propose because of too much risk associated with their clients for this initiative.
	Cognizant Technology Solutions	No	No		Non-responsive to phone calls and contact sheet on their website.
	Grant Thornton	Yes	No		Initially did not want to propose. However, during timeline extension mentioned that if they are able to deploy a team soon they will propose. After pre-proposal conference they decided not to propose.
	BDO	Yes	No		Issues with NDA prevented them from applying during the first round. Legal meetings on NDA concluded and NDA signed 4/28. BDO will be included in the 2nd round of RFPs. Withdrew from proposing because of management not onboard due to political concerns.
Tier 2	FTI Consulting	Yes	Yes	X	**Proposal received. Technical review - in progress.**
	Slalom Consulting	Yes	No		**Withdrew from proposing with no explanation. They decided not to propose because it is politically charged.**
	Huron Consulting	Yes	No		**Withdrew with no specifics as to the reason.**
	Ankura Consulting	**Yes**			Contacted Kimberli Cornell at Ankura Consulting on 4/27 via e-mail with read receipt. They did not respond as of 4/30. Reached out to Josh.Johnston@ankura.com 4/30; POC provided by Gov. Bloom. **5/1 Connected with Ankura and they are interested but no guarantee that they will propose until they see the RFP. Will provide NDA for signature and release RFP today.**
	PWC	No	No		In 2018, PwC sold its Public Sector Practice which became Guidehouse. Their Postitleak orders were moved to under Guidehouse. In addition, with the sale of PwC's Public Sector Practice in 2018, a non-compete clause is in place for some number of years thereby PwC cannot do business in the Public Sector (Federal, State and Local governments, including quasi-governmental and independent agencies).

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MITCH McCONNELL

SENATE MAJORITY LEADER
U.S. SENATOR *for* KENTUCKY

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National Daily Retail Walk-In Revenue April FY2020 vs. Like-Day SPLY

Date	Day Of Week	Values SAFR Actual Revenue	Like-Day SPLY	Variance	Sum of VAR %
04/01/20	WEDNESDAY	$33,650,846	$36,276,962	($2,626,115)	-7.2%
04/02/20	THURSDAY	$32,008,472	$33,067,116	($1,058,644)	-3.2%
04/03/20	FRIDAY	$36,296,225	$34,178,921	$2,116,303	6.2%
04/04/20	SATURDAY	$15,199,111	$15,175,945	$23,165	0.2%
04/05/20	SUNDAY	$1,144,600	$956,260	$188,339	19.7%
04/06/20	MONDAY	$46,613,342	$41,901,416	$4,711,926	11.2%
04/07/20	TUESDAY	$38,494,771	$37,187,693	$1,307,078	3.5%
04/08/20	WEDNESDAY	$35,070,366	$35,793,457	($723,091)	-2.0%
04/09/20	THURSDAY	$32,011,234	$33,943,190	($1,931,956)	-5.7%
04/10/20	FRIDAY	$29,936,660	$37,929,466	($7,993,806)	-21.1%
04/11/20	SATURDAY	$12,568,846	$18,157,595	($5,588,749)	-30.8%
04/12/20	SUNDAY	$717,267	$1,357,262	($639,995)	-47.2%
04/13/20	MONDAY	$34,692,486	$53,954,526	($19,262,040)	-35.7%
04/14/20	TUESDAY	$34,745,854	$39,405,152	($4,659,298)	-11.8%
04/15/20	WEDNESDAY	$34,509,994	$34,240,113	$269,880	0.8%
04/16/20	THURSDAY	$32,247,808	$30,033,244	$2,214,564	7.4%
04/17/20	FRIDAY	$33,533,891	$26,368,410	$7,165,481	27.2%
04/18/20	SATURDAY	$13,782,220	$11,382,761	$2,399,459	21.1%
04/19/20	SUNDAY	$1,057,623	$529,374	$528,250	99.8%
04/20/20	MONDAY	$40,697,738	$32,730,529	$7,967,209	24.3%
04/21/20	TUESDAY	$33,970,317	$30,933,279	$3,037,038	9.8%
04/22/20	WEDNESDAY	$31,743,152	$28,877,414	$2,865,737	9.9%
04/23/20	THURSDAY	$29,820,738	$27,633,242	$2,187,496	7.9%
04/24/20	FRIDAY	$31,471,124	$28,633,495	$2,837,629	9.9%
04/25/20	SATURDAY	$13,159,014	$12,565,072	$593,942	4.7%
Grand Total		**$679,141,697**	**$683,211,895**	**($4,070,198)**	**-0.6%**

AMERICAN OVERSIGHT

National Daily Retail Walk-In Revenue April FY2020 vs. Like-Day SPLY

Date	Day Of Week	Values SAFR Actual Revenue	Like-Day SPLY	Variance	Sum of VAR %
04/01/20	WEDNESDAY	$33,650,846	$36,276,962	($2,626,115)	-7.2%
04/02/20	THURSDAY	$32,008,472	$33,067,116	($1,058,644)	-3.2%
04/03/20	FRIDAY	$36,295,225	$34,178,921	$2,116,303	6.2%
04/04/20	SATURDAY	$15,199,111	$15,175,945	$23,165	0.2%
04/05/20	SUNDAY	$1,144,600	$956,260	$188,339	19.7%
04/06/20	MONDAY	$46,613,342	$41,901,416	$4,711,926	11.2%
04/07/20	TUESDAY	$38,494,771	$37,187,693	$1,307,078	3.5%
04/08/20	WEDNESDAY	$35,070,366	$35,793,457	($723,091)	-2.0%
04/09/20	THURSDAY	$32,011,234	$33,943,190	($1,931,956)	-5.7%
04/10/20	FRIDAY	$29,935,660	$37,929,466	($7,993,806)	-21.1%
04/11/20	SATURDAY	$12,568,846	$18,157,595	($5,588,749)	-30.8%
04/12/20	SUNDAY	$717,267	$1,357,262	($639,995)	-47.2%
04/13/20	MONDAY	$34,692,486	$53,954,526	($19,262,040)	-35.7%
04/14/20	TUESDAY	$34,745,854	$39,405,152	($4,659,298)	-11.8%
04/15/20	WEDNESDAY	$34,509,994	$34,240,113	$269,880	0.8%
04/16/20	THURSDAY	$32,247,808	$30,033,244	$2,214,564	7.4%
04/17/20	FRIDAY	$33,533,891	$26,368,410	$7,165,481	27.2%
04/18/20	SATURDAY	$13,782,220	$11,382,761	$2,399,459	21.1%
04/19/20	SUNDAY	$1,057,623	$529,374	$528,250	99.8%
04/20/20	MONDAY	$40,697,738	$32,730,529	$7,967,209	24.3%
04/21/20	TUESDAY	$33,970,317	$30,933,279	$3,037,038	9.8%
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04/25/20	SATURDAY	$13,159,014	$12,565,072	$593,942	4.7%
Grand Total		**$679,141,697**	**$683,211,695**	**($4,070,198)**	**-0.6%**

AMERICAN OVERSIGHT

National Daily Retail Walk-In Revenue April FY2020 vs. Like-Day SPLY

Date	Day Of Week	Values SAFR Actual Revenue	Like-Day SPLY	Variance	Sum of VAR %
04/01/20	WEDNESDAY	$33,650,846	$36,276,962	($2,626,115)	-7.2%
04/02/20	THURSDAY	$32,008,472	$33,067,116	($1,058,644)	-3.2%
04/03/20	FRIDAY	$36,296,225	$34,178,921	$2,116,303	6.2%
04/04/20	SATURDAY	$15,199,111	$15,175,945	$23,165	0.2%
04/05/20	SUNDAY	$1,144,600	$956,260	$188,339	19.7%
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Grand Total		**$679,141,697**	**$683,211,895**	**($4,070,198)**	**-0.6%**

AMERICAN OVERSIGHT

The White House
@WhiteHouse

LIVE: POTUS holds a roundtable with industry executives

The White House @WhiteHouse
LIVE: POTUS holds a roundtable with industry executives
pscp.tv

4:18 PM · Apr 29, 2020 · Periscope

2.9K Retweets 13.1K Likes

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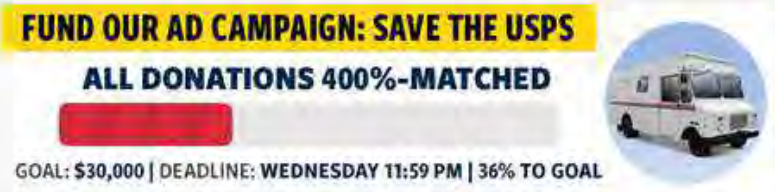
End Citizens United is dedicated to electing Democrats, transforming our broken campaign finance system, and ultimately ending *Citizens United*. If you really want to receive only our most urgent emails or unsubscribe, **click here.**

Elizabeth Warren is SOUNDING the alarm:

She's absolutely right -- additional funding would bring the USPS back from the brink of extinction.

But we're still **$19,291** short of our goal to fund our ad campaign to save the USPS.

Democrats are helping us reach this milestone goal by 4X-MATCHING all gifts -- so chip in $5 right NOW:



400%-MATCH: $5 >>

400%-MATCH: $25 >>

400%-MATCH: Custom Amount >>

We're sick and tired of Trump slashing essential services in favor of Special Interests. **The USPS could shut down by June 1st if Trump has his way!**

The USPS is the ONLY mail carrier in the country that is required to deliver to every address in the country.

Millions of Americans would be left without essential goods!

So if we fail to meet our goal to launch our national ad campaign to save the USPS, it'll be a devastating loss.

And Elizabeth Warren will be so disappointed.

So stand with Elizabeth Warren. Help fund our ad campaign - **rush $5 now:**

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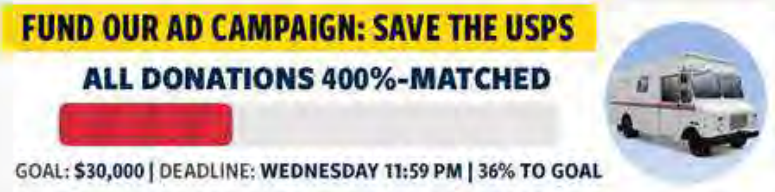

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USPS-20-1215-A-009279

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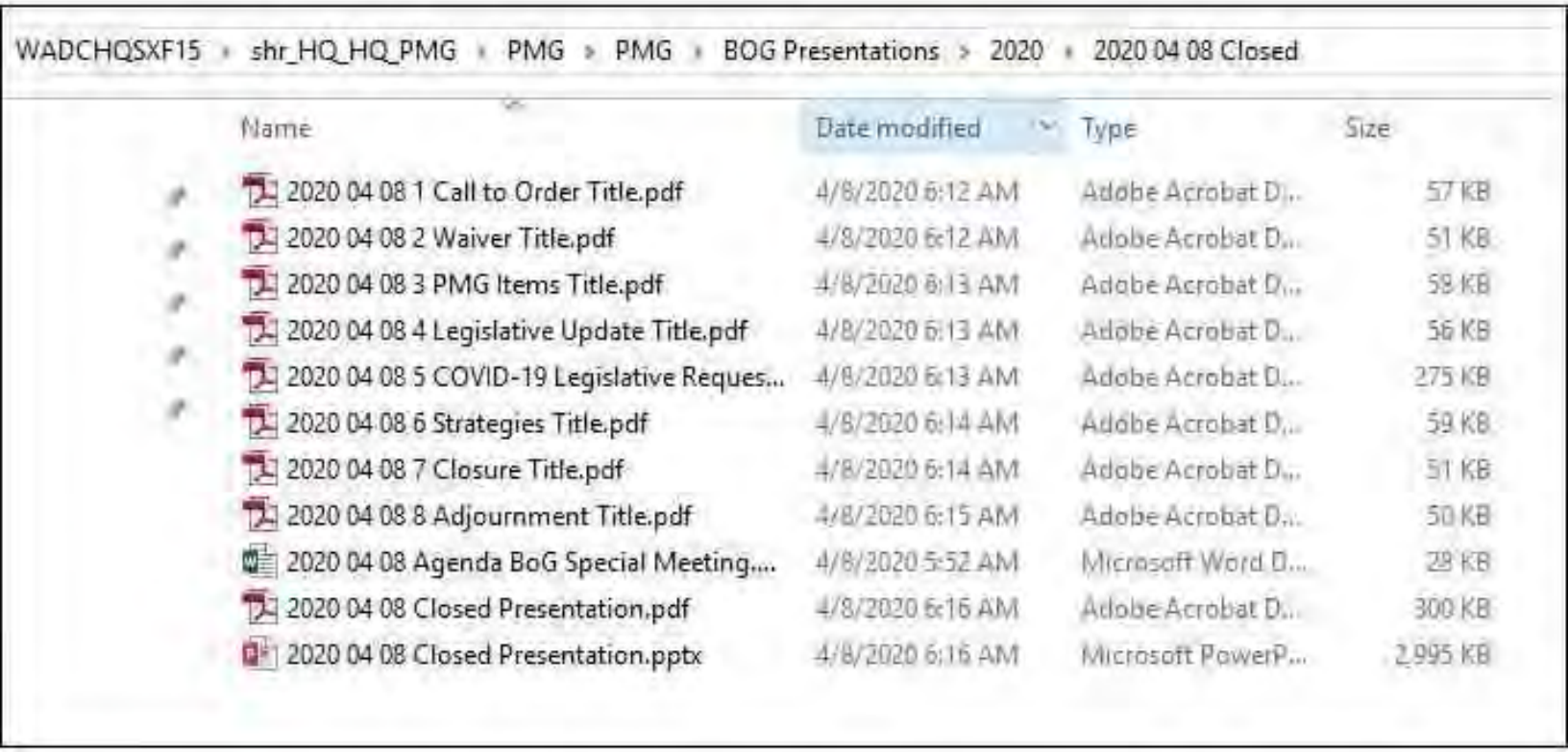

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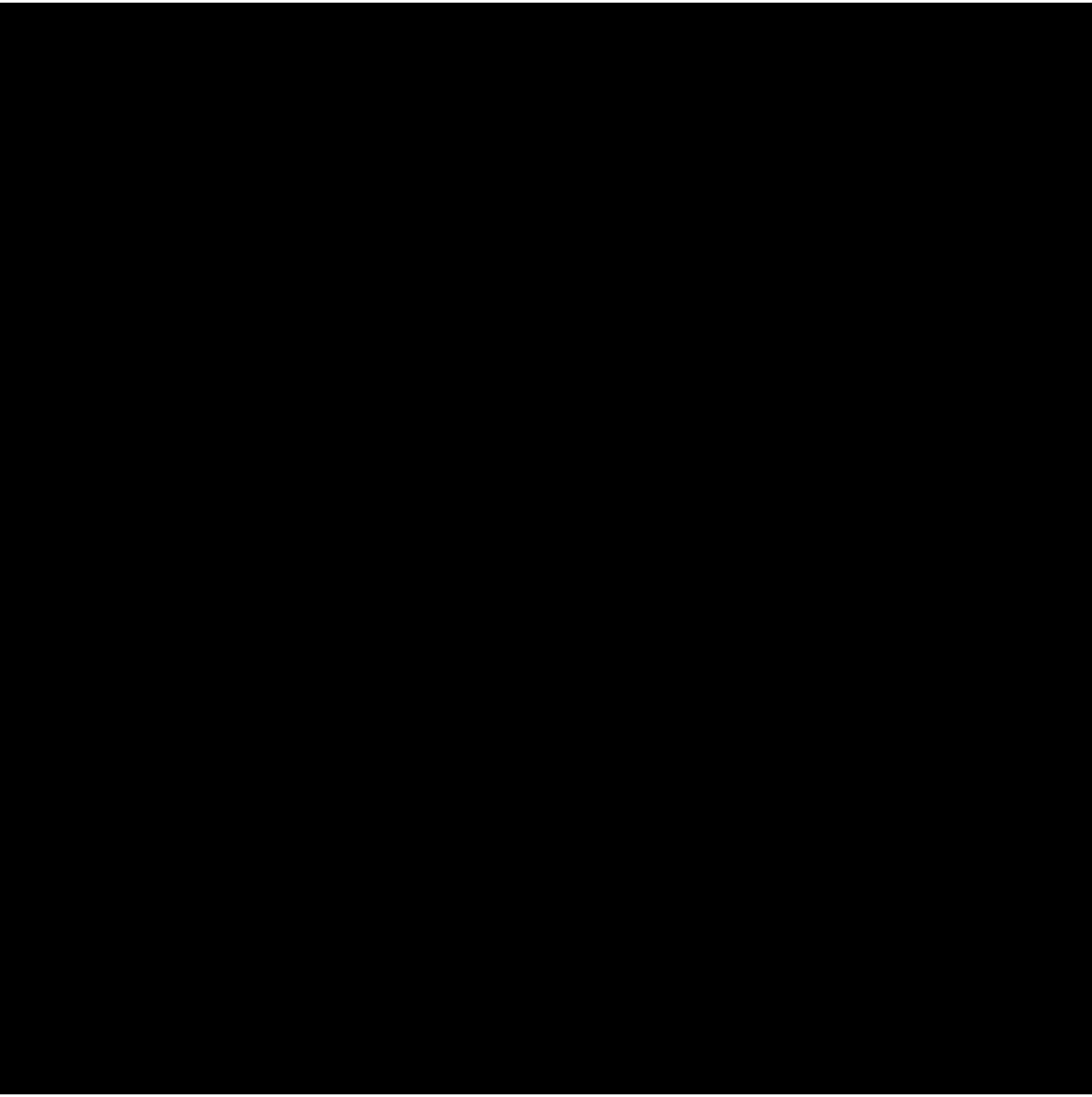

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Week	Entered Commercial Letters % SPLY	Entered Commercial Flats % SPLY	Entered Presort FCM % SPLY	Entered Mktg Mail % SPLY	DPS 2nd Pass % SPLY	Total Delivered Mail Volume %SPLY	Total Delivered Packages % SPLY
Week of 3/21	-6.80%	-22.70%	9.00%	-21.60%	2.00%	-5.30%	-1.00%
Week of 3/28	-21.00%	-23.70%	5.10%	-35.50%	-6.00%	-7.50%	5.00%
Week of 4/4	-32.40%	-34.20%	-15.70%	-42.00%	-20.80%	-21.30%	10.50%

AMERICAN OVERSIGHT

Data in Millions

REVENUE						
Date	Total Revenue 2020	Total Revenue 2019	Percent Change by day YOY	Cumulative 2020	Cumulative 2019	Cumulative Percent YOY
4/1/2020	$ 148	$ 170	-12.5%	$ 148	$ 170	-12.5%
4/2/2020	$ 150	$ 175	-14.5%	$ 298	$ 345	-13.5%
4/3/2020	$ 176	$ 199	-11.7%	$ 474	$ 544	-12.9%
4/4/2020	$ 118	$ 105	12.3%	$ 592	$ 649	-8.8%
4/5/2020	$ 10	$ 6	70.8%	$ 602	$ 655	-8.1%
4/6/2020	$ 177	$ 176	0.7%	$ 779	$ 831	-6.2%
4/7/2020	$ 128	$ 146	-12.4%	$ 907	$ 977	-7.1%
4/8/2020	$ 161	$ 172	-6.7%	$ 1,068	$ 1,149	-7.1%
4/9/2020	$ 166	$ 161	3.3%	$ 1,234	$ 1,310	-5.8%
4/10/2020	$ 197	$ 210	-6.1%	$ 1,431	$ 1,519	-5.8%
4/11/2020	$ 126	$ 104	20.9%	$ 1,557	$ 1,624	-4.1%
4/12/2020	$ 11	$ 6	81.1%	$ 1,568	$ 1,630	-3.8%
4/13/2020	$ 173	$ 191	-9.5%	$ 1,741	$ 1,821	-4.4%
4/14/2020	$ 125	$ 156	-19.6%	$ 1,866	$ 1,977	-5.6%
4/15/2020	$ 159	$ 173	-7.9%	$ 2,026	$ 2,150	-5.8%
4/16/2020	$ 176	$ 179	-2.0%	$ 2,201	$ 2,329	-5.5%
4/17/2020	$ 205	$ 213	-4.0%	$ 2,406	$ 2,542	-5.4%
4/18/2020	$ 126	$ 100	25.8%	$ 2,531	$ 2,642	-4.2%
4/19/2020	$ 12	$ 6	106.5%	$ 2,543	$ 2,648	-3.9%
4/20/2020	$ 196	$ 178	10.5%	$ 2,740	$ 2,825	-3.0%
4/21/2020	$ 140	$ 139	1.4%	$ 2,880	$ 2,964	-2.8%
4/22/2020	$ 169	$ 169	-0.3%	$ 3,049	$ 3,133	-2.7%
4/23/2020	$ 176	$ 171	2.6%	$ 3,225	$ 3,304	-2.4%
4/24/2020	$ 211	$ 205	3.0%	$ 3,436	$ 3,510	-2.1%
4/25/2020	$ 130	$ 100	30.1%	$ 3,566	$ 3,609	-1.2%
4/26/2020	$ 11	$ 6	94.2%	$ 3,577	$ 3,615	-1.1%

Data in Millions

CONTRIBUTION						
Date	Total Contribution 2020	Total Contribution 2019	% by Day YOY	Cumulative 2020	Cumulative 2019	Cumulative Percent YOY
4/1/2020	$ 61	$ 70	-13.8%	$ 61	$ 70	-13.8%
4/2/2020	$ 62	$ 71	-12.5%	$ 123	$ 141	-13.2%
4/3/2020	$ 69	$ 79	-12.7%	$ 192	$ 221	-13.0%
4/4/2020	$ 51	$ 44	16.3%	$ 243	$ 265	-8.1%
4/5/2020	$ 5	$ 3	78.8%	$ 248	$ 267	-7.2%
4/6/2020	$ 70	$ 65	8.1%	$ 318	$ 332	-4.3%
4/7/2020	$ 60	$ 64	-5.4%	$ 378	$ 396	-4.4%
4/8/2020	$ 69	$ 69	0.3%	$ 447	$ 465	-3.7%
4/9/2020	$ 68	$ 66	3.9%	$ 515	$ 530	-2.8%
4/10/2020	$ 75	$ 79	-5.1%	$ 590	$ 609	-3.1%
4/11/2020	$ 53	$ 43	22.5%	$ 643	$ 652	-1.4%
4/12/2020	$ 5	$ 3	90.3%	$ 648	$ 655	-1.0%
4/13/2020	$ 65	$ 65	-1.1%	$ 713	$ 720	-1.0%
4/14/2020	$ 57	$ 66	-13.0%	$ 770	$ 786	-2.0%
4/15/2020	$ 67	$ 68	-2.3%	$ 837	$ 854	-2.0%
4/16/2020	$ 70	$ 72	-2.0%	$ 907	$ 926	-2.0%
4/17/2020	$ 74	$ 76	-2.4%	$ 981	$ 1,002	-2.1%
4/18/2020	$ 53	$ 42	24.4%	$ 1,034	$ 1,044	-1.0%
4/19/2020	$ 6	$ 3	115.0%	$ 1,040	$ 1,047	-0.7%
4/20/2020	$ 75	$ 64	16.4%	$ 1,114	$ 1,111	0.3%
4/21/2020	$ 64	$ 58	10.1%	$ 1,178	$ 1,169	0.8%
4/22/2020	$ 71	$ 67	5.4%	$ 1,250	$ 1,237	1.0%
4/23/2020	$ 72	$ 66	9.6%	$ 1,322	$ 1,303	1.5%
4/24/2020	$ 83	$ 73	12.5%	$ 1,404	$ 1,376	2.1%
4/25/2020	$ 54	$ 44	23.3%	$ 1,458	$ 1,420	2.7%
4/26/2020	$ 5	$ 3	102.1%	$ 1,463	$ 1,422	2.9%

AMERICAN OVERSIGHT

Data in Millions

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4/21/2020	$ 140	$ 139	1.4%	$ 2,880	$ 2,964	-2.8%
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4/25/2020	$ 130	$ 100	30.1%	$ 3,566	$ 3,609	-1.2%
4/26/2020	$ 11	$ 6	94.2%	$ 3,577	$ 3,615	-1.1%

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4/3/2020	$ 69	$ 79	-12.7%	$ 192	$ 221	-13.0%
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4/9/2020	$ 68	$ 66	3.9%	$ 515	$ 530	-2.8%
4/10/2020	$ 75	$ 79	-5.1%	$ 590	$ 609	-3.1%
4/11/2020	$ 53	$ 43	22.5%	$ 643	$ 652	-1.4%
4/12/2020	$ 5	$ 3	90.3%	$ 648	$ 655	-1.0%
4/13/2020	$ 65	$ 65	-1.1%	$ 713	$ 720	-1.0%
4/14/2020	$ 57	$ 66	-13.0%	$ 770	$ 786	-2.0%
4/15/2020	$ 67	$ 68	-2.3%	$ 837	$ 854	-2.0%
4/16/2020	$ 70	$ 72	-2.0%	$ 907	$ 926	-2.0%
4/17/2020	$ 74	$ 76	-2.4%	$ 981	$ 1,002	-2.1%
4/18/2020	$ 53	$ 42	24.4%	$ 1,034	$ 1,044	-1.0%
4/19/2020	$ 6	$ 3	115.0%	$ 1,040	$ 1,047	-0.7%
4/20/2020	$ 75	$ 64	16.4%	$ 1,114	$ 1,111	0.3%
4/21/2020	$ 64	$ 58	10.1%	$ 1,178	$ 1,169	0.8%
4/22/2020	$ 71	$ 67	5.4%	$ 1,250	$ 1,237	1.0%
4/23/2020	$ 72	$ 66	9.6%	$ 1,322	$ 1,303	1.5%
4/24/2020	$ 83	$ 73	12.5%	$ 1,404	$ 1,376	2.1%
4/25/2020	$ 54	$ 44	23.3%	$ 1,458	$ 1,420	2.7%
4/26/2020	$ 5	$ 3	102.1%	$ 1,463	$ 1,422	2.9%

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Data in Millions

REVENUE						
Date	Total Revenue 2020	Total Revenue 2019	Percent Change by day YOY	Cumulative 2020	Cumulative 2019	Cumulative Percent YOY
4/1/2020	$ 148	$ 170	-12.5%	$ 148	$ 170	-12.5%
4/2/2020	$ 150	$ 175	-14.5%	$ 298	$ 345	-13.5%
4/3/2020	$ 176	$ 199	-11.7%	$ 474	$ 544	-12.9%
4/4/2020	$ 118	$ 105	12.3%	$ 592	$ 649	-8.8%
4/5/2020	$ 10	$ 6	70.8%	$ 602	$ 655	-8.1%
4/6/2020	$ 177	$ 176	0.7%	$ 779	$ 831	-6.2%
4/7/2020	$ 128	$ 146	-12.4%	$ 907	$ 977	-7.1%
4/8/2020	$ 161	$ 172	-6.7%	$ 1,068	$ 1,149	-7.1%
4/9/2020	$ 166	$ 161	3.3%	$ 1,234	$ 1,310	-5.8%
4/10/2020	$ 197	$ 210	-6.1%	$ 1,431	$ 1,519	-5.8%
4/11/2020	$ 126	$ 104	20.9%	$ 1,557	$ 1,624	-4.1%
4/12/2020	$ 11	$ 6	81.1%	$ 1,568	$ 1,630	-3.8%
4/13/2020	$ 173	$ 191	-9.5%	$ 1,741	$ 1,821	-4.4%
4/14/2020	$ 125	$ 156	-19.6%	$ 1,866	$ 1,977	-5.6%
4/15/2020	$ 159	$ 173	-7.9%	$ 2,026	$ 2,150	-5.8%
4/16/2020	$ 176	$ 179	-2.0%	$ 2,201	$ 2,329	-5.5%
4/17/2020	$ 205	$ 213	-4.0%	$ 2,406	$ 2,542	-5.4%
4/18/2020	$ 126	$ 100	25.8%	$ 2,531	$ 2,642	-4.2%
4/19/2020	$ 12	$ 6	106.5%	$ 2,543	$ 2,648	-3.9%
4/20/2020	$ 196	$ 178	10.5%	$ 2,740	$ 2,825	-3.0%
4/21/2020	$ 140	$ 139	1.4%	$ 2,880	$ 2,964	-2.8%
4/22/2020	$ 169	$ 169	-0.3%	$ 3,049	$ 3,133	-2.7%
4/23/2020	$ 176	$ 171	2.6%	$ 3,225	$ 3,304	-2.4%
4/24/2020	$ 211	$ 205	3.0%	$ 3,436	$ 3,510	-2.1%
4/25/2020	$ 130	$ 100	30.1%	$ 3,566	$ 3,609	-1.2%
4/26/2020	$ 11	$ 6	94.2%	$ 3,577	$ 3,615	-1.1%

Data in Millions

CONTRIBUTION						
Date	Total Contribution 2020	Total Contribution 2019	% by Day YOY	Cumulative 2020	Cumulative 2019	Cumulative Percent YOY
4/1/2020	$ 61	$ 70	-13.8%	$ 61	$ 70	-13.8%
4/2/2020	$ 62	$ 71	-12.5%	$ 123	$ 141	-13.2%
4/3/2020	$ 69	$ 79	-12.7%	$ 192	$ 221	-13.0%
4/4/2020	$ 51	$ 44	16.3%	$ 243	$ 265	-8.1%
4/5/2020	$ 5	$ 3	78.8%	$ 248	$ 267	-7.2%
4/6/2020	$ 70	$ 65	8.1%	$ 318	$ 332	-4.3%
4/7/2020	$ 60	$ 64	-5.4%	$ 378	$ 396	-4.4%
4/8/2020	$ 69	$ 69	0.3%	$ 447	$ 465	-3.7%
4/9/2020	$ 68	$ 66	3.9%	$ 515	$ 530	-2.8%
4/10/2020	$ 75	$ 79	-5.1%	$ 590	$ 609	-3.1%
4/11/2020	$ 53	$ 43	22.5%	$ 643	$ 652	-1.4%
4/12/2020	$ 5	$ 3	90.3%	$ 648	$ 655	-1.0%
4/13/2020	$ 65	$ 65	-1.1%	$ 713	$ 720	-1.0%
4/14/2020	$ 57	$ 66	-13.0%	$ 770	$ 786	-2.0%
4/15/2020	$ 67	$ 68	-2.3%	$ 837	$ 854	-2.0%
4/16/2020	$ 70	$ 72	-2.0%	$ 907	$ 926	-2.0%
4/17/2020	$ 74	$ 76	-2.4%	$ 981	$ 1,002	-2.1%
4/18/2020	$ 53	$ 42	24.4%	$ 1,034	$ 1,044	-1.0%
4/19/2020	$ 6	$ 3	115.0%	$ 1,040	$ 1,047	-0.7%
4/20/2020	$ 75	$ 64	16.4%	$ 1,114	$ 1,111	0.3%
4/21/2020	$ 64	$ 58	10.1%	$ 1,178	$ 1,169	0.8%
4/22/2020	$ 71	$ 67	5.4%	$ 1,250	$ 1,237	1.0%
4/23/2020	$ 72	$ 66	9.6%	$ 1,322	$ 1,303	1.5%
4/24/2020	$ 83	$ 73	12.5%	$ 1,404	$ 1,376	2.1%
4/25/2020	$ 54	$ 44	23.3%	$ 1,458	$ 1,420	2.7%
4/26/2020	$ 5	$ 3	102.1%	$ 1,463	$ 1,422	2.9%

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	Contract	Effective Date	Most Recent Amendment Date	Expiration Date
1	Parcel Select	10/30/13	May 2017	10/29/23
2	Parcel Return Service	10/30/13	May 2017	10/29/23
3	Priority Mail Outbound	11/05/15	February 2020	11/4/19, amended through 5/1/20; Successor under re-negotiation
4	First-Class Package Service- Outbound (Not To Exceed) 15.99oz	01/02/18	N/A	01/01/21
5	Amazon Transportation for Merchants First- Class Package Service, Priority Mail	05/02/15	June 2019	12/31/19 (expired); Successor under renegotiation

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UNITED STATES POSTAL SERVICE

March 22, 2020

To Whom It May Concern,

This letter is to provide information regarding the functions being performed by the mailing and printing industry in support of the essential government services being provided by the United States Postal Service to the American people.

The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic. The Postal Service is an entity of the Federal Government, and the provision of postal services to the American people is designated as an essential function under federal law during times of emergency. The postal system is used to deliver, among other things, important governmental information and benefits, mail that is essential to the functioning of our economy, elections materials, and packages containing vital necessities, including medicines and other goods, and is a part of the nation's critical infrastructure.

Postal and shipping workers, including those in the private sector, are also considered essential critical infrastructure workers under recent guidance issued by the Department of Homeland Security. White House and CDC guidance has also stated that such industries have a special responsibility to maintain normal work schedules.

The functioning of the postal system depends critically on the mailing and printing industry. Members of the mailing and printing industry work with the public and private sector to create, print, and enter essential mail into the postal system. The industry also serves a vital role in ensuring that packages are able to be efficiently shipped from sender to recipient.

Therefore, the Postal Service considers that the continued operations of the mailing and printing industry in enabling the delivery of critical mail and packages is vital to the Postal Service's continued performance of its essential functions.

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UNITED STATES POSTAL SERVICE

March 22, 2020

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Therefore, the Postal Service considers that the continued operations of the mailing and printing industry in enabling the delivery of critical mail and packages is vital to the Postal Service's continued performance of its essential functions.

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UNITED STATES POSTAL SERVICE

<AUTODATE>

To Whom It May Concern,

This letter is to provide information ~~to you~~ regarding the functions being performed by the mailing and printing industry~~(insert industry member name)~~ in support of the essential government services being provided by the United States Postal Service to the American people.

The Postal Service's provision of postal services throughout the United States is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic. The Postal Service is an entity of the Federal Government, and the provision of postal services to the American people is designated as an essential function under federal law during times of emergency. The postal system is used to deliver, among other things, important governmental information and benefits, mail that is essential to the functioning of our economy, elections materials, and packages containing vital necessities, including medicines and other goods, and is a part of the nation's critical infrastructure.

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The functioning of the postal system depends critically on the mailing and printing industry. Members of the mailing and printing industry work with the public and private sector to create, print, and enter essential mail into the postal system. The industry also serves a vital role in ensuring that packages are able to be efficiently shipped from sender to recipient.

Therefore, the Postal Service considers that the continued operations of the mailing and printing industry to the extent i~~t~~n enables~~ing~~ the delivery of critical mail and packages is vital to the Postal Service's continued performance of its essential functions.

~~Questions regarding this letter may be directed to the Postal Service at (insert phone number).~~

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UNITED STATES POSTAL SERVICE

March 22, 2020

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Therefore, the Postal Service considers that the continued operations of the mailing and printing industry in enabling the delivery of critical mail and packages is vital to the Postal Service's continued performance of its essential functions.

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Talking points for Concerning Legislative Strategy for the Fourth Stimulus Bill
April 1, 2020

- We need to start preparing immediately for the fourth stimulus bill.

- Based upon everything we have heard, the vote on the fourth stimulus bill, which will originate in the House, will occur on or about April 20, 2020. That is two and one half weeks away.

- In addition, we have a meeting scheduled with Congressman Connelly next week, and we fully expect that he will ask us for our legislative ask.

- Further, Democratic staffers from both our House and Senate Oversight Committees have scheduled an exploratory call with Ron Stroman later this afternoon.

- **As an initial matter, we need to agree on what our legislative ask will be.**

    - Initial Board approved legislative ask ($44.5B)
    - Subsequent Board approved ask in response to a request from the Speaker ($15B plus elimination of our debt, as the minimum prudent amount necessary to hedge against the substantial risk that the Postal Service will lose all of our liquidity this fiscal year)
    - Support the provisions in the Speaker's draft bill ($25B/debt forgiveness/$15B loan)
    - Support the deal approved by Chairman Johnson/Peters ($13B)
    - Develop a broader set of legislative asks
    - Negotiate directly with POTUS and/or the Treasury Secretary

- In making our decision in this regard, one fact I should point out is that during our meeting yesterday with our union leadership, they stressed that they are hearing that any legislative asks need to be closely tied to COVID-19 issues, and that broader reform requests would not be looked upon favorably.

- While we recognize that this may be in the self-interests of the Unions, we note that Speaker Pelosi was widely criticized by Republicans on the Senate floor with regard to the last stimulus bill, and she has stated publically that she would like a quick consensus bill here.

- She has stated that while the bill should be COVID-19 related, she also wants it to be economic stimulus oriented, which could work in our favor.

- Once we have agreed upon our legislative request, we need to move out quickly. I believe that personal outreach by the Governors to certain key political figures

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can help reframe the narrative about the Postal Service as a part of the nation's critical infrastructure that will be needed to perform essential services for the American people.

- Where the Governors can provide the most help in this round is to be focused on changing the Administration's views.

- There seems to be a growing consensus amongst the Board that the best way to do this would be through a direct meeting with POTUS. I am not opposed to this and would be happy to participate in any way I can.

- That said, I still have some concerns that the only way an appropriation for the Postal Service ultimately gets support in the Senate is for the Governors to reach an agreement on a legislative package with the Treasury Secretary, and we may not have sufficient time to make the connections between POTUS and the Secretary.

- In that regard, in a conversation that Ron Stroman had with Chairman Johnson's Chief of Staff, he advised Ron that we needed to be negotiating with the Treasury Secretary.

- Therefore we should think through whether we can have a meaningful dialogue with POTUS that will result in him giving instructions to the Secretary, or whether we should proceed on parallel tracks with the Secretary.

- Assuming parallel tracks are in order, I would suggest the following meetings/calls in an effort to change the Administration's view.

- We would recommend that Reince Priebus arrange a call for Governors Barger and Bloom with POTUS, and I could try to do the same through Peter Navarro. I would also be happy to participate in the call if it would be helpful.

- We would recommend that Chairman Duncan and Governor Martinez arrange a call with the Treasury Secretary to try to determine his issues with providing relief to the Postal Service. I still believe such a call could be important as a hedge strategy in case we can't make enough progress with POTUS, since in that instance the Secretary's views will have outsized influence on the process.

- We would recommend that Reince Priebus arrange a call for Chairman Duncan and Governor Barger with the Chief of Staff to the President, Mark Meadows.

- Assuming some of these conversations bear fruit, and that we reach an accommodation with POTUS and/or Secretary Mnuchin, we would recommend

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outreach to our key legislative oversight leaders to inform them that we have such accommodation.

- We would recommend that Reince Priebus set up a call with Chairman Ron Johnson.

- Also, we would recommend that Governor Bloom arrange a call with Chairperson Maloney.

- We would recommend Governor Williams reach out to Majority Leader Steny Hoyer

As I noted, time is of the essence.

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Talking points for Concerning Legislative Strategy for the Fourth Stimulus Bill
March 31, 2020

- Thank you Mr. Chairman, and I certainly agree with your point that we need to start preparing immediately for the fourth stimulus bill.

- I appreciate the willingness of the Governors to get personally involved since I believe the primary work that we need to do will be with the Administration, the political access that the Governors have will be invaluable.

- I fully agree with the Chairman's statement that where the Governors can provide the most help in this round is to be focused on changing the Administration's views.

- As the Chairman noted, the financial relief provided through the last stimulus bill was substantially undercut when the Administration would only support a loan, and that loan may come with terms and conditions that are not acceptable to the Postal Service.

- **As an initial matter, we need to agree on what our legislative ask will be.**

    - Initial Board approved legislative ask ($44.5B)
    - Subsequent Board approved ask in response to a request from the Speaker ($15B plus elimination of our debt, as the minimum prudent amount necessary to hedge against the substantial risk that the Postal Service will lose all of our liquidity this fiscal year)
    - Support the provisions in the Speaker's draft bill ($25B/debt forgiveness/$15B loan)
    - Support the deal approved by Chairman Johnson/Peters ($13B)
    - Develop a broader set of legislative asks
    - ~~Negotiate directly with the Treasury Secretary~~
    -

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- Once we reach a collective resolution of this issue, I believe there are two primary areas where the personal participation of the Governors will help most.

- First, as the Chairman indicated, it would be very helpful, if we can reach agreement this week, ~~we need~~ to finish the 10-year strategy document. Both the Treasury Secretary and the President's Chief of Staff have let us know that they expect to see our plan, and our credibility would be markedly enhanced ~~I don't think we can develop credibility~~ with the Administration, even for short term relief, if they ~~don't~~ have faith that we have a longer term plan that is more in line with the Administration's expectations.

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- That said, given the pace with which the fourth stimulus bill is moving, we cannot afford to wait beyond this week to reach a consensus on the 10-year strategy document. To put it bluntly, time is of the essence~~We need to map out an integrated political strategy that includes a holistic view of the manner we intend to portray the Postal Service, both in response to the present crisis, and for the future~~.

- Once we have agreed upon our legislative request, we need to move out quickly. ~~are ready to roll out,~~ I believe that personal outreach by the Governors to certain key political figures can help reframe the narrative about the Postal Service as a part of the nation's critical infrastructure that will be need to perform as essential service for the American people.

- We believe the only way an appropriation for the Postal Service gets support in the Senate is for the Governor to reach an agreement on a legislative package with the Treasury Secretary. For that reason, the single most important activity that needs to occur is a discussion with the Secretary, as soon as it can be arranged.

- In that regard, once we are ready to go, I would suggest the following meetings/calls in an effort to change the Administration's view

- We would recommend that Chairman Duncan and Governor Martinez arrange a call with the Treasury Secretary to work out a legislative package that could get support in the Senate. I can't emphasize enough the importance of this call, since the Secretary's views will inform all of our other activities we will purpose to get legislation, given that we believe he has outsizerd influence on the process.

- We would recommend that Reince Priebus arrange a call for Chairman Duncan and Governor Barger with the Chief of Staff to the President, Mark Meadows.

- Assuming some of these conversations bear fruit, and that we reach an accommodation with Secretary Mnuchin, we would recommend outreach to our key legislative oversight leaders to inform them that we have such accomodation.

- We would recommend that Reince Priebus set up a call with Chairman Ron Johnson.

- Also, we would recommend that Governor Bloom arrange a call with Chairperson Maloney.

- We would recommend Governor Williams reach out to Majority Leader Steny Hoyer

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- As I noted, ~~T~~time is of the essence – given what we're hearing – I'll ask Ron to provide some insight on timing.

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Congress of the United States

Washington, DC 20510

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the $10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.[1] The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will "run out of cash due to a potential decline in revenue of $8-$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to $12.6 billion in revenues this fiscal year as a result of the pandemic. During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.[2]

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

[1] Pub. L. No. 116-136 (2020).

[2] See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usus.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

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mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a $1.4 trillion mailing industry that employs more than 7.5 million people.[3]

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional $10 billion from the Department of the Treasury (Treasury) "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The terms of this loan are to be "mutually agreed upon by the Secretary and the Postal Service."[4] In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made "at the Treasury rate." This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of "the power of the Postal Service,"[5] appoint or remove the Postmaster General, and "direct and control the expenditures and review the practices and policies of the Postal Service."[6] We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service's statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

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[3] U.S. Postal Service, *Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

[4] Pub. L. 116-136 (2020).

[5] 39 U.S.C. § 202(a)(1).

[6] 39 U.S.C. § 202(c); 39 U.S.C. §205(a).

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- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all "term sheets" and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,

Gary C. Peters
Ranking Member
Senate Committee on Homeland Security and Governmental Affairs

Carolyn B. Maloney
Chairwoman
House Committee on Oversight and Reform

Tom Carper
Ranking Member
Senate Permanent Subcommittee on Investigations

Gerald E. Connolly
Chairman
House Subcommittee on Government Operations

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May 5, 2020

The Honorable Robert M. Duncan
Chairman
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable John M. Barger
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable Ron A. Bloom
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable Roman Martinez IV
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

Dear Mr. Chairman and Governors:

On behalf of the Postal Service's 500,000 craft employees, we write to express our appreciation for the leadership you have shown during the current national crisis caused by the COVID-19 pandemic and to urge you to resist inappropriate interference by the Treasury Department in the management and operations of the Postal Service.

As our members across the country in post offices, on delivery routes, and in processing plants and other facilities face down the dangers of providing essential services during a pandemic, we thank you for fighting for the survival of the Postal Service -- a national treasure and a truly essential public service.

We specifically applaud your unanimous endorsement of immediate legislative relief to help the Postal Service survive this crisis so that we can continue to help America fight this pandemic and eventually recover from the deep recession it has caused. Our members are proud to be delivering goods to families that are sheltering in place, medicines and supplies to those who are sick, relief checks to suffering citizens and vital public health information to the entire country. And the industry – mailers, shippers and suppliers – is committed to respond to and fulfill these critical public needs, and work with the Postal Service to deliver them as well. The assistance you are seeking from Congress will allow us to serve these vital functions. We want to continue to deliver for the Nation.

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We also urge you to continue to resist inappropriate efforts by the Department of Treasury to interfere with the management of the Postal Service or to place conditions on access to credit provided by the Postal Reorganization Act or the CARES Act -- conditions that would weaken the legal authorities of the Board of Governors and the Postal Regulatory Commission. It is the role of a democratically elected Congress to set postal policy in this country, and it is the role of the Board and the PRC to implement that policy with the managerial and regulatory discretion provided by law. The Treasury Department has no authority to re-write the law or impose its policy preferences on the Postal Service – or the country.

In a few years' time, when this pandemic and this economic crisis are behind us, the Postal Service will celebrate its 250th anniversary. If we all work together to preserve the institution that we love and depend upon, on that anniversary we will be able to look back at this time as being among the finest in the long proud history of the Postal Service.

Thanks again for your leadership.

Sincerely,

Fredric V. Rolando
President
National Association of Letter Carriers

Mark Dimondstein
President
American Postal Workers Union

Ronnie Stutts
President
National Rural Letter Carriers Association

Paul Hogrogian
President
National Postal Mail Handlers Union

Cc: Postmaster General Megan Brennan
Deputy Postmaster General Ronald Stroman

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This letter responds to your request of April 3, 2020 for information regarding the Postal Service's immediate financial condition following the onset of the Coronavirus Disease 2019 (COVID-19) pandemic, and the Postal Service's plans regarding the additional $10 billion in borrowing authority recently authorized by Congress in the CARES Act. The requested information is below.

The Postal Service Board of Governors and management team, along with the 630,000 employees of the Postal Service, remain highly focused on our mission of binding the nation together and providing the American people with prompt, reliable, and universal postal delivery services. Our mission has never been more important than now, as more and more Americans are being asked to shelter in place and to work from home due to the COVID-19 pandemic. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated both as an essential function under federal law during times of emergency and as part of the nation's critical infrastructure. Every day, the dedicated men and women of the Postal Service accept, process, transport, and deliver vital mail and packages to communities throughout the Nation.

The Postal Service is fully committed to being a source of consistency and reliability for American households and businesses throughout this national emergency, and to ensuring that the public can confidently depend upon our critical mailing and shipping services both in the near term, and into the future. However, as I discussed during our teleconference on April 9, 2020 on these matters, and detail further below, the COVID-19 pandemic is having a profoundly negative impact on our financial condition. The result is a liquidity crisis due to the pandemic that requires immediate action by Congress to ensure our continued ability to provide our critical services to the American people in a prompt, reliable, and efficient manner.

1. The most recent financial estimates regarding the Postal Service's finances through the end of the fiscal year, under expected economic conditions, including: projected revenue, expenses, emergency expenses, and cash-on-hand. Such estimates should include information about the attendant economic assumptions. We request that you send a copy of the estimates that will be used in discussions with the Treasury Department about borrowing, and continue to send updated estimates as necessary.

Our projections of the impact of the COVID-19 pandemic are grounded in three knowns and a significant number of unknowns. The three knowns include what is currently happening with volumes, the impact of the last great recession on the Postal Service's volume after GDP growth resumed, and what mailers are communicating to~~informing~~ the Postal Service regarding their short-term plans.

The first known is what is currently happening with volumes. We are seeing a significant decline across mail products, with growth in packages. All percentages describe the change in mail volume from the same period last year. The first week of the COVID-impact (3/16-3/21) the Postal Service saw total delivered mail volume (consisting of letters and flats) decline by 5.3%. The week of March 22nd total delivered mail volume declined by 7.5%, the week of March 29th total delivered mail volume declined by 24.2%, and the week of April 5th total delivered mail volume declined by 32.2%. Delivered packages have shown a growth trajectory which has been offsetting a portion of the mail revenues lost in recent weeks. The first week of the COVID-impact (3/16-3/21) the Postal Service saw delivered package volume~~s~~ decline by 1.0%. The week of March 22nd total delivered package volume~~s~~ grew by 5.0%, the week of March 29th total delivered package volume~~s~~ increased by 11.8%, and the week of April 5th total delivered package volume~~s~~ increased by 20.7%.

Although package growth has accelerated, our current projection is that this trend will not continue and we will likely have declines in packages in the upcoming months. The reasons for this belief are as follows:

- First, some of our customers are already expressing concerns about what they are reading concerning ~~about~~ our financial condition and stability, and are pursuing alternatives to move and deliver their products.
- Second, the significant decline in GDP and the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.
- Third, package growth will also be likely be impacted by supply chain disruptions across the system, as shortages due to production and transportation disruptions, not only in the U.S, but throughout the world, ripple through the economy, thus reducing package volume.
- Finally, much of the package growth seen in recent weeks was fueled by consumers stocking up on basic needed household items and stockpiling food. Much of this spending was funneled through e-commerce

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because consumers did not want to physically shop in stores. As consumers reach higher inventory levels of household staples, repeat purchasing will decline. Additionally, as society begins to open up, many (but not all) consumers will return to shopping in stores.

The known impacts experienced by the Postal Service during and after the last recession in 2008-2009 also influence our analysis. During that recession, the Postal Service lost significant mail volume that never returned; total volumes experienced a steep downward step between 2007 and 2009 and thereafter returned to ~~n began~~ a more gradual decline that has continued ever since. Prior to the recession, the Postal Service had total mail volume of 212B pieces in FY2007. After the recession, the Postal Service had 168B pieces within the system in FY2011, a decline of 20.7% of total mail volume. Mail volume declined by 43.9B pieces and $9.2B in total revenue were lost during this period, with $6.8 billion of revenue lost in 2009 alone.

The final known factor is what mailers are telling us about their short-term plans. For the most part, major mailers are expecting a slow-down in mailing due to the economic impact across the economy. Advertisers have reduced spending, which is having a significant effect on marketing mail, with marketing mail volume down 42.5% in the most recent week.

There are three components to the COVID-19 impact that are unknown and make the effects of the pandemic extremely difficult to quantify:

- **Depth** of the short-term impact during Calendar Q2 and Q3. Specifically, how bad will economic conditions get?
- **Duration** of the economic impact. This is directly tied to how long the economy remains shuttered and will have a significant influence on FY2021 volumes and revenues.
- **Volume levels** to which mail returns after the pandemic is concluded. This will influence our financial outlook in future years. It is possible that many companies never return to business and that some portion of our volume will be permanently lost to digital alternatives. (As noted previously, after the 2008-2009 recession, mail volume never returned and we suffered a permanent ~~20%~~ decline from FY2007 levels of over 20%).

Commented [MTJ-WD1]: Megan has been using this figure, but above we say 20.7%, which is really 21%.

Each of these components will ultimately be influenced by the degree to which GDP declines in the coming months, the increase in the unemployment rate and the persistence of higher unemployment levels, declines in business and consumer confidence and investment spending (which often significantly lag the beginning of an "official" recovery), and the timing of the reopening of segments of the economy. None of these elements are known or can be predicted with any real degree of certainty at this time. The estimates for GDP decline are diverse, with a recent survey of economists by the Wall Street Journal reporting a median decline in GDP of 26.5% in Postal Quarter 3 (April – June, 2020).[1] In addition, the same survey of economists suggests a median projection for the unemployment rate by June 2020 of 13%. To put that GDP loss in perspective, the recession of 2008-2009 caused a 3.3% decline in GDP in FY2009; the median decline in GDP projected for this quarter (April – September 2020) is 7 times worse than the worst quarter GDP experienced in the last recession.

These GDP and unemployment projections, when considered in light of the Postal Service's financial results during the last recession, and the most recent volume decline information, have led us to the following initial estimates for the next 18 months and the longer-term outlook:

- Short-term impact - Postal Q3 & Q4 (April – September)
  - We expect a ~~Significant~~ significant short-term impact for the remainder of FY2020 due to the economic impact of COVID-19
  - which will cause ~~We~~ projected declines of approximately 50% in volumes in Q3 and 57% in Q4, based on the speed at which volume has already declined, the GDP and unemployment projections estimated by economists and information communicated by mailers.
- Medium-term impact - Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, we project a gradual return of volumes beginning in Q1, FY 2021, to about 60% of the corresponding pre-COVID levels in Q1.

[1] WSJ Survey of Economists - https://www.wsj.com/graphics/econsurvey/

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- For the rest of FY 2021, we estimate that volumes will gradually return to about 74% of pre-COVID volume levels (as noted, current projections by economists suggest this will be worse than the great recession~~,~~ (when we lost over~~approximately~~ 20% of volumes), due to the overall economic impact the lock-down is having).
- For the entirety of FY 2021, we estimate that total volume will be approximately 70% of pre-COVID volume levels.

- Long-term impact - Fiscal Year 2022 and beyond
  - The longer-term projection suggests a return to a "new normal" of about 7~~5~~5% of pre-COVID volume levels, which is slightly worse than the last recession when we returned to a new normal of approximately 80% of pre-recession volumes. We then expect the long-term gradual secular volume declines~~trends~~ will resume for the next 10 years.

All of these volume assumptions are dependent on many facets of the COVID-19 disruption that are as yet unknown. For example, the longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return could be less than currently projected. Likewise, if the economic lock-down retreats in the coming weeks and businesses return to normal quickly, it is possible that the volume levels could be greater than these projections. Ultimately, given the significant uncertainty concerning these matters, our projections~~,~~ while severe, should not be considered a ~~s being conservative, rather than~~ worst case, because it is conceivable that the impact of COVID-19 on mail volumes will be even more dire than we are anticipating.

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Based on these projections, it is expected that the Postal Service's financial condition will worsen significantly compared to previous estimates. ~~Depending on the severity and length of the economic lock-down, c~~Our current projections, which are based upon the assumptions indicated herein, indicate the Postal Service would be essentially illiquid in **September 2020** if additional cash is not obtained (either through the additional $10B Treasury loan under the CARES Act, or alternative funding mechanisms). At that~~is~~ time, the Postal Service would have less than 1 payroll of cash remaining (payroll is ~$2B bi-weekly), with a negative cash balance projected for October, when the $1.5B workers' compensation cash payment is due to the Department of Labor. While previous estimates put this date as early as June, this has been extended~~deferred~~ until September due to our ability to delay payment of employer Social Security taxes pursuant to the CARES Act (~$1.1B thru September 2020), and our ability to obtain an additional $3.4B from the Federal Financing Bank pursuant to a short-term ~~lending~~ note that was available to us under our existing statutory borrowing~~debt~~ authority ~~of up to $15B~~. A portion of this note ($400M) must be repaid by September 2020, while the remaining $3B must be repaid by April 2, 2021.

Over the next 18 months (to the end of the next fiscal year, September 2021), we project our net loss will increase by $22.8B versus previous projections as a direct~~ly~~ result of the impacts of ~~due to~~the COVID-19 pandemic. Based upon our current ~~We are~~ projections, we will~~ed to~~ run out of cash in **April 2021** even if we secure the additional $10B in borrowing under the CARES Act. Finally, over the longer term (10 years), we project our net loss will increase by $54.3B versus previous projections directly due to the COVID-19 pandemic.

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The Postal Service will do what it can to reduce expenses commensurate with these volume declines through overtime and overall workhour reductions, and curtailing of all travel and other discretionary spending. Due to the impact of COVID-19 on employee availability, the fixity of our network, and the costs associated with the leave provisions of the Families First Coronavirus Response Act (H.R. 6201), our ability to significantly reduce expenses in the short-run is limited. That said, based upon these projected volume reductions, over the next 18 months we would be required ~~us~~ to reduce 123 million workhours ~~over the next 18 months by 123 million~~, which is the equivalent of approximately 69,000 Full-Time positions~~Equivalents (FTEs)~~. The savings associated with those reduced workhours, however, are diminished because the new leave provisions of H.R. 6201 added additional costs to the Postal Service that are estimated to be approximately $600M-$900M depending on how many of our employees suffer a qualifying condition related to COVID-19, and on how many of our employees have children and dependents out of school/daycare. Unlike other entities, these expenses are not reimbursable to the Postal Service under the statute. In addition, it is expected that additional supplies and cleaning services required due to COVID-19 could cost the Postal Service over $100M over the next 6 months.

Given the economic uncertainty underlying all of this, the Postal Service will continuously monitor and evaluate new information as it becomes available, including current mail volumes, announcements by governments concerning the opening of aspects of the economy, input from our mail and shipping customers, as well as economic projections for the broader economy. This new information will necessitate updates to our forecast and

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the Postal Service will incorporate on an ongoing basis any relevant new information as it becomes available to ensure we have the most updated assessment of the pandemic on our financial condition.

2. A clear public statement from the Postal Service regarding its expected financial condition, to inform its customers about its revenues, expenses, and expected solvency.

On April 10, we issued a public statement on our financial condition and our stimulus needs, which is available at https://about.usps.com/newsroom/statements/041020-pmg-statement-on-usps-stimulus-needs.htm.

3. A statement of the amount of funds the Postal Service intends to request from the Treasury Department under the CARES Act, including the terms requested by the Postal Service for the authorized loan.

We are in discussions with the Treasury regarding the borrowing authority in the CARES Act, including the terms and conditions that would apply to such borrowing, and will update you when those negotiations are completed. However, we anticipate that we will be required to borrow the full $10 billion that is available, for the reasons noted herein.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 27, 2020

M-20-24

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Russell T. Vought
Acting Director

SUBJECT: Implementing the Presidential Transition Act

This Memorandum provides guidance to all Executive departments and agencies ("agencies") on assisting the Presidential transition activities required by the Presidential Transition Act of 1963, as amended (3 U.S.C. § 102 note).

Background

The Presidential Transition Act promotes the orderly transfer of Executive powers in connection with the expiration of the term of office of a President and the inauguration of a new President. The activities required by the Act are also helpful to prepare for leadership transitions that occur between the first and second terms of Administrations.

The Act requires the establishment of a White House Transition Coordinating Council, an Agency Transition Directors Council, and designation of a General Services Administration (GSA) Federal Transition Coordinator. The Act sets up a timetable for agencies to name points of contact to assist with transition efforts and develop succession plans and establishes responsibilities for the Agency Transition Directors Council.

Timetable of Required Agency Actions

1. By May 1, 2020, each agency identified in Enclosure 1 shall name its Agency Transition Director. The Agency Transition Director should be a senior career representative whose responsibilities include leading Presidential transition efforts within the agency. Agencies shall provide the name, title, email address, and telephone number for their Agency Transition Directors to GSA's Federal Transition Coordinator at PresidentialTransition2020@gsa.gov. These individuals will serve on the Agency Transition Directors Council, co-chaired by the Federal Transition Coordinator and the Deputy Director for Management of the Office of Management and Budget (OMB).

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2. By May 1, 2020, each agency identified in Enclosure 2 shall identify a point of contact for communication purposes related to Presidential transition efforts. Agencies shall provide the name, title, email address, and telephone number for their communication coordination to GSA's Federal Transition Coordinator at PresidentialTransition2020@gsa.gov.

3. Not later than September 15, 2020, and in accordance with subchapter III of chapter 33 of title 5, United States Code, the head of each agency[1] shall ensure that a succession plan[2] is in place for each senior non-career position in the agency.

Responsibilities

The Agency Transition Directors Council shall:

i. Ensure the Federal Government has an integrated strategy for addressing interagency challenges and responsibilities around Presidential transitions and turnover of non-career appointees;
ii. Coordinate transition activities among the Executive Office of the President, agencies, and the transition team of eligible candidates and the President-elect and vice-President-elect;
iii. Draw on guidance provided by the White House Transition Coordinating Council and lessons learned from previous Presidential transitions in carrying out its duties;
iv. Assist the Federal Transition Coordinator in identifying and carrying out the responsibilities of the Federal Transition Coordinator relating to a Presidential transition;
v. Provide guidance to agencies in gathering briefing materials and information relating to the Presidential transition that may be requested by eligible candidates;
vi. Ensure materials and information described in subparagraph (v) above are prepared not later than November 1 of the year during which a Presidential election is held;
vii. Ensure agencies adequately prepare career employees who are designated to fill non-career positions during a Presidential transition; and
viii. Consult with the President's Management Council, or any successor thereto, in carrying out its duties.

OMB and GSA intend to hold an Agency Transition Directors Council meeting on May 27, 2020. Calendar invitations will be distributed to the Agency Transition Directors in advance of the meeting.

[1] As used in this memorandum, the term 'agency' means an Executive agency, as defined in section 105 of title 5, United States Code.
[2] Required pursuant to the Presidential Transition Enhancements Act of 2019 (Pub. L. 116-121).

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If you have any questions regarding this Memorandum, please contact Mary Gibert, Federal Transition Coordinator at GSA (mary.gibert@gsa.gov).

Enclosures:

1. List of Agencies to Provide Agency Transition Director
2. List of Agencies to Provide Presidential Transition Communication Point of Contact Information
3. Text of Presidential Transition Act of 1963, as amended (3 U.S.C. 102 note)

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Enclosure 1

List of Agencies to Provide Agency Transition Director

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Environmental Protection Agency
National Aeronautics and Space Administration
Office of Personnel Management
Office of Government Ethics
National Archives and Records Administration

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Enclosure 2

List of Agencies to Provide Presidential Transition Communication Point of Contact Information

Ability One
Access Board
Administrative Conference of the U.S.
Advisory Council on Historic Preservation
African Development Foundation
Alaska Natural Gas
American Battle Monuments Commission
American National Red Cross
Amtrak (National Railroad Passenger Corporation)
Appalachian Regional Commission
Barry Goldwater Scholarship and Excellence in Education Foundation
Broadcasting Board of Governors
Chemical Safety Board
Christopher Columbus Fellowship Foundation
Commission for the Preservation of America's Heritage Abroad
Commission on Civil Rights
Commission on Fine Arts
Commodity Futures and Trading Commission
Consumer Financial Protection Bureau
Consumer Product Safety Commission
Corporation for National and Community Service
Corporation for Public Broadcasting
Council of Governors
Defense Nuclear Facilities Safety Board
Delta Regional Authority
Denali Commission
District of Columbia Commission on Judicial Disabilities and Tenure
Dwight D. Eisenhower Memorial Commission
Election Assistance Commission
Equal Employment Opportunity Commission
Export Import Bank of the United States
Farm Credit Administration
Federal Agricultural Mortgage Corporation (Farmer Mac)
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Election Commission
Federal Energy Regulatory Commission
Federal Housing Finance Agency
Federal Labor Relations Authority
Federal Maritime Commission
Federal Mediation and Conciliation Service

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Federal Mine Safety and Health Review Commission
Federal Permitting Improvement Steering Council
Federal Reserve Board
Federal Retirement Thrift Investment Board
Federal Trade Commission
Gulf Coast Ecosystem Restoration Council
Harry S. Truman Scholarship Foundation
Institute of American Indian Arts
Institute of Museum and Library Services
Interagency Council on Homelessness
Inter-American Foundation
Inter-American Tropical Tuna Commission
International Boundary and Water Commission
International Pacific Halibut Commission
Interstate Commission on the Potomac River Basin
J. William Fulbright Foreign Scholarship Board
James Madison Memorial Fellowship Foundation
John F. Kennedy Center for the Performing Arts
Legal Services Corporation
Marine Mammal Commission
Merit Systems Protection Board
Metropolitan Washington Airports Authority
Mickey Leland National Urban Air Toxic Research Committee
Millennium Challenge Corporation
Mississippi River Commission
Morris K. Udall and Stewart L. Udall Foundation
National Capital Planning Commission
National Consumer Cooperative Bank
National Council on Disability
National Credit Union Administration
National Endowment for the Arts
National Endowment for the Humanities
National Indian Gaming Commission
National Institute of Building Sciences
National Labor Relations Board
National Mediation Board
National Science Foundation
National Transportation Safety Board
Northern Border Regional Commission
Nuclear Regulatory Commission
Nuclear Waste Technical Review Board
Occupational Safety and Health Review Commission
Office of Navajo and Hopi Indian Relocation
Office of the Director of National Intelligence
Overseas Private Investment Corporation
Peace Corps

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Pension Benefit Guaranty Corporation
Postal Regulatory Commission
President's Commission on White House Fellowships
President's Committee on the Arts and the Humanities
Presidio Trust
Privacy and Civil Liberties Oversight Board
Railroad Retirement Board
Selective Service System
Small Business Administration
Smithsonian Institution
Social Security Administration
Social Security Advisory Board
State Justice Institute
Tennessee Valley Authority
U.S. Agency for International Development
U.S. Institute of Peace
U.S. International Trade Commission
U.S. Mission to the United Nations
U.S. Office of Special Counsel
U.S. Postal Service
U.S. Securities and Exchange Commission
U.S. Trade and Development Agency
United Service Organizations
United States Commission on International Religious Freedom
United States Holocaust Memorial Museum
United States Patent & Trademark Office
Utah Reclamation Mitigation and Conservation Commission
Vietnam Education Foundation
Woodrow Wilson International Center for Scholars (Board of Trustees)
World War I Centennial Commission

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Enclosure 3

Text of Presidential Transition Act of 1963, as amended (3 U.S.C. 102 note)

https://www.govinfo.gov/content/pkg/PLAW-114publ136/pdf/PLAW-114publ136.pdf

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AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

Public Law 114–136
114th Congress

An Act

To improve the process of presidential transition.

Mar. 18, 2016
[S. 1172]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Edward 'Ted' Kaufman and Michael Leavitt Presidential Transitions Improvements Act of 2015.
5 USC 101 note.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Edward 'Ted' Kaufman and Michael Leavitt Presidential Transitions Improvements Act of 2015".

SEC. 2. PRESIDENTIAL TRANSITION IMPROVEMENTS.

(a) IN GENERAL.—The Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(1) by redesignating sections 4, 5, and 6 as sections 5, 6, and 7, respectively; and

(2) by inserting after section 3 the following:

"SEC. 4. TRANSITION SERVICES AND ACTIVITIES BEFORE ELECTION.

"(a) DEFINITIONS.—In this section—

"(1) the term 'Administrator' means the Administrator of General Services;

"(2) the term 'agency' means an Executive agency, as defined in section 105 of title 5, United States Code;

"(3) the term 'eligible candidate' has the meaning given that term in section 3(h)(4); and

"(4) the term 'Presidential election' means a general election held to determine the electors of President and Vice President under section 1 or 2 of title 3, United States Code.

"(b) GENERAL DUTIES.—The President shall take such actions as the President determines necessary and appropriate to plan and coordinate activities by the Executive branch of the Federal Government to facilitate an efficient transfer of power to a successor President, including by—

"(1) establishing and operating a White House transition coordinating council in accordance with subsection (d); and

"(2) establishing and operating an agency transition directors council in accordance with subsection (e).

"(c) FEDERAL TRANSITION COORDINATOR.—The Administrator shall designate an employee of the General Services Administration who is a senior career appointee to— Designation.

"(1) carry out the duties and authorities of the General Services Administration relating to Presidential transitions under this Act or any other provision of law;

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"(2) serve as the Federal Transition Coordinator with responsibility for coordinating transition planning across agencies, including through the agency transition directors council established under subsection (e);

"(3) ensure agencies comply with all statutory requirements relating to transition planning and reporting; and

"(4) act as a liaison to eligible candidates.

"(d) WHITE HOUSE TRANSITION COORDINATING COUNCIL.—

Deadline.

"(1) ESTABLISHMENT.—Not later than 6 months before the date of a Presidential election, the President shall establish a White House transition coordinating council for purposes of facilitating the Presidential transition.

"(2) DUTIES.—The White House transition coordinating council shall—

"(A) provide guidance to agencies and the Federal Transition Coordinator regarding preparations for the Presidential transition, including succession planning and preparation of briefing materials;

"(B) facilitate communication and information sharing between the transition representatives of eligible candidates and senior employees in agencies and the Executive Office of the President; and

"(C) prepare and host interagency emergency preparedness and response exercises.

"(3) MEMBERSHIP.—The members of the White House transition coordinating council shall include—

"(A) senior employees of the Executive branch selected by the President, which may include the Chief of Staff to the President, any Cabinet officer, the Director of the Office of Management and Budget, the Administrator, the Director of the Office of Personnel Management, the Director of the Office of Government Ethics, and the Archivist of the United States;

"(B) the Federal Transition Coordinator;

"(C) the transition representative for each eligible candidate, who shall serve in an advisory capacity; and

"(D) any other individual the President determines appropriate.

"(4) CHAIRPERSON.—The Chairperson of the White House transition coordinating council shall be a senior employee in the Executive Office of the President, designated by the President.

"(e) AGENCY TRANSITION DIRECTORS COUNCIL.—

Establishment.

"(1) IN GENERAL.—The President shall establish and operate an agency transition directors council, which shall—

"(A) ensure the Federal Government has an integrated strategy for addressing interagency challenges and responsibilities around Presidential transitions and turnover of noncareer appointees;

"(B) coordinate transition activities between the Executive Office of the President, agencies, and the transition team of eligible candidates and the President-elect and Vice-President-elect; and

"(C) draw on guidance provided by the White House transition coordinating council and lessons learned from previous Presidential transitions in carrying out its duties.

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"(2) DUTIES.—As part of carrying out the responsibilities under paragraph (1), the agency transition directors council shall—

"(A) assist the Federal Transition Coordinator in identifying and carrying out the responsibilities of the Federal Transition Coordinator relating to a Presidential transition;

"(B) provide guidance to agencies in gathering briefing materials and information relating to the Presidential transition that may be requested by eligible candidates;

"(C) ensure materials and information described in subparagraph (B) are prepared not later than November 1 of a year during which a Presidential election is held;

"(D) ensure agencies adequately prepare career employees who are designated to fill non-career positions under subsection (f) during a Presidential transition; and

"(E) consult with the President's Management Council, or any successor thereto, in carrying out the duties of the agency transition directors council.

"(3) MEMBERSHIP.—The members of the agency transition directors council shall include—

"(A) the Federal Transition Coordinator and the Deputy Director for Management of the Office of Management and Budget, who shall serve as Co-Chairpersons of the agency transition directors council;

"(B) other senior employees serving in the Executive Office of the President, as determined by the President;

"(C) a senior representative from each agency described in section 901(b)(1) of title 31, United States Code, the Office of Personnel Management, the Office of Government Ethics, and the National Archives and Records Administration whose responsibilities include leading Presidential transition efforts within the agency;

"(D) a senior representative from any other agency determined by the Co-Chairpersons to be an agency that has significant responsibilities relating to the Presidential transition process; and

"(E) during a year during which a Presidential election will be held, a transition representative for each eligible candidate, who shall serve in an advisory capacity.

"(4) MEETINGS.—The agency transition directors council shall meet— Time periods.

"(A) subject to subparagraph (B), not less than once per year; and

"(B) during the period beginning on the date that is 6 months before a Presidential election and ending on the date on which the President-elect is inaugurated, on a regular basis as necessary to carry out the duties and authorities of the agency transition directors council.

"(f) INTERIM AGENCY LEADERSHIP FOR TRANSITIONS.— Deadlines.

"(1) OVERSIGHT AND IMPLEMENTATION OF TRANSITION.—Not later than 6 months before the date of a Presidential election, the head of each agency shall designate a senior career employee of the agency and a senior career employee of each major component and subcomponent of the agency to oversee and implement the activities of the agency, component, or subcomponent relating to the Presidential transition. Designation.

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Deadline.

"(2) ACTING OFFICERS.—Not later than September 15 of a year during which a Presidential election occurs, and in accordance with subchapter III of chapter 33 of title 5, United States Code, for each noncareer position in an agency that the head of the agency determines is critical, the head of the agency shall designate a qualified career employee to serve in the position in an acting capacity if the position becomes vacant.

"(g) MEMORANDUMS OF UNDERSTANDING.—

Deadline.

"(1) IN GENERAL.—Not later than November 1 of a year during which a Presidential election occurs, the President (acting through the Federal Transition Coordinator) shall, to the maximum extent practicable, negotiate a memorandum of understanding with the transition representative of each eligible candidate, which shall include, at a minimum, the conditions of access to employees, facilities, and documents of agencies by transition staff.

"(2) EXISTING RESOURCES.—To the maximum extent practicable, the memorandums of understanding negotiated under paragraph (1) shall be based on memorandums of understanding from previous Presidential transitions.

"(h) EQUITY IN ASSISTANCE.—Any information or other assistance provided to eligible candidates under this section shall be offered on an equal basis and without regard to political affiliation.

"(i) REPORTS.—

"(1) IN GENERAL.—The President, acting through the Federal Transition Coordinator, shall submit to the Committee on Oversight and Government Reform of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate reports describing the activities undertaken by the President and agencies to prepare for the transfer of power to a new President.

"(2) TIMING.—The reports under paragraph (1) shall be provided 6 months and 3 months before the date of a Presidential election.".

(b) OTHER IMPROVEMENTS.—Section 3 of the Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(1) in subsection (a)—

(A) in paragraph (8)—

(i) in subparagraph (A)(i)—

(I) by inserting "and during the term of a President" after "during the transition"; and

(II) by striking "after inauguration"; and

(ii) in subparagraph (B), by inserting "or Executive agencies (as defined in section 105 of title 5, United States Code)" before the period; and

(B) in paragraph (10), by inserting "including, to the greatest extent practicable, human resource management system software compatible with the software used by the incumbent President and likely to be used by the President-elect and Vice President-elect" before the period;

(2) in subsection (b)(2), by striking "30 days" and inserting "180 days";

(3) in subsection (g), by inserting "except for activities under subsection (a)(8)(A)," before "there shall be no"; and

(4) in subsection (h)(2), by adding at the end the following:

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"(D) An eligible candidate shall have a right to the services and facilities described in this paragraph until the date on which the Administrator is able to determine the apparent successful candidates for the office of President and Vice President.".

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 3 of the Pre-Election Presidential Transition Act of 2010 (3 U.S.C. 102 note) is repealed.

(2) The Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(A) in section 3—

(i) in subsection (a)(4)(B), by striking "section 6" and inserting "section 7";

(ii) in subsection (b), in the matter preceding paragraph (1), by striking "section 3 of this Act" and inserting "this section"; and

(iii) in subsection (h)(3)(B)(iii), by striking "section 5" each place it appears and inserting "section 6";

(B) in section 6, as redesignated by subsection (a) of this section, by striking "section 6(a)(1)" each place it appears and inserting "section 7(a)(1)"; and

(C) in section 7(a)(2), as redesignated by subsection (a) of this section, by striking "section 4" and inserting "section 5".

(3) Section 8331(1)(K) of title 5, United States Code, is amended by striking "section 4" and inserting "section 5".

(4) Section 8701(a)(10) of title 5, United States Code, is amended by striking "section 4" and inserting "section 5".

(5) Section 8901(1)(I) of title 5, United States Code, is amended by striking "section 4" and inserting "section 5".

SEC. 3. NATIONAL ARCHIVES PRESIDENTIAL TRANSITION.

Section 2203(g) of title 44, United States Code, is amended—

(1) by redesignating paragraph (3) as paragraph (4); and

(2) by inserting after paragraph (2) the following:

"(3) When the President considers it practicable and in the public interest, the President shall include in the President's budget transmitted to Congress, for each fiscal year in which the term of office of the President will expire, such funds as may be necessary for carrying out the authorities of this subsection.".

SEC. 4. REPORTS ON POLITICAL APPOINTEES APPOINTED TO NON-POLITICAL PERMANENT POSITIONS. 5 USC 3101 note

(a) DEFINITIONS.—In this section—

(1) the term "agency" has the meaning given the term "Executive agency" in section 105 of title 5, United States Code;

(2) the term "covered civil service position" means a position in the civil service (as defined in section 2101 of title 5, United States Code) that is not—

(A) a temporary position; or

(B) a political position;

(3) the term "former political appointee" means an individual who—

(A) is not serving in an appointment to a political position; and

(B) served as a political appointee during the 5-year period ending on the date of the request for an appointment to a covered civil service position in any agency;

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(4) the term "political appointee" means an individual serving in an appointment to a political position; and

(5) the term "political position" means—

(A) a position described under sections 5312 through 5316 of title 5, United States Code (relating to the Executive Schedule);

(B) a noncareer appointment in the Senior Executive Service, as defined under paragraph (7) of section 3132(a) of title 5, United States Code; or

(C) a position in the executive branch of the Government of a confidential or policy-determining character under schedule C of subpart C of part 213 of title 5, Code of Federal Regulations.

(b) REPORTING ON CURRENT OR RECENT POLITICAL APPOINTEES APPOINTED TO COVERED CIVIL SERVICE POSITIONS.—

(1) ANNUAL REPORT.—Except as provided in paragraph (2), the Director of the Office of Personnel Management shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives an annual report regarding requests by agencies to appoint political appointees or former political appointees to covered civil service positions. Each report shall cover one calendar year and shall—

(A) for each request by an agency that a political appointee be appointed to a covered civil service position during the period covered by the report, provide—

(i) the date on which the request was received by the Office of Personnel Management;

(ii) subject to subsection (c), the name of the individual and the political position held by the individual, including title, office, and agency;

(iii) the date on which the individual was first appointed to a political position in the agency in which the individual is serving as a political appointee;

(iv) the grade and rate of basic pay for the individual as a political appointee;

(v) the proposed covered civil service position, including title, office, and agency, and the proposed grade and rate of basic pay for the individual;

(vi) whether the Office of Personnel Management approved or denied the request; and

(vii) the date on which the individual was appointed to a covered civil service position, if applicable; and

(B) for each request by an agency that a former political appointee be appointed to a covered civil service position during the period covered by the report, provide—

(i) the date on which the request was received by the Office of Personnel Management;

(ii) subject to subsection (c), the name of the individual and the political position held by the individual, including title, office, and agency;

(iii) the date on which the individual was first appointed to any political position;

(iv) the grade and rate of basic pay for the individual as a political appointee;

AMERICAN OVERSIGHT

(v) the date on which the individual ceased to serve in a political position;

(vi) the proposed covered civil service position, including title, office, and agency, and the proposed grade and rate of basic pay for the individual;

(vii) whether the Office of Personnel Management approved or denied the request; and

(viii) the date on which the individual was first appointed to a covered civil service position, if applicable.

(2) QUARTERLY REPORT IN CERTAIN YEARS.—In the last year of the term of a President, or, if applicable, the last year of the second consecutive term of a President, the report required under paragraph (1) shall be submitted quarterly and shall cover each quarter of the year, except that the last quarterly report shall also cover January 1 through 20 of the following year.

(c) NAMES AND TITLES OF CERTAIN APPOINTEES.—If determined appropriate by the Director of the Office of Personnel Management, a report submitted under subsection (b) may exclude the name or title of a political appointee or former political appointee—

(1) who—

(A) was requested to be appointed to a covered civil service position; and

(B) was not appointed to a covered civil service position; or

(2) relating to whom a request to be appointed to a covered civil service position is pending at the end of the period covered by that report.

SEC. 5. REPORT ON REGULATIONS PROMULGATED NEAR THE END OF PRESIDENTIAL TERMS.

(a) DEFINITIONS.—In this section:

(1) The term "covered presidential transition period" means each of the following:

(A) The 120-day period ending on January 20, 2001.

(B) The 120-day period ending on January 20, 2009.

(C) The 120-day period ending on January 20, 2017.

(2) The term "covered regulation" means a final significant regulatory action promulgated by an Executive department.

(3) The term "significant regulatory action" means any regulatory action that is likely to result in a rule that may—

(A) have an annual effect on the economy of $100,000,000 or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;

(B) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(C) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(D) raise novel legal or policy issues.

(4) The term "Executive department" has the meaning given that term under section 101 of title 5, United States Code.

(b) REPORT.—

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(1) IN GENERAL.—The Comptroller General of the United States shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives a report regarding covered regulations promulgated during each covered presidential transition period.

(2) CONTENTS OF REPORT.—The report required under paragraph (1) shall, to the extent feasible, for each covered presidential transition period—

Time periods.

(A) compare the number, scope, and impact of, and type of rulemaking procedure used for, covered regulations promulgated during the covered presidential transition period to the number, scope, and impact of, and type of rulemaking procedure used for, covered regulations promulgated during the 120-day periods ending on January 20 of each year after 1996, other than 2001, 2009, and 2017;

Determination.

(B) determine the statistical significance of any differences identified under subparagraph (A) and whether and to what extent such differences indicate any patterns;

Evaluation.

(C) evaluate the size, scope, and effect of the covered regulations promulgated during the covered presidential transition period; and

Assessment.

(D) assess the extent to which the regularly required processes for the promulgation of covered regulations were followed during the covered presidential transition period, including compliance with the requirements under—

(i) chapter 8 of title 5, United States Code (commonly known as the "Congressional Review Act");

(ii) the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601 note);

(iii) sections 202, 203, 204, and 205 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1532–1535);

(iv) chapter 6 of title 5, United States Code (commonly known as the "Regulatory Flexibility Act"); and

(v) chapter 35 of title 44, United States Code (commonly known as the "Paperwork Reduction Act").

SEC. 6. ANALYSIS OF THREATS AND VULNERABILITIES.

Deadline. Reports.

(a) IN GENERAL.—Not later than February 15, 2016, the Secretary of Homeland Security shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committees on Oversight and Government Reform and Homeland Security of the House of Representatives a report analyzing the threats and vulnerabilities facing the United States during a presidential transition, which—

(1) shall identify and discuss vulnerabilities related to border security and threats related to terrorism, including from weapons of mass destruction;

(2) shall identify steps being taken to address the threats and vulnerabilities during a presidential transition; and

(3) may include recommendations for actions by components and agencies within the Department of Homeland Security.

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(b) FORM.—The report submitted under subsection (a) shall be prepared in unclassified form, but may contain a classified annex.

Approved March 18, 2016.

LEGISLATIVE HISTORY—S. 1172:
HOUSE REPORTS: No. 114–384, Pt. 1 (Comm. on Oversight and Government Reform).
SENATE REPORTS: No. 114–94 (Comm. on Homeland Security and Governmental Affairs).
CONGRESSIONAL RECORD:
Vol. 161 (2015): July 30, considered and passed Senate.
Vol. 162 (2016): Feb. 29, considered and passed House, amended.
Mar. 8, Senate concurred in House amendment.

○

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USPS-20-1215-A-009342

UNITED STATES POSTAL SERVICE

Mr. Michael Plunkett
President & CEO, PostCom
Association for Postal Commerce
1800 Diagonal Road, Suite 600
Alexandria, VA 22314-2840

Mike,

This letter is in response to your March 31, 2020, co-signed letter regarding the impact of the COVID-19 pandemic on the mailing industry.

The Postal Service understands the profound impact that the pandemic is having on our industry, and the economy generally. Indeed, due to the slowdown in economic activity caused by the pandemic, we are experiencing very significant declines in mail volumes. The end result is that the Postal Service faces a near-term liquidity crisis that threatens our ability to continue providing our critical services, which are more important than ever as Americans shelter in place, work from home, or otherwise practice social distancing.

While the $10 billion of additional borrowing authority provided in the recent CARES Act was a good start, it is not sufficient by itself to address this liquidity crisis, meaning further immediate action on the part of Congress and the Administration is required. The Board of Governors has unanimously approved a set of recommendations to the Administration and Congress for short-term financial relief that is designed to ensure that the Postal Service can continue to serve the essential needs of the American people as a part of the nation's critical infrastructure.

We have carefully considered each of the proposals in your letter regarding steps you wish the Postal Service to take concerning our prices and payment terms. After this deliberation, management has determined that the Postal Service is not in a position to adopt an across-the-board decrease in prices, to change our requirement that postage be paid at the time of mailing, or to suspend the July increase in self-declared rates for Inbound Letter Post small packets~~any of those proposals at this time~~. Given our dire liquidity situation, our focus is and must be on taking every step we can to protect our ability to continuing providing our essential services to the American people.

Be assured that the Postal Service recognizes the importance of a thriving mailing industry to our long-term financial sustainability. We are analyzing the appropriateness of ~~working on~~ potential options to encourage mailers to return to the mail as our situation stabilizes, and would like to include the mailing industry in the development of potential solutions.

We sincerely wish you and your members the best as we all navigate these difficult and uncertain times. We are committed to ensuring the Postal Service remains able to provide the mailing industry with the prompt, reliable, and efficient postal services you and your members have come to expect, and that you continue to need now and in the future.

Sincerely,

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-5014
WWW.USPS.COM

AMERICAN OVERSIGHT

Megan J. Brennan

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UNITED STATES POSTAL SERVICE

Mr. Michael Plunkett
President & CEO, PostCom
Association for Postal Commerce
1800 Diagonal Road, Suite 600
Alexandria, VA 22314-2840

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We sincerely wish you and your members the best as we all navigate these difficult and uncertain times. We are committed to ensuring the Postal Service remains able to provide the mailing industry with the prompt, reliable, and efficient postal services you and your members have come to expect, and that you continue to need now and in the future.

Sincerely,

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-5014
WWW.USPS.COM

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Megan J. Brennan

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March 31, 2020

The Honorable Cory A. Booker
United States Senate
Washington, DC 20510-3007

Dear Senator Booker:

This responds to your March 25 letter to Postmaster General Megan J. Brennan, cosigned by several of your colleagues, regarding postal operations.

I want to assure you that the U.S. Postal Service is marshalling all possible resources to meet the many challenges posed by the COVID-19 pandemic. We have established a dedicated COVID-19 Command Response leadership team to direct employee, operational, business, and customer continuity efforts during this extraordinary time. The safety and well-being of our employees and our customers is our highest priority. We are closely following the guidance of the Centers for Disease Control and Prevention (CDC) and other public health authorities, and working to provide our employees with the most up-to-date guidance.

In addition to sharing CDC's guidance on ways to avoid contracting and spreading the virus, the Postal Service is providing employees and customers with information regarding the safety of mail and packages. Both the CDC and the World Health Organization (WHO) have indicated there is no evidence the virus is being spread through the mail. According to WHO, the likelihood of an infected person contaminating commercial goods is low, and the risk of catching the virus from a package that has been moved, traveled and exposed to different conditions and temperatures is also low. Surgeon General Jerome M. Adams has also specifically stated there is no evidence that the virus is being spread through the mail.

As an organization of 630,000 employees throughout the country we have had employees test positive for COVID-19 and we are closely tracking those individuals and establishing contacts and a working relationship with local state or municipal Health Departments in those situations. We note that the percentage of postal employees who have tested positive for the virus is consistent with the percentage of Americans nationwide who have tested positive, even though most of our employees cannot shelter in place and must continue to go to work each day. Their attendance enables the Postal Service to carry out its essential function of accepting, processing, transporting, and delivering mail, including important governmental information and benefits such as Census materials, social security checks and materials advising the public about COVID-19; ballots and political mail; transactional mail that is essential to the functioning of our economy; and packages containing vital necessities like prescription medicines and many other goods purchased online.

In addition to delivering for our customers, the Postal Service is working to keep them informed through educational posters in Post Office lobbies, communications on digital message boards at large Post Offices, *service alerts* on usps.com, and special messages communicated through Informed Delivery, a notification service that allows residential customers to receive digital previews of their incoming mail.

Commented [MNG-WD1]: 3/24 Engage Weekly Newsletter – Issue 201

Please see the following responses to the specific questions in your letter:

1. **What preventative steps is the USPS taking to ensure its employees do not contract COVID-19? How far apart are employees stationed from one another at distribution and processing centers?**

   The Postal Service is continuing to provide employees with information to protect themselves during the pandemic, including special internal and external website pages with information sheets from the CDC, videos and other resources. The Postal Service is also regularly updating employees through

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articles in postal news publications, messages on video monitors inside postal facilities, and by way of Stand-Up talks with our employees, which our managers and supervisors are instructed to provide only in ways that assure proper social distancing between employees.

The Postal Service also makes gloves, sanitizer, and disinfectant available to our employees. While we have experienced problems in some locations with supply, the Postal Service is constantly monitoring the situation and aggressively restocking these materials. In addition, the Postal Service will provide surgical masks to any employee who requests one. Our managers and supervisors have also been instructed to immediately provide a surgical mask to anyone who is exhibiting symptoms potentially related to COVID-19. If an employee exhibiting such symptoms does not then voluntarily agree to go home and take advantage of our pandemic liberal leave policy, they will be ordered to leave the facility. The CDC has not recommended that healthy individuals should wear masks to protect themselves from COVID-19 and we have therefore not made wearing one mandatory. Universally issuing masks to all our employees would exhaust our existing supply and create a situation in which the Postal Service would need to compete with medical professionals for the scarce supplies that they must utilize in caring for COVID-19 patients.

While the majority of Postal Service employees must be physically present to fulfill their duties, we recognize that many of our employees can work remotely. As part of our enterprise-wide effort to increase social distancing to the greatest extent possible, the Postal Service has expanded its telework policy to include a larger number of employees during the pandemic and allowing for up to five days of telework each workweek.

With specific regard to distribution and processing centers we have issued instructions to managers and supervisors to reconfigure operations wherever possible to insure six feet of distance between employees, with specific advice regarding our common manual or machine operations, motorized material moving equipment operations, break areas, common areas, etc. A specific mandatory stand up talk for employees has been issued with regard to their interactions with contractor employees who operate trucks making deliveries and pickups at our docks to insure proper social distancing in those situations. This process of adjusting the complex operations in our many distribution and processing centers around the country in order to meet social distancing guidelines is ongoing. We will continue to monitor and adapt our efforts as we receive further advice from the CDC and others and we are engaging in negotiations with our Unions with regard to temporary changes being made in our collective bargaining agreements that will allow us to more successfully achieve proper social distancing. We are being transparent about all of the ongoing instructions, guidance and related negotiated agreements, posting them on our internal website under a COVID-19 heading that we regularly direct our employees to review. The more our employees become aware of the instructions, guidance and agreements, the more involved they will become in making sure all of our facilities are as safe as possible for everyone.

Commented [MNG-WD2]: 3/24 Engage Weekly Newsletter – Issue 201

Commented [MNG-WD3]: 3/20 COVID-19 FAQs

2. **What precautions is the USPS taking for mail that has to be delivered to those who are at a heightened risk, including the elderly and those who are immunocompromised?**

We recognize that the close proximity and additional handling that occurs when employees must ask customers for a signature or government issued identification creates heightened health risks during the pandemic. To reduce those risks, we are temporarily modifying customer signature capture procedures for the MDD sign-on-glass feature, PS Form 3811 (Domestic Return Receipt), PS Form 3849 (We ReDeliver for You), and on any hard-copy receipt items usually signed by customers. Effective immediately and until further notice, we have asked our carriers to follow the temporary process below for signature service items:

- Avoid ringing the doorbell when possible. Knock on the customer's door. Avoid areas that may be frequently touched when knocking.
- While maintaining a safe, appropriate distance, request the customer's first initial and last name.

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- Using the MDD, scan the mail piece barcode, select Delivered and answer the prompted questions. Enter the customer's first initial and last name when prompted for name.
- When prompted for the customer to sign the MDD's screen, employees are to print their own initials (not a signature), route number and notate C19 on the screen in lieu of the customer's signature.
- For Return Receipts and other hard copy items, enter the customer's first initial and last name in the Signature box of the form.
- For PS Forms 3811 and 3849, employees are to print their own initials (not a signature), route number and notate C19 in the "Received by" or "Printed Name" section, dependent on the form. With the PS Form 3849, scan the completed form following the normal process to finalize the delivery.
- For increased safety, politely ask the customer to step back a safe distance or close the screen door/door so you may leave the item in the mail receptacle or appropriate location by the customer door.
- If there is no response, follow the normal Notice Left process.
- If there are delivery points on your route where social distancing recommendations are difficult to follow, please advise your supervisor so alternative delivery methods can be explored.

Specifically in response to senior centers or other facilities or communities that have chosen to restrict entrance onto their property during the pandemic in some fashion that prevents our letter carriers from delivering to individual boxes, we have designed several alternate means by which the Postal Service is willing to accommodate delivery:

1) Customers may opt to redirect to a temporary mail receptacle inside or outside their home or business.
2) Customers may place their mail on hold at the Post Office servicing their address. Mail and parcels can be held up to 30 days and will be available for customer pickup.
3) Customers may redirect all mail to an alternate location.

Commented [MNG-WD4]: This policy appears to be for Nursing homes and other senior facilities. Does this policy apply to residential customers as well?

Commented [MNG-WD5]: 3/26 SUT Staying Vigilant Customer Interactions for Carriers/accompanying alternative delivery letter.

3. Will the USPS temporarily close, and deep clean, the appropriate distribution and processing centers as well as carrier cars in the event a USPS employee tests positive for COVID-19?

The CDC recommends cleaning frequently touched surfaces and commonly shared items at least daily with routine cleaning agents (e.g., detergents, spray cleaners, and sanitizers). Based on CDC guidance the Postal Service has issued a Maintenance Management Order (MMO) that details those cleaning requirements, infection-control strategies, and recommended products, as well as the surfaces and areas that require cleaning, and the frequency with which these tasks are required during the pandemic. When an employee who has worked in the facility tests positive a full facility cleaning is conducted by our maintenance staff, again as based on CDC guidance. That cleaning generally does not require us to close the facility given the safe types of cleaning products being used because our maintenance staff can clean the facility section by section in conjunction with our operations. However, if there are issues with the availability of postal maintenance staff needed to complete the full facility cleaning expeditiously, we can and have brought in certified private cleaning companies that we maintain under contract. In those instances we may temporarily close the facilities to accomplish the cleaning efficiently. We continue to monitor all CDC guidance in this area and will adapt the MMO to any updates.

Postal managers are making every effort to have employees utilize the same delivery vehicle daily. Carriers have been advised to clean the frequently touched surfaces in their assigned vehicle using a household disinfecting spray or wipe, to wash/clean their hands before and after driving their vehicle, and to specifically make sure they do so if anyone who has driven or otherwise used their vehicle

Commented [MNG-WD6]: 3/20 COVID-19 FAQs

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even displays some potential symptoms of COVID-19. Disinfectant cleaner and gloves are made available for this purpose.

Commented [MNG-WD7]: 3/17 SUT Keeping your Vehicle Clean

4. **How many employees typically gather together for the USPS's daily service talk on health and safety protocols? Are employees a minimum of six feet apart during these daily huddles?**

   Following guidance issued by the White House and the CDC on social gatherings, we stagger times for stand up talks with smaller groups if they are held indoors and/or hold them outside for larger groups if possible to insure that social distancing is taking place and we remind everyone to avoid all close contact (no less than six feet) with each other. If necessary we allow stand up talks to take place over intercoms or by other electronic means. A Memorandum of Understanding just completed with the National Letter Carriers allows for the staggering of scheduled route start times in order to allow for smaller group stand up talks; staggered arrivals at timeclocks, staggered departures from office duties to street duties, etc.

Commented [MNG-WD8]: 3/18 SUT Social Gatherings

5. **Will USPS agree to provide full pay to high risk individuals, or those who live with high risk individuals, for the duration of the pandemic?**

   The Postal Service has instituted a liberal leave policy during the Pandemic and is actively encouraging all employees who think they might be sick or that are developing symptoms potentially related to COVID-19 to stay at home and take leave. The liberal leave policy also allows employees to freely utilize leave available to them without fear of reprisal, including if they choose in voluntarily complying with local shelter in place or travel restrictions that they would otherwise be exempt from as part of our workforce. Specific actions have been taken to allow for the use of available sick leave for dependent care leave for purposes of caring for individuals that they live with who are impacted by the pandemic, including children who are out of school. No provision has been made to pay employees who are not at work after their leave has been exhausted.

6. **Will the USPS provide emergency sick leave beyond normal accrued leave to all employees, including those who have no contractual right to leave, in the event they contract or are suspected to contract COVID-19?**

   With the passage of the Families First Coronavirus Response Act (FFCRA) all employees will receive 80 hours of emergency sick leave above and beyond what they otherwise have accrued or have available to them under postal regulations or collective bargaining agreement, to be utilized in all circumstances set forth in the guidance issued by the Department of Labor (DOL), including if they contract or are suspected of contracting COVID-19. DOL guidance also provides that there can be no reprisal for the use of this leave, which would already be true under the Postal Service pandemic leave policy.

Commented [MNG-WD9]: 3/20 COVID-19 FAQs

7. **How will the USPS implement new procedures for delivery and pickup that allow employees and customers to avoid direct contact?**

   As described in detail in the response to Question 2, the Postal Service has implemented a temporary modification to mail handling procedures for mail that requires customer signatures, and provided alternate delivery options for those who choose not to receive their mail in the normal fashion. To practice social distancing in our retail lobbies, we place social distancing signage on the outer and inner lobby doors, utilize every other window station when feasible, and place floor tape in the queue line (6 feet apart) and at the retail counter positions (3 feet away from the counter to create 6 feet of distance between the customer and the window clerk). In addition, our retail associates follow a script and ask customers to help us adhere to CDC guidelines by practicing social distancing of at least 6 feet. Smaller retail offices have customers wait outside in Post Office Box lobby spaces and

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enter the retail unit one at a time. We are also now planning for the procurement and deployment of sneeze guards on our counters between clerks and customers.

The Postal Service is committed to ensuring the safety and well-being of our employees and the communities we serve during the COVID-19 pandemic. You may be assured that we will continue to follow the strategies and measures recommended by the CDC and public health departments and continually stay aware of any updates in their guidance and implement them as soon as possible.

If I can be of assistance in other postal matters, please let me know.

Sincerely,

Commented [MNG-WD11]: Are these steps taken in all retail lobbies?

Commented [MNG-WD10]: 3/25 Retail SUT Practicing Social Distancing

AMERICAN OVERSIGHT

Congress of the United States
Washington, DC 20515

April 28, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
U.S. Capitol H-232
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
U.S. Capitol S-230
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
U.S. Capitol H-204
Washington, DC 20515

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
U.S. Capitol S-221
Washington, DC 20515

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

The coronavirus crisis is wreaking havoc on the U.S. Postal Service. Without immediate help, the Postal Service — a vital staple of American society since 1775 — could cease to function by this summer. This crisis is also affecting the State of New York more than any other. There were 287 confirmed cases of coronavirus and 14 deaths among postal workers in New York as of April 20, 2020.[1]

As a direct result of the coronavirus crisis, first class and business mail volume across the country has dropped at an alarming rate. Mail volume is down by more than 30% from the same period last year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus crisis would be $54 billion.[2]

This is a national emergency. The American people rely on the Postal Service to deliver crucial goods and services every day, including more than a billion life-saving medications last year alone, millions of economic stimulus checks and unemployment benefits to help during this crisis, and 2020 Census forms for every household in America.

In New York, the Postal Service delivers to 7.7 million addresses and has more than 1,800 Post Offices. In our state, the Postal Service employed 44,675 people and paid close to $3

[1] Email from the Office of Congressional and Intergovernmental Affairs, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 20, 2020).

[2] Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

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billion in wages in 2018.[3] New York also will rely heavily on the Postal Service to conduct its primary on June 23, 2020, during which no-excuse absentee ballots will be accepted.[4]

The Postal Service is a fundamental component of America's economic infrastructure, providing affordable, universal delivery of mail and e-commerce packages to more than 160 million households and businesses. The Postal Service propels a $1.6 trillion mailing industry that employs 7.3 million people. It does all of this while operating as a business and receiving next to nothing in taxpayer dollars.[5]

Both Democrats and Republicans supported large infusions of liquidity for other industries and companies that are critical to our nation's economy, and we must do the same now to save the Postal Service.

The Postal Board of Governors has asked for a package that includes $25 billion in emergency appropriations to offset coronavirus-related losses, $25 billion for "shovel-ready" projects to modernize the Postal Service, and access to $25 billion in unrestricted borrowing authority from the Treasury.[6]

To be clear, these requests were put forth unanimously by a Board of Governors with a Republican majority—all of whom were appointed by President Trump.

The Postal Service is an indispensable component of America's critical infrastructure, and its workers are on the frontlines every single day delivering information and packages to the American people. We strongly support emergency funding for the Postal Service and urge you to do the same.

Sincerely,

Carolyn B. Maloney

Peter T. King

[3] U.S. Postal Service, *The United States Postal Service Economic Impact: The State of New York* (July 2019).

[4] New York Governor Andrew Cuomo, *Executive Order No. 202.15: Continuing Temporary Suspension and Modification of Laws Relating to the Disaster Emergency* (Apr. 9. 2020) (online at: www.governor.ny.gov/news/no-20215-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency).

[5] U.S. Postal Service, *Sizing It Up* (online at https://facts.usps.com/size-and-scope).

[6] Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

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Anthony Brindisi

Yvette D. Clarke M.C.

Antonio Delgado

Eliot L. Engel

Adriano Espaillat

Brian Higgins

Hakeem Jeffries

John Katko

Sean Patrick Maloney

Gregory W. Meeks

Grace Meng

Joseph D. Morelle

Jerrold Nadler

Alexandria Ocasio-Cortez

Kathleen M. Rice

Max Rose

José E. Serrano

Thomas R. Suozzi

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Elise M. Stefanik

Paul D. Tonko

Nydia M. Velázquez

cc: The Honorable Nita Lowey, Chairwoman of the House Committee on Appropriations;
The Honorable Kay Granger, Ranking Member of the House Committee on Appropriations

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Unable to Process

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SEC. __. UNITED STATES POSTAL SERVICE.

(a) Additional Borrowing Authority.—

(1) IN GENERAL.—Notwithstanding any other provision of law, after the date of enactment of this Act—

(A) the United States Postal Service is authorized to borrow money from the Treasury in an amount not to exceed $25,000,000,000 (in addition to any other borrowing in which the Postal Service is authorized to engage) to carry out the duties and responsibilities of the Postal Service, including those under title 39, United States Code; ~~and~~

(B) the Secretary of the Treasury shall lend up to such amount, without charging any administrative fees, at the request of the Postal Service~~.~~; and

(C) any purchase by the Secretary of the Treasury of obligations issued by the Postal Service, either as required by this subsection or pursuant to section 2006 of title 39, United States Code, shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29, 2018 (subject to any modifications on which the Postal Service and the Secretary may mutually agree, pursuant to section 2006(a) of title 39, United States Code), except that no expiration date provided in such note purchase agreement shall apply.

(2) REPEAL OF FISCAL YEAR BORROWING LIMIT.—Section 2005(a)(1) of title 39, United States Code, is amended by striking "In any one fiscal year," and all that follows through the period.

(b) Prioritization of Delivery for Medical and Other Essential Purposes During COVID–19 Emergency.—Notwithstanding any other provision of law, the United States Postal Service—

(1) shall prioritize delivery of postal products for medical and other essential purposes during the emergency involving Federal primary responsibility determined to exist by the President under section 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5191(b)) with respect to the Coronavirus Disease 2019 (COVID–19);

(2) may establish temporary delivery points, in such form and manner as the Postal Service determines necessary, to protect employees of the Postal Service and individuals receiving deliveries from the Postal Service; and

(3) may institute flexible delivery, similar to the delivery flexibility utilized by the Postal Service after natural disasters or other emergency situations, in such form and manner as the Postal Service determines necessary, in the event operations or employees of the Postal Service are impacted by the COVID–19 emergency described in paragraph (1).

Commented [HJD-WD1]: Given the "Notwithstanding" clause above, it seems that this $10 billion in new borrowing authority is intended to be additional to, not coextensive with, the normal $15 billion in borrowing authority under 39 USC 2005(a). But there is some ambiguity, and this language would clarify the apparent intent.

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Commented [MTJ-WD3]: These edits are intended to emphasize the essential services that the Postal Service provides as a part of the nation's critical infrastructure.

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(2) may establish temporary delivery points, in such form and manner as the Postal Service determines necessary, to protect employees of the Postal Service and individuals receiving deliveries from the Postal Service; and

(3) may institute flexible delivery, similar to the delivery flexibility utilized by the Postal Service after natural disasters or other emergency situations, in such form and manner as the Postal Service determines necessary, in the event operations or employees of the Postal Service are impacted by the COVID–19 emergency described in paragraph (1), to the extent that normal delivery frequency is no longer feasible.

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Essential Service Talking Points

- The Postal Service is mandated by statute to operate "as a basic and fundamental service provided to the people by the Government of the United States, authorized by the Constitution, created by an Act of Congress, and supported by the people." 39 U.S.C. §101(a).

- The Postal Service carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy (established pursuant to a series of Presidential Policy Directives).

    - Under National Security Presidential Directive 51, Departments and Agencies were directed to identify Primary Mission Essential Functions (PMEF) they provide that support the eight National Essential Functions of the federal government which need to continue in any crisis to ensure Continuity of Government (COG).

    - In 2009, the federal government approved the Priority Mission Essential Function of the Postal Service to "deliver postal services to the American public." This PMEF supports National Essential Function 8 to provide "Critical Government Services."

    - On January 9, 2020, the National Security Council approved maintaining USPS PMEF#1 "Deliver Postal Services" because it was assessed as critical for the continuous performance of National Essential Function 8 to provide "Critical Government Services."

    - The Postal Service relies heavily on our contractors, suppliers, and industry partners for operations, and they are likewise critical to the provision of this essential function.

- The Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) issued guidance on March 19, 2020, which identifies "postal and shipping workers" as essential to critical infrastructure.

    - CISA explained that promoting the ability of essential critical infrastructure workers "to continue to work during periods of community restriction, access management, social distancing, or closure orders/directives is crucial to community resilience and continuity of essential functions."

    - White House Guidance further provides that if individuals work in a critical infrastructure industry, as defined by the Department of Homeland Security, they have a responsibility to maintain their normal work schedule, while following CDC guidance to protect individuals' health at work.

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- The DHS guidance is not specific to the Postal Service, but rather postal and shipping workers. This should include our contractors, suppliers, and industry partners.

- Regarding industry:

  - CISA materials recognize that the postal and shipping industry moves "essential paper transactions" on which other critical infrastructure sectors like commercial facilities and financial services rely.
  - In addition, the Postal Service is used to deliver important governmental information, such as census and CDC materials, and ballots.
  - Our mailing and printing industry partners are vital because they print and mail these items, and hence ensure that the government and businesses can access the mail.
  - Our industry partners are also important in ensuring the efficiency of our package delivery network, through which we deliver vital goods.

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Dear Postal Executives:

These are challenging and unprecedented times for our Nation, and I want to first express my gratitude for your leadership and unwavering commitment to the Postal Service and the American people. I am deeply inspired and moved ~~remain in awe of~~ by the unending ~~the~~ resolve of all of our employees under such adverse circumstance. Their dedication to ~~ensure~~ ~~to continue to~~ ensure that the Postal Service meets the critical needs of the American public during this~~e~~ unprecedented COVID-19 pandemic is what makes us all proud to be part of the Postal team. As we lead our organization to deliver through this challenge, it is important to remember ~~the~~ overarching principles that must guide our decision-making over the coming weeks.

I~~t is imperative t~~~~hat we~~ We all must continue to remember, and reinforce with our employees~~to reiterate to our employees,~~ that together we are providing a vital public service for the American people. The continued provision of postal services during times of emergency is designated as an essential function under federal law. Further, postal workers are designated by the Department of Homeland Security as a part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vitally important mail and packages. Guidance issued by the Administration and the Centers for Disease Control and Prevention (CDC) has stressed the importance and special responsibility that critical infrastructure industries, such as the United States Postal Service , have to maintain normal provision of servicework ~~schedules during~~throughout ~~this~~ emergency. During difficult times like these, the value of the Postal Service's mission to bind the Nation together is never more evident. I am tremendously impressed and grateful for the way our postal family responds during times of crisis, and all who step up to the challenge can be justly proud.

Commented [MTJ-WD1]: I can live with this change, but the deleted language is essentially a quote from the Administration and CDC guidance.

That said, it is equally important to recognize that our collective service in support of our countrymen during these difficult times for our nation is made up of the individual efforts of each of the men and women who work for the Postal Service. We must therefore also remember that achieving our mission depends fundamentally upon the health and well-being of our employees. For that reason, within the context of our critical mission, we must do everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To ensure that we do so, the COVID-19 Command Response team at Headquarters is working closely with the Department of Health and Human Services, the CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include:

- Updating our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements. We have entered into MOUs with the unions and management associations to provide 80 hours of paid leave to employees, including non-career employees, for issues related to COVID-19, and have expanded the definition of Sick Leave for Dependent Care for all employees to deal with the cascading closures of primary and secondary schools across the country.

- Working to overcome the challenges in the supply chain to ensure that our employees have access to hand sanitizer, and receive surgical masks and gloves upon request. We have shipped 15 million masks throughout the country to ensure that they are

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available for our employees, and are working tirelessly to keep the supply chain for critical personal protective equipment flowing in the face of national challenges.

- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization. We have implemented measures at retail facilities and mail processing facilities to ensure appropriate social distancing, including through signage, floor tape, and "cough/sneeze" barriers. We have suspended the use of mPOS and Lobby Assistants when needed to ensure social distancing. We have changed delivery procedures to eliminate the requirement that customers sign the MDD for delivery.

- Updating our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance relating to this pandemic.

- Expanding the use of telework for those employees who are able to perform their jobs remotely.

- Issuing a daily cadence of Stand-Up Talks, articles, videos, and other communications to ensure employees have the latest information and guidance.

As leaders, it is incumbent on us to ensure that we communicate all of this information to our employees, and that we follow the new guidelines and policies we are establishing. We want to continually reinforce the message to our employees that while ~~together~~ we will continue to provide our essential public service to America as a part of the nation's critical infrastructure, we are also fully committed ~~within those confines we wil~~to ~~I~~ do all we can to keep our people safe.

Commented [MTJ-WD2]: I understand this deletion, and can live with it, but my intent here was to counter the argument that some are making that if we really wanted to do all we can to keep people safe we would do things like close retail altogether.

That said, I recognize that, as the pandemic unfolds, adjusting operations is going to be necessary in many areas. In particular, we anticipate that the need to flex operations may arise to account for absent employees, and that such adjustments will likely have temporary service impacts. You have the same discretion as in any other emergency situation to adjust local operations as you determine necessary to account for such contingencies, and we will rely on your good judgment to manage the day. Follow your localized continuity of operations plans, and remember that we have an obligation to continue providing our normal levels of service to the American people to the maximum extent possible. In this regard, remember that a key strength of our organization is our stabilizing role in a crisis: the public takes confidence from our regular, daily role in their communities.

Our lives have changed dramatically over the last several weeks, and as we adapt to the challenges posed by COVID-19, we cannot forget that in this crisis, like no other, our customers are counting on us as their vital link to the medicines, critical goods, and important information that they will need during these difficult times. I am confident that together we will meet every challenge, and that we will get through this crisis as a team, just as we always have over the past245? ~~230~~ years. I am certain that we will protect and maintain~~earn~~ our customers' trust, and that we will make America proud.

Thank you for your continued leadership and dedication as we all confront the realities of this pandemic.

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Dear Postal Executives:

These are challenging and unprecedented times for our Nation, and I want to first express my gratitude for your tremendous efforts to ensure that the Postal Service continues to meet the needs of the American public during the COVID-19 pandemic. As we lead our organization, it is important to remember the overarching principles that must guide our decision-making over the coming weeks.

First, it is critical that we continue to remember, and to reiterate to our employees, that we are providing a vital public service for the American people. The continued provision of postal services during times of emergency is designated as an essential function under federal law, and postal workers are part of the nation's critical infrastructure as designated by the Department of Homeland Security. Every day, the men and women of the Postal Service accept, process, transport, and deliver vitally important mail and packages. Guidance issued by the White House and Centers for Disease Control (CDC) has stressed the importance and special responsibility that critical infrastructure industries have to maintain normal work schedules during this emergency. Indeed, it is during difficult times like these where the value of the Postal Service's mission to bind the Nation together is most evident.

Second, we must also remember that achieving our mission depends fundamentally upon the health and well-being of our employees. Given our critical public service mission, we cannot shut down or severely curtail our operations. Rather, within this context, we must do everything that we can to protect the health and safety of our employees while they are performing their jobs, in a manner consistent with the advice of medical and public health professionals. To ensure that we do so, the COVID-19 Command Response team at Headquarters is working closely with the Department of Health and Human Services, the CDC, and other public health officials to receive their latest guidance on appropriate workplace practices. We are adjusting our policies accordingly, and are continually sharing the latest information throughout our organization. Specific actions we have taken include:

- Updating our leave policies to allow liberal use of leave, and to therefore give our employees the ability to stay home whenever they feel sick, must provide dependent care, or wish to abide by State or local shelter-in-place requirements.
- Working to overcome the challenges in the supply chain and ensure that our employees have access to hand sanitizer, masks, and other protective supplies.
- Reinforcing workplace behaviors to ensure that contact amongst our employees and with our customers reflects the best guidance regarding healthy interactions, social distancing and risk minimization.

As leaders, it is incumbent on us to ensure that we communicate all of this information to our employees, and that we follow the new guidelines and policies we are establishing. We want to continually reinforce the message to our employees that while together we will continue to provide our essential public service to America as a part of the nation's critical infrastructure, within those confines we will do all we can to keep our people safe.

Third, I recognize that, as the pandemic unfolds, adjusting operations is going to be necessary in many areas. In particular, we anticipate that the need to adjust operations may arise to account for absent employees, and that such adjustments will likely have service impacts. You have the same discretion as in any other emergency situation to adjust local operations as you determine necessary to account for such contingencies. Follow your localized continuity of

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Postal Service Efforts and Implementations for COVID-19 Response

- Created employee page for all Postal Service COVID-19 resources available on both Blue and LiteBlue, which also includes links to key CDC posters and information sheets.

- SUTs
  - General staying healthy tips – 1/24/2020
  - Health and hygiene tips based on CDC guidance – 2/11/2020
  - COVID-19 staying healthy CDC guidance – 2/25/2020
  - Interacting with Customers (who request medical screenings) – 3/16/2020
  - Vehicle cleaning – 3/17/2020
  - Social Gatherings (Fewer than 10) – 3/18/2020
  - Retail Lobby and Equipment Changes – 3/19/2020
  - Customer Signature Service – 3/19/2020
  - National coronavirus guidelines mailing – 3/21/2020
  - Letter Carriers COVID-19 Response and Prevention – 3/23/2020
  - Operations Continue (essential services talk) – 3/23/2020
  - Retail Practicing Social Distancing – 3/25/2020
  - EAP Available – 3/25/2020

- Link Articles:
  - Keeping current Catching up with Link's COVID-19 coverage (March 26)
  - Safe and healthy News Quiz: Test your postal knowledge (March 26)
  - Truth be told FEMA site combats COVID-19 rumor mill (March 25)
  - Keeping up Link mobile offers news on coronavirus, other topics (March 25)
  - Hands off Restrictions for shipping sanitizers, wipes (March 24)
  - Paychecks notice Employees encouraged to use direct deposit (March 24)
  - Steadfast service Employees stay upbeat in face of pandemic (March 24)
  - COVID-19 command New group to lead USPS response (March 23)
  - Stamp ceremonies canceled Special dedications may be held later (March 23)
  - By appointment only Passport service change implemented (March 23)
  - COVID-19 cons Watch out for coronavirus scams (March 20)
  - Staying informed Employees can receive alerts during emergencies (March 20)
  - Getting the word out Informed Delivery used for national alert (March 19)
  - Travel limitations USPS to approve only mission-critical business requests (March 19)
  - Rising to the challenge PMG thanks employees for service during pandemic (March 18)
  - NPF canceled Event won't be held in 2020 (March 18)
  - Easy as 1-2-3 Video demonstrates effective handwashing (March 18)
  - Important reminder Employees must provide current info (March 17)
  - Remember Maine Stamp dedication event postponed (March 16)
  - Travel update Written approval now required for requests (March 16)
  - Coronavirus resources Blue, LiteBlue pages to keep workers informed (March 16)
  - Coronavirus update PMG delivers message to employees (March 9)
  - Help is here EAP assists employees in need (March 9)
  - Staying vigilant CDC's coronavirus guidance still being shared (Feb. 24)
  - Coronavirus update Postal Service shares CDC guidance (Feb. 11)
  - Staying healthy Take steps to avoid flu, other illnesses (Jan. 24)

- Videos:
  - PMG Video Update on COVID-19
  - Washing Hands video

- COVID-19 Playbook for Field and Districts
  - Incident Checklist

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- Decision Tree
- SUT template (confirmed COVID-19 case)
- Reactive Media Statement template (confirmed COVID-19 case)
- FAQs about COVID-19 and work
- Latest USPS public Statement

- Policy Changes
  - Expanded telework policy to allow five days of telework for non-mission-critical employees with the required technology.
    - Provided laptops to additional employees to expand telework further.
  - Suspended non-mission-critical travel and training
  - Cleaning MMO to clean facilities consistent with CDC guidance
  - Implemented staggering SUTs, holding them in larger spaces, or doing them over loudspeaker to increase social distancing
  - Opened HQ parking garage for free to all employees reporting to the building to reduce public transportation spread of COVID-19.
  - Provided surgical face masks and gloves to employees upon request
  - Eliminated customer-signature requirement
  - Suspended use of mPOS, Lobby Assistants, and others if social distancing can't be done.
  - Encouraged increasing the cleaning of frequently touched surfaces.
  - Suspended passport fairs. Passports by appointment only.
  - MOUs with unions to give 80 hours of paid leave to noncareer employees for issues related to COVID-19.
  - New Hire / Onboarding precautions of delaying start dates for symptomatic candidates, etc.

- Other Initiatives
  - Management Guidance for both HQ and the Field
  - Real-time updates to COVID-19-related service alerts
  - Remote work support resources and instruction documents
  - Shared public health posters about maintaining social distancing (for customers)
  - Launched COVID-19 alerts via HERO
  - Reemploying annuitants to assist Occupational Health
  - 15 million masks shipped out to operations.
  - Promoting telehealth options available through FEHB plans.

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PostCom

Issue N° 16-20
April 16, 2020

BULLETIN THE JOURNAL OF POSTAL COMMERCE

HIGHLIGHTS

» First-Line Supervisor Retention Gets High Marks

The U.S. Postal Service has done a good job of retaining first-line supervisors, with an average national attrition rate of only 1 percent for fiscal years (FYs) 2016-2018. See Page 2.

» No, Trump Isn't Trying to Kill the Postal Service

Op-ed written by Kevin Kosar, Vice President, Research Partnerships, R Street Institute. Kevin diffuses rumors surrounding the Trump Administration and the demise of the U.S. Postal Service. See Page 3.

» Political Mail In A COVID-19 World

Op-ed written by Mark Fallon, President & CEO of The Berkshire Company. Mark discusses the strong outlook for political mail this year. See Page 4.

PRESIDENT'S CORNER

Rescue Mission

This week's PostCom bulletin includes several guest submissions regarding the future of the Postal Service (see below). There are different perspectives represented, not only because the Postal Service seems to draw interest from all corners, but because there is still so much that nobody knows. What we do know is that the Postal Service is already experiencing significant volume losses and that – at least so far – financial assistance from the government has been limited.

We should expect much more debate about the Postal Service and its future in the coming months. At a virtual House Oversight and Government Reform Committee hearing last week, the Postal Service asked Congress for support including:

- A $25Bn appropriation to offset expected revenue losses through FY 2021
- A $25Bn grant for postal modernization investments that likely include new vehicles and facility improvements
- $25Bn in unrestricted borrowing authority

Even when Congress is spending at unprecedented rates, that is a lot of money; $75Bn is more – in nominal terms – than the Postal Service has ever generated in a fiscal year. While there is almost a consensus (there is a very important source of dissent) that the Postal Service is deserving of some support, they're not likely to get everything they ask for.

For one thing, Congress generally does not dole out billions of dollars without expecting something in return. Corporations and industries that are receiving funding from Coronavirus relief spending are having to accept sometimes burdensome conditions. Furthermore, we are approaching the anniversary of a heated exchange between then-Congressman Mark Meadows and the PMG over the Postal Service's ten-year plan (link unavailable). If Congress had valid concerns about the future direction of the Postal Service last year, those concerns have probably not lessened in the last twelve months.

Given the looming damage to the US economy from the Coronavirus pandemic, and the importance of the Postal Service, some type of short-

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term postal relief is warranted. At the same time, the USPS faces long-term structural challenges that require careful examination and will entail balancing of interests among competing stakeholders. Emergency spending legislation that attempts to prop up the US economy while simultaneously targeting multiple industries is not the right vehicle to achieve these twin aims. The Postal Service maintains that their recent funding request is separate from their ongoing mission to achieve legislative and regulatory reform. Unfortunately, the decision makers who will shape the next round of economic relief probably won't see it that way, and by asking for so much, USPS risks having its allies on the Hill use the current crisis to enact half-baked postal reform that will buy time but little else.

IN DEPTH ANALYSIS

First-Line Supervisor Retention Gets High Marks

The U.S. Postal Service has done a good job of retaining first-line supervisors, with an average national attrition rate of only 1 percent for fiscal years (FYs) 2016-2018, but timely hiring and qualifications of new supervisors are issues management should address, according to a new audit report. *First-Line Supervisor Recruitment and Retention*, 19SMG008HR000-R20.

First-line supervisors are a significant portion of the USPS workforce: during FY 2018, the Postal Service had 18,433 permanent first-line supervisors —13,049 in retail facilities and 5,384 in mail processing facilities – with another 4,394 employees detailed to perform supervisory duties and responsibilities.

In one of a serious of audits concerning first-line supervisors, the U.S. Postal Service Office of Inspector General (OIG) found that despite the solid retention rate, when vacancies did occur, 88 percent of those examined were open for more than the within-60-days hiring target.

Also, USPS hiring officials did not complete and maintain required supporting documentation for 68 percent of first-line supervisor positions. Missing documentation included signed and dated requirements matrices that determine whether potential hires met qualifications. Because this information was missing, the OIG could not determine whether these first-line supervisors met the qualifications outlined in vacancy announcements.

POSTAL PREVIEWS

Cancelled! June 2 – 3, 2020
PostCom Study Day and Board Meeting *Alexandria, VA* *Study Day to become a series of webinars and the Board Meeting to become virtual*

June 8-10, 2020
MailCom 2020 *Atlantic City, NJ* ***Rescheduled***

June 23 – 24, 2020
Leaders in Logistics: Post and Parcel North America *VA* *PostCom Members receive a 10% discount with code: POSTCOM10*

July 28 – 29, 2020
Mailers Technical Advisory Committee *Washington, DC*

September 8-10, 2020
13th Annual ACMA National Forum *Washington, DC* ***Rescheduled***

October 6 – 7, 2020
PostCom Study Day and Board Meeting *Alexandria, VA*

October 13 – 15, 2020
Parcel & Post Expo *Vienna, Austria*

October 27 – 28, 2020
Mailers Technical Advisory Committee *Washington, DC*

December 2-5, 2020
CRRI's 28th Conference on Postal and Delivery Economics *Rome, Italy* ***Rescheduled and New Location***

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Based on this issue, the OIG identified $16.4 million in unsupported questioned costs related to the pay increase for promotion to first-line supervisor. The watchdog group recommended USPS management develop controls to ensure timely hiring and that district and facility officials prepare and maintain hiring documentation as required.

Management agreed with the findings, monetary impact, and need for controls over hiring documentation. But it argued that controls exist now for officials to complete their hiring responsibilities.

GUEST ARTICLES

No, Trump Isn't Trying to Kill the Postal Service

Op-ed written by Kevin Kosar, Vice President, Research Partnerships, R Street Institute, a non-profit public policy research organization. This article was originally published on The American Spectator and reprinted with permission. Views and opinions reflected in the article are of the author's and do not necessarily reflect the views and opinions of PostCom.

Over the weekend, #postalservice began trending on Twitter. That's weird, seeing as the Post Office is, well, the Post Office. And I say that as someone who has spent 17 years studying postal policy. (Thank you for your sympathy.)

The Twitter-steria stemmed from a report that the Trump administration opposed giving the U.S. Postal Service (USPS) a bailout. House of Representatives Democrats had tried to slip a more than $30 billion bailout into the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Trump and company rejected the bill and told Congress they beleaguered agency could have a $10 billion loan instead.

All of this should have been old news — Trump signed the law on March 27. But the *Washington Post*'s story went viral, with other newspapers and media picking it up. Thence to social media, and then craziness erupted.

Three different conspiracies emerged, and all of them slapped evil horns on the president:

-Trump wants to bankrupt the agency so he can sell it off and privatize it.

-Trump wants to kill the Postal Service to hurt Jeff Bezos, whose Amazon.com uses USPS to deliver some of its parcels.

-Trump wants to shut down the Postal Service so that people cannot vote by mail.

The outrage has been burning for days, stoked by the usual suspects, like John Dean and the Daily Kos.

It is difficult to express just how inane these claims are.

For one, hardly anyone wants to privatize the Postal Service. Certainly not President Trump. His postal reform commission expressly rejected privatization. Besides, who exactly would want to buy the Postal Service? It is an

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agency with $130 billion in unfunded pension and retiree health-care obligations. By law the USPS has a heavily unionized workforce who every four years negotiate more expensive compensation contracts. And demand for USPS's services have plunged over the past decade. Mail volume is down more than 30 percent. There is a reason only the USPS delivers paper mail to nearly every home in America along with the Virgin Islands, Guam, and Puerto Rico — it is not lucrative.

And the notion that the president wants the Postal Service to cease operations is so absurd that it should not require comment. But here we are. The president, as everyone knows, really wants to get reelected, and he cares about his ratings. So why exactly would he kill an agency that is, as the Gallup pollsters note, "America's favorite federal agency"?

Then there is the matter of Trump's base. He is especially popular among the elderly, veterans, and residents of rural areas. What do they all have in common beyond their affection for Trump? They like the Postal Service and depend on it.

Try closing a rural post office, and rural residents will grab their pitchforks. The elderly depend on the USPS to deliver prescription drugs and the paper mail — often preferred over digital communications. The elderly — and Republicans generally — vote by mail disproportionately. Oh, and by the way, the president himself votes by mail.

Lastly, it also is the case that the USPS hires lots of veterans. The agency reports it has 100,000 of them.

What the Left fails to understand is pretty rudimentary: throwing money at an agency running structural deficits is stupid. Yes, the Postal Service needs an infusion to help it deal with a massive drop in mail volume due to COVID-19.

But more than that, the agency desperately needs reform. The Trump administration gets this point, and in the next few months we may well see a deal where the USPS gets an infusion to help it weather the COVID-19 storm and the changes it needs to survive in the digital 21st century.

Political Mail In A COVID-19 World

Op-ed written by Mark Fallon, President & CEO of The Berkshire Company, an independent management consulting firm that specializes in the print-mail industry. Article was originally published on the Consumer Postal Council's website and reprinted with permission. Views and opinions reflected in the article are of the author's and do not necessarily reflect the views and opinions of PostCom.

The first political campaign I worked on took place in 1990. I'd just returned to Massachusetts after serving in the Army. Elections were taking place for state-wide offices, including the governor, attorney general and treasurer. I'd worked in the Massachusetts State House while in graduate school and had met several of the people running for office. While looking for permanent employment, I volunteered for a couple of candidates.

My duties were fairly simple – make phone calls to prospective donors and voters, hold signs outside rallies and assemble mass mailings. Those same functions still take place today, however emails and social media either supplement or replace the phone calls and mailings.

But will those tactics be effective in 2020? Will the COVID-19 pandemic significantly change campaign messaging strategies?

While television ads will continue, the prospective audience is shrinking with on-demand shows and streaming services. Social media remains omnipresent but becomes less trustworthy with each scandal. Cellular service providers have improved detecting spam, reducing the effectiveness of robocalls.

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The United States Postal Service (USPS) uses the designation "political mail" for campaigns' marketing mail. Even with the increased use of email and social media, the USPS has seen significant increases in volumes and revenue over the last three election cycles. In 2014, campaigns spent $375 million to send 1.9 billion pieces of political mail. For the 2018 mid-term elections, that increased to over $573 million on three billion pieces.

The reason? Voters find hard-copy mail, delivered to their homes by the USPS, more credible than any other form of advertising – and that includes in-person visits by candidates or campaign workers. Social media ads, phone calls and text messages aren't considered trustworthy.

Early in this election cycle – the USPS started an aggressive push to promote the use of mail in political campaigns. With a self-described "obsessive, relentless and compulsive" training program, they created a political strategy team. In addition to analysts, key staff have been designated as strategists in each of the seven USPS areas. A special website – deliverthewin.com – was launched.

The USPS has participated in American Association of Political Consultants (AAPC) and Campaigns & Elections (C&E) events with both speaking opportunities and exhibit booths. They've also sponsored articles, email blasts, Facebook Live interviews and webinars to promote political mail. As with online shopping, the USPS is showing candidates that physical mail is a key component of omni-channel marketing campaigns.

This sales pitch will hold even more weight during and after the pandemic. Many rallies are being cancelled and there's uncertainty around future events. Campaigns will have greater than normal challenges to find volunteers willing to walk door-to-door. And even when they do, many doors will remain shut.

These changes don't mean an automatic "win" for the USPS. Many printers and mail service providers are struggling during the COVID-19 crisis, and some won't be able to weather the economic downturn. The decline in overall mail volumes has escalated during the shutdown. Planned in-person seminars and similar events have been cancelled.

Working with political consultants, webinars are being scheduled to continue to educate campaign managers. Those are being supplemented with additional online training for service providers through the National Postal Customer Council Advisory Committee. That message will need to be amplified as businesses reopen and the economy recovers.

Political mail won't replace the volumes of mail lost due to the current crisis. However, fewer pieces mean that what's delivered will stand out, improving the effectiveness of mail campaigns. That may help politicians see the value of the USPS. In turn, that may gain the USPS political allies for much needed legislative reform.

In 2020, there are 35 Senate races (including two special elections), 435 House of Representatives races, and gubernatorial races in 11 states. Additionally, there are thousands of races for state representatives, mayors and town selectmen. Every candidate needs to get their message out to donors and voters.

It's up to the USPS to help them see mail as a critical component of their campaign.

About the Author: Mark Fallon is President & CEO of The Berkshire Company, an independent management consulting firm that specializes in the print-mail industry. For additional information visit www.berkshire-company.com.

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POSTAL NEWS

Postmaster General Warns House Committee of Dire Consequences Without Congressional Action- Trump's Own Hand Picked Board of Governors Says USPS Needs $75B

PostalNews Today, Postmaster General Megan J. Brennan provided a video briefing to Members of the Committee on Oversight and Reform and Reform on the devastating impact the coronavirus crisis has had on the finances of the Postal Service and the steps Congress and the President must take to ensure continued delivery of essential information, packages, and services. The Postal Service is fighting for its survival, putting in jeopardy the careers and paychecks of its 650,000 employees—as well as the more than $1.7 trillion mailing industry that employs more than 7.5 million people," **Government Operations Subcommittee Chairman Gerald E. Connolly said.** "We cannot allow the Postal Service to collapse. To do so would deepen our nation's economic crisis and eliminate an important lifeline for individuals who rely on the Postal Service's 1 billion deliveries of lifesaving prescription deliveries and eviscerate the very infrastructure we need to administer the upcoming elections."

Consumer Price Index Summary

BLS In March, the Consumer Price Index for All Urban Consumers fell 0.4 percent on a seasonally adjusted basis; rising 1.5 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy fell 0.1 percent in March (SA); up 2.1 percent over the year (NSA).

More Than 600,000 People Sign A Petition Demanding Hazard Pay For Postal Workers After 19 Die Of Coronavirus And 6,000 More Are Forced Into Self-Quarantine Across US

DailyMail More than 600,000 have signed a petition demanding the government give hazard pay to all of its USPS workers continuing to brave the outside during the coronavirus lockdown. It comes as 19 postal workers have died of coronavirus, while 500 have tested positive and another 6,000 have had to self-isolate, USPS leaders told Congress last week. The petition claims that USPS staff have not been given adequate protective equipment as they work 12-hour overtime shifts, packing and loading potentially contaminated packages and letters. 'As of this present time, there have been upwards of more than 40 confirmed cases of coronavirus within the United States Postal Service,' the Change.org petition written on March 16 says.

Trump's War Against The Postal Service Could Have Another Casualty: Tens Of Thousands Of Military Veterans With Disabilities

BusinessInsider The tenuous situation for the Postal Service puts its employees, many of whom are military veterans, in an uncertain position. USPS is one of the largest employers of veterans nationwide and dwarfs its competitors in hiring numbers: Nearly 100,000 military veterans are employed by the agency, or roughly 15% of its entire workforce of 600,000 employees, according to a spokesperson. One internal estimate showed how a subset of veterans could be disproportionately affected by cuts. Though the exact numbers were not immediately available, USPS estimated that at least 60% of its veteran employees have some sort of disability rating.

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Postal Workers Say USPS Isn't Telling Them When Colleagues Test Positive for COVID-19, Despite Promising To

Propublica The U.S. Postal Service appears to be continuing its checkered response to the coronavirus. Workers across the country say they're not being informed when colleagues have tested positive for COVID-19, despite a Postal Service policy to do so. At the end of March, after workers complained, the Postal Service told its employees they would be notified if someone "in your workplace is confirmed to have COVID-19." But workers at 11 locations told ProPublica they found out about cases through colleagues or were only told by management days after word had already gotten out.

NRLCA and USPS Sign MOU Concerning Temporary Workplace Changes to Promote Social Distancing

PostalNews From the National Rural Letter Carriers Association: Your National Board agrees that the social distancing recommendations of the Centers of Disease Control and Prevention (CDC) are important measures which should be practiced as much as possible to slow the spread of the coronavirus (COVID-19). Some of those social distancing recommendations for the workplace include increasing physical space between workers, staggering work schedules, limiting large work-related gatherings and reducing or eliminating travel. With that in mind, the NRLCA and the USPS have agreed to a MOU with temporary changes to promote social distancing. The terms of this MOU will minimize the possibility of exposure to the coronavirus or the possibility of unknowingly spreading the coronavirus to a larger portion of the workforce.

China » China.org

The arrival of the first train of a new postal rail service to Europe here opened up a new reliable and efficient logistics channel between Lithuania and China...Departing from southwest China's Chongqing Municipality on April 3, the "China Post" CR Express 1st block train, loaded with much-needed medical supplies and 42 TEUs of parcels, arrived on April 12 in Vilnius. The parcels will be later transferred to other European countries. "With this new route, especially during a difficult pandemic period, we are turning a new page towards a closer cooperation to meet consumer expectations -- assessing not only delivery time or price, but also environmental requirements," wrote the minister.

France » BBC

Amazon has been ordered to limit its deliveries in France to essential goods only, amid claims it is failing to protect its workers from coronavirus. A court in Nanterre, near Paris, ordered the online retail giant to deliver only food, hygiene and medical products in the country from Tuesday. This is to allow officials to assess whether Amazon is taking adequate precautions to protect its staff. Amazon has not commented on the court ruling.

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India » Post&Parcel

With train and bus services shut, India Post is relying on its own Mail Motor Services (MMS) to carry out delivery services within the state and in adjacent states while airlines are being used to deliver parcels in the metros, reports Hindustan Times. Rajguru Nagar branch sub-post office master Sarita Madaan said the branch had booked 85 parcels of medicine since the lockdown. "Before the lockdown, we rarely received bookings for medicines as people mainly relied on private courier companies but now we deliver medicines on a regular basis. People have medicines delivered within the state and to neighbouring states."

Ireland » Post&Parcel

An Post, in partnership with Children's Books, Ireland have distributed a free 24-page #ImagineNation playbook to children all over Ireland to enjoy. The campaign is aimed at helping families confined to their homes by COVID-19. The #ImagineNation playbook is full of drawing, writing and mindfulness exercises from leading Irish children's authors and illustrators including Oliver Jeffers, Chris Haughton, Sarah Crossan, Don Conroy, Niall Breslin, Niamh Sharkey and many more. The book will be accessible to all children to download as well as being delivered free by An Post to thousands of houses around the country.

Isle of Jersey » Parcel&Post

From today, Jersey Post will be delivering free postcards to all residential addresses to launch its Island-wide, Connecting Jersey campaign. From Tuesday 14 April, every Island household will receive two free postcards: • Thank you • Thinking of you. Households can send the cards free of charge to any address in Jersey throughout April.

United Kingdom » Post&Parcel

The UK Drone Delivery Group, the new drone industry initiative, established to provide guidance on the steps required for the UK to accelerate the growth of the UK drone industry, has today released its 'White Paper' for public consultation. The White Paper calls for the development of new testing grounds, which are expected to significantly transform the UK's potential to achieve world-leading status in the fast-moving drone industry.

Zimbabwe » Herald

The country's postal and courier services is continuing on a downward trend with latest figures showing a 32 percent dip during the year to December 2019 on e-substitution as technology is providing an alternative channel for transmission of information. According to the regulator, the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) postal and courier services went down 32 percent to 5,3 billion items in 2019 compared to 7,8 billion recorded in the prior year. The service has halved in the past five years from 10 billion recorded in 2015.

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Federal Register: **Postal Regulatory Commission** - Periodic Reporting, 21130–21131 [2020–07974]; New Postal Product, 21277 [2020–08014]; **Postal Service -** Sunshine Act, 20533 [2020–07782]; Product Change: First-Class Package Service Negotiated Service Agreement, 21278 [2020–07990]; Priority Mail Negotiated Service Agreement, 21278 [2020–07988], 21278 [2020–07989], 21278 [2020–07991]

Industry Alert: **New Processes for Bulk Hold Mail and Forwarding Requests by Businesses** The United States Postal Service has implemented two new processes to allow businesses to submit Hold Mail requests in bulk (10 or more), as well as requests to forward mail from many locations (10 or more) to one. The new processes allow businesses with 10 or more requests to provide the Postal Service with an Excel spreadsheet with the addresses and relevant information for their hold or forwarding requests. Businesses must provide the information in a specific Excel file format. The Sales Representative will coordinate directly with the customer to obtain the required information. There are currently no changes to the maximum timeframe for holding mail (30 days). Businesses should contact their Sales Representative if they would like to request Bulk Hold Mail (10 or more) for 30 Days or to Forward Mail from many locations (10 or more) to one.

Industry Alert: **COVID-19 CONTINUITY OF OPERATIONS UPDATE Mailability of Hand Sanitizer Update** The March 26, 2020, Link article titled "Hands Off" described the mailing requirements for hand sanitizers and disinfecting wipes containing flammable alcohols such as ethanol and/or isopropanol (rubbing alcohol). As stated in the article, small quantities of these potentially flammable hand sanitizers and alcohol wipes are permitted in domestic mail via surface transportation. To better support our customers during this period of increased demand, mailers can obtain an exception through the Manager, Product Classification to increase the quantity of these items containing ethyl and isopropanol alcohol sent via surface transportation. Additionally, mailers can also be granted an authorization by the Manager, Product Classification to ship limited quantities of ethanol alcohol in domestic air transportation. As several mailers have been provided with written approvals from the Manager, Product Classification for products that are eligible for domestic air shipments or an increase in quantity limits in surface transport, the information below is provided as a guidance to assist in determining eligible mailings. If a mailer holds a valid authorization or an exception from the Manager, Product Classification, the following criteria must be met upon acceptance of the items:

- Upon their first mailing at each postal facility, the mailer must provide a copy of a signed letter from Headquarters, Product Classification. The letter will contain the mailer's unique approval number and applicable mailing requirements. **Note**: It is suggested that the facility maintains copies of such letters on file for future reference.

- The outer package must have the appropriate text marking "Contains xxx" followed by their assigned unique authorization number that will begin with either HSA, HSB, HSD, HSE or HSS. **Note**: This information is included in the letter and may be hand or type written prominently on the package. Examples of text markings:

  "Contains Air-Eligible Ethyl Alcohol - Authorization No. HSA - xxxxxx"
  "Contains Air-Eligible Ethyl Alcohol - Authorization No. HSB - xxxxxx"
  "Contains Surface Eligible Ethyl Alcohol - Exception No. HSE - xxxxxx"

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USPS-20-1215-A-009378

"Contains Surface Eligible Isopropyl Alcohol - Exception No. HSD - xxxxxx"
"Contains Surface Eligible Alcohol Solids – Exception No. HSS – xxxxxx"

Please note that these materials are strictly prohibited in international mail, Army Post Office (APO), Fleet Post Office (FPO) and Diplomatic Post Office (DPO) destinations.

Industry Alert: **International Service Impacts as of April 17, 2020** Effective April 17, 2020, the Postal Service™ will temporarily suspend international mail acceptance to destinations where transportation is unavailable due to impacts related to the COVID-19 pandemic and restrictions into the area. Customers are asked to refrain from mailing items addressed to any of the following countries, **until further notice**:

- Bermuda
- Cape Verde
- Oman
- South Sudan
- Swaziland (Eswatini)
- Yemen

These service disruptions affect Priority Mail Express International® (PMEI), Priority Mail International® (PMI), First-Class Mail International® (FCMI), First-Class Package International Service® (FCPIS®), International Priority Airmail®(IPA®), International Surface Air Lift® (ISAL®), and M-Bag® items.

For already deposited items, other than Global Express Guarantee (GXG®), Postal Service employees will endorse the items as "Mail Service Suspended — Return to Sender" and then place them in the mail stream for return.

For any returned item bearing a customs form, the Postal Service will, upon request, refund postage and fees on mail returned due to the suspension of service.

For all other returned items not bearing a customs declarations form, the Postal Service will, upon request, refund postage and fees on mail returned due to the suspension of service, or the sender may re-mail them with the existing postage once service has been restored. When remailing under this option, customers must cross out the markings "Mail Service Suspended — Return to Sender."

Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

USPS is closely monitoring the situation and will continue to update customers until the situation returns to normal. Please visit our International Service Alerts page for the most up to date information https://about.usps.com/newsroom/service-alerts/international/?utm_source=residential&utm_medium=link&utm_campaign=res_to_intl

Industry Alert: **UPDATE 23: International Mail Service Disruptions Due to COVID-19** On April 15, 2020, the Postal Service™ received notifications from various postal operators regarding changes in international mail services due to the novel coronavirus (COVID-19).

The following countries have suspended certain mail services:

Honduras *UPDATE*: Empresa de Correos de Honduras (Honducor) has advised that they are extending the suspension of mail services until April 19, 2020, or a later date to be communicated in due course.

Mauritius *UPDATE*: Mauritius Post has advised that they are extending the suspension of mail services until May 4, 2020.

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Nepal *UPDATE*: Nepal Post has advised that they are extending the suspension of mail services until April 30, 2020.

Sri Lanka *UPDATE*: Department of Posts has advised that they are extending the suspension of mail services until April 20, 2020.

Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

The following countries have announced service disruptions:

Colombia *UPDATE:* Servicios Postales Nacionales S.A. 4-72, has advised that, owing to the emergency resulting from the spread of the novel coronavirus (COVID-19), there continues to be significant delays in all of its international inbound and outbound letter-post, parcel-post and Express Mail Service (EMS) items.

Georgia *UPDATE*: Georgian Post has advised that the Government of Georgia has decided to extend the measures aimed at reducing the spread of COVID-19 until May 10, 2020. This includes the suspension of signature service and suspension of service standards.

Ireland *UPDATE*: An Post, has advised that owing to the cancellation of numerous international flights, it is currently limited in its ability to send outbound mail (letter-post, parcel-post and EMS items) to some countries and ceasing to accept mail destined for those countries until further notice. Details of these destinations can be found at https://www.anpost.com/Coronavirus/Mails-Parcels-services. As of April 15, An Post is sending only letters, large envelopes and packets to the United States; no parcels.

Italy *UPDATE*: Poste Italiane has advised that the Italian Government has extended the measures aimed at minimizing the spread of COVID-19 until May 3, 2020. This includes the suspension of signature service and service standards; limitations on the size and weight of parcels; and changes to the number delivery attempts that will be made before a package is returned to sender.

Jamaica *UPDATE*: Jamaica Post has advised that the suspension of service standards has been extended until further notice.

United Arab Emirates *UPDATE*: Emirates Post has advised that it is carrying out contactless deliveries during the COVID-19 pandemic. Deliveries to the addressee's home require the courier to confirm the recipient's name by asking to see ID, recording name and releasing item to recipient.

These service disruptions affect Priority Mail Express International® (PMEI), Priority Mail International® (PMI), First-Class Mail International® (FCMI), First-Class Package International Service® (FCPIS®), International Priority Airmail® (IPA®), International Surface Air Lift® (ISAL®), and M-Bag® items.

The DMM Advisory will continue to update mailers regarding new service disruptions as they are received. For a full list of international service disruptions, please visit https://about.usps.com/newsroom/service-alerts/international/welcome.htm

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UPCOMING POSTCOM WEBINARS

Due to the Covid-19 Health Crisis and the importance of distributing critical information to the entire industry, the following webinars will not be limited to members only

PostCom Webinar on Coronavirus Updates – April 24, 2 pm ET Register

May Member Webinar – May 12, 2 pm ET Register

Members – Did you know you have full access to all archived Webinars (slides and recordings) and Bulletins on our website? Login to the member section using your email as your username and choose a new password.

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USPS-20-1215-A-009381

PARCEL SHIPPERS ASSOCIATION

320 South West Street
Suite 110
Alexandria, Virginia 22314

(703) 989-0789
jim@parcelshippers.org

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

During this national emergency, the U.S. Postal Service (USPS) continues to deliver critical goods to every address, including those in hard-hit urban cities as well as difficult to reach rural areas. The services being provided by the Postal Service include the delivery of prescription drugs, household goods, election materials, census material, Coronavirus-related information, testing kits, medical equipment, and eventually vaccines. However, without immediate financial assistance, these services will not continue.

We understand House and Senate negotiators agreed to a $13 billion appropriation during consideration of the CARES Act. We further understand this appropriation was dropped when it was opposed by the Administration. It is now obvious that much more is needed.

Yesterday the USPS Board of Governors (appointed by President Trump), notified Congress that, due to the Coronavirus emergency, it will run out of cash before September 30, the end of this fiscal year (see attached release). The bipartisan Board of Governors requested the following:

- $25 billion emergency appropriation to offset coronavirus-related losses.
- $25 billion grant to fund "shovel-ready" projects to modernize the Postal Service.
- Access to $25 billion in unrestricted borrowing authority from the Treasury.

We write in support of the USPS Board of Governors' request. In addtion, Treasury should never seek to impose operational changes and policy conditions on any of the Postal Service's new or existing borrowing authorities—changes and policies that by law are set by the USPS Board of Governors and Congress.

The over 600,000 men and women of the Postal Service, who have been on the front lines each and every day, represent the only workforce servicing every single household and open business across the nation. Unfortunately, given the lack of emergency funding, it appears they have been abandoned by the Administration. The Postal Service and the corporate members of the Parcel Shippers Association stand-out with their commitment and execution in support of the administrations efforts to keep the economy moving as it struggles throughout this pandemic.

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There is a mistaken impression promoted by at least one competitor that the Postal Service undercharges for its package delivery services. This claim has been widely debunked by independent commissions, experts, and virtually everyone who has looked at it (see attached Bibliography). Unfortunately, the postal task force that you chaired accepted this view, choosing to ignore the information provided by USPS and the Postal Regulatory Commision, and proposed the costing methodology changes advocated by that competitor in its final report.

Now is NOT the time to demand structural changes in the way the Postal Service operates or prices its products as a condition to access funds vital for it to continue the extraordinary service they provide the American people. Now is the time to help the Postal Service do what they have done for over 240 years—to Bind the Nation, Enable Commerce, and most importantly, support the Administration in the economic recovery of this nation.

Sincerely,

Jim Cochrane
Chief Executive Officer
Parcel Shippers Association

Attachments:

Members and Senators letter
Senate Testimony
Related articles, testimony, court and PRC decisions

Congress of the United States
Washington, DC 20510

AMERICAN OVERSIGHT

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the $10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.[1] The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will "run out of cash due to a potential decline in revenue of $8-$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to $12.6 billion in revenues this fiscal year as a result of the pandemic. During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.[2]

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

[1] Pub. L. No. 116-136 (2020).

[2] See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usus.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

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mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a $1.4 trillion mailing industry that employs more than 7.5 million people.[3]

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional $10 billion from the Department of the Treasury (Treasury) "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The terms of this loan are to be "mutually agreed upon by the Secretary and the Postal Service."[4] In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made "at the Treasury rate." This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of "the power of the Postal Service,"[5] appoint or remove the Postmaster General, and "direct and control the expenditures and review the practices and policies of the Postal Service."[6] We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service's statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

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[3] U.S. Postal Service*, Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

[4] Pub. L. 116-136 (2020).

[5] 39 U.S.C. § 202(a)(1).

[6] 39 U.S.C. § 202(c); 39 U.S.C. §205(a).

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- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all "term sheets" and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,

Gary C. Peters
Ranking Member
Senate Committee on Homeland Security and Governmental Affairs

Carolyn B. Maloney
Chairwoman
House Committee on Oversight and Reform

Tom Carper
Ranking Member
Senate Permanent Subcommittee on Investigations

Gerald E. Connolly
Chairman
House Subcommittee on Government Operations

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POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Office of the Chairman

March 31, 2020

Michael Plunkett
President & CEO
Association for Postal Commerce

Via email:
RE: Mailing Industry Call for Emergency Measures

Dear Mike,

Thank you for your email today addressed jointly to the Postal Service and me outlining your organization's concerns with the current pandemic and its impact on the United States Postal Service and the entire mailing community. The Commission well understands those concerns, and recognizes that our nation's postal system is a critical component of America's infrastructure. Indeed, we must do all we can to ensure its viability, particularly in the midst of this world-wide pandemic.

Your letter calls for changes to postal rates and payment collections. By law, the Governors of the Postal Service are charged with setting rates, and the Commission evaluates those rates consistent with statutory requirements. While we have not received any information or request from the Postal Service at this time, to the extent that the Governors propose any such changes, please know that *the Commission stands ready to act as expeditiously as possible to efficiently and effectively review any proposals in conformance with existing law.*

These are challenging times for the Postal Service and all of our nation. The Commission is committed to continuing uninterrupted in its mission of ensuring the transparency and accountability of the Postal Service, and also fostering a vital and efficient universal mail system on behalf of our fellow Americans.

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With best wishes, I am,

Sincerely yours,

Robert G. Taub, Chairman
Postal Regulatory Commission

cc: Robert M. Duncan, Chairman, Board of Governors, U.S. Postal Service
Megan J. Brennan, Postmaster General & Chief Executive Officer, U.S. Postal Service
David Williams, Chief Operating Officer /Executive Vice President
Jacqueline Krage Strako, Chief Customer and Marketing Officer/Executive Vice President
Joseph Corbett, Chief Financial Officer/Executive Vice President
Thomas Marshall, General Counsel/Executive Vice President
Kristin Seaver, Chief Information Officer/Executive Vice President
Michael M. Kubayanda, Vice Chairman, Postal Regulatory Commission
Mark Acton, Commissioner
Ann C. Fisher, Commissioner
Ashley E. Poling, Commissioner

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USPS
Pricing/Cost Analysis of
Contracts with Amazon & Other Major Customers
Scope of Assignment by Independent Firm v.2

- Analyze the economic terms of the contracts between USPS and its 10 largest package customers for the fiscal years 2017, 2018 and 2019.
- Determine the profitability of the contracts considering fixed and variable costs to determine a) their marginal profitability, and b) their profitability after fully allocating all costs.
- Given its legally and regulatory mandated service, pricing and cost and other obligations, and the competitive environment, determine whether the USPS is pricing these contracts in a fashion designed to optimize both their profitability and the overall profitability of the USPS.
- Provide any additional observations on the costs or profitability of its major package contracts.

Timeline –
April 30 – Receive proposals
May 1 – Proposal evaluation and summary for final selection
May 4 – Award contract

Status Update –

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	Firms Considered	Interest	Proposing	Proposal (due 5/1/20)	Comments
Tier 1	KPMG	Yes	No		Did not propose because of too much risk associated with their clients and their brand for this initiative.
	Oliver Wyman	Yes	No		Did not propose because of too much risk associated with their clients for this initiative.
	Cognizant Technology Solutions	No	No		Non-responsive to phone calls and contact sheet on their website.
	Grant Thornton	Yes	No		Initially did not want to propose. However, during timeline extension, mentioned that if they are able to deploy a team soon they will propose. After pre-proposal conference they decided not to propose.
	BDO	Yes	No		Issues with NDA prevented them from applying during the first round. Legal meetings on NDA concluded and NDA signed 4/24. BDO will be included in the 2nd round of RFPs. Withdrew from proposing because of management not on board due to political concerns.
Tier 2	**FTI Consulting**	**Yes**	**Yes**	**X**	**Proposal received. Technical review - in progress.**
	Slalom Consulting	Yes	No		Withdrew from proposing with no explanation. They decided not to propose because it is politically charged.
	Huron Consulting	Yes	No		Withdrew with no specifics as to the reason.
	Ankura Consulting	**Yes**			Contacted Kimberli Cornell at Ankura Consulting on 4/27 via e-mail with read receipt. They did not respond as of 4/30. Reached out to Josh.Johnston@ankura.com 4/30; POC provided by Gov. Bloom. **5/1 Connected with Ankura and they are interested but no guarantee that they will propose until they see the RFP. Will provide NDA for signature and release RFP today.**
	PWC	No	No		In 2018, PwC sold its Public Sector Practice which became Guidehouse. Their Postal task orders were moved to under Guidehouse. In addition, with the sale of PwC's Public Sector Practice in 2018, a non-compete clause is in place for some number of years whereby PwC cannot do business in the Public Sector (Federal, State and Local governments, including quasi-governmental and independent agencies).

FTI Consulting

2018 Annual Report of FTI Consulting

FTI Annual Report.pdf

FTI Consulting is Publically traded company. Stock price is at $133.16. 52 week high is $144.10 and 52 week low is at $79.74. Market capitalization is at $4.95B.Listed in the New York Stock Exchange as FCN. No political affiliations.

FTI Consulting is a business advisory firm headquartered in Washington, D.C., United States. FTI is one of the largest financial consulting firms in the world and consistently ranks as one of the top global management consulting firms. The company specializes in the fields of corporate finance and restructuring, economic consulting, forensic and litigation consulting, strategic communications and technology. Founded as Forensic Technologies International Ltd in 1982, FTI Consulting employs more than 4,700 staff in 27 countries.

The firm was involved in the Lehman Brothers and General Motors bankruptcies, the investigation into the Bernard Madoff fraud, *Bush v. Gore*, and the Major League Baseball steroid investigation. As of September 2011, FTI Consulting had the largest restructuring business in the U.S. In 2009, FTI Consulting was listed by *Fortune* as one of the 100 fastest growing U.S. companies.

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Ankura Consulting Group LLC

Ankura Consulting Group, LLC is a privately held company and provides consulting services to its clients. The Company focuses on expert witness, bankruptcy and corporate restructuring, litigation support, forensic accounting, geopolitical risk assessment, and general management consulting services. Ankura Consulting Group has headquarters in the United States.

"Ankura, which is an expert services firm is defined by how they solve challenges. Whether a client is facing an immediate business challenge, trying to increase the value of their company or protect against future risks, Ankura designs, develops, and executes tailored solutions by assembling the right combination of expertise. They build on this experience with every case, client, and situation, collaborating to create innovative, customized solutions, and strategies designed for today's ever-changing business environment. This gives their clients unparalleled insight and experience across a wide range of economic, governance, and regulatory challenges. At Ankura, they know that collaboration drives results."

List of Tier 2 Accounting Firms –

A listing of the top tier 2 Accounting US companies from Vault.com.

1) Plante Moran
2) 2) Baker Tilly Virchow Krause
3) RSM US, LLP
4) Moss Adams, LLP
5) Cohn Reznick, LLP
6) Friedman, LLP
7) Schellman & Co
8) Frank Rimerman + Co, LLP
9) CBIZ MHM, LLC
10) PKF O'Connor Davies.

Academic Institutions

A have a listing of contacts with Academic Institutions as follows:

1) George Washington University
2) Harvard Kennedy School of Government
3) Brandeis University
4) Carnegie Melon University
5) Rutgers University
6) University of Maryland
7) North Eastern University
8) University of Texas
9) University of Illinois
10) MIT School of Management

Since most of the colleges/universities are shut down, it may take time to engage them.

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Annual Report 2018

FTI CONSULTING™

EXPERTS WITH IMPACT™

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Who We Are

FTI Consulting is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes. With more than 4,700 employees located in 28 countries, we are the firm our clients call on when their most important issues are at stake.

FTI Consulting is organized into five business segments, each of which is a global leader in its own right for one simple reason: we have a tangible, positive impact on how our clients confront and manage change and risk.

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2018 Highlights

We delivered record performance in 2018 and were engaged on the largest and most complex global assignments.

$2.03 Billion

Record revenues reflecting **12%** organic growth compared to 2017

$3.93 EPS

GAAP EPS growth for 6 consecutive years; up **43%** compared to 2017

$150.6 Million

Net income increased **40%** compared to 2017

$265.7 Million

Adjusted EBITDA increased **38%** compared to 2017

3,756 Billable Professionals

Billable headcount increased **5%** compared to 2017

$230.7 Million

Net cash provided by operating activities increased **56%** compared to 2017

76 Cities

Offices in **76** cities in **28** countries around the globe

55%

FCN stock price increased **55%** from December 31, 2017 to December 31, 2018 compared to a 6% decline for the S&P 500

Note: Refer to pages 6 through 11 of this Annual Report for the definitions of Adjusted EBITDA and other non-GAAP financial measures and the reconciliations of non-GAAP financial measures to their most directly comparable GAAP financial measures.

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"Our record performance in 2018 is a reflection of the core mission we have been on these last few years, which is to ensure we are leveraging our expertise to help our clients with the most significant challenges and opportunities they face."

Steven H. Gunby
President and Chief Executive Officer

Dear Fellow Shareholders,

2018 was a fabulous year.

It was a year in which *all* of our business segments and regions delivered powerful top- and bottom-line growth, resulting in double-digit organic revenue growth overall and a fourth consecutive year of adjusted earnings per share growth.

This exceptional performance is the result of the deep commitment of our teams across the globe to seize our future: to listen to our clients deeply, figure out where we have the most value to bring, and invest boldly to take market share and drive ourselves into new adjacencies where we have a right to win.

That success has come because we have committed to change and innovation as the path to an ever brighter future. We have collectively committed to a relentless focus on organic growth by investing boldly behind the aspirations of our people – organic growth that supports enriched service and record numbers of promotions and lateral hires while enhancing shareholder returns. That is the objective we have, and that is the path we are on.

I hope you are as excited as I am about the Company's success in 2018, as well as over the last several years. But I hope even more that you share our enthusiasm for where we believe the fundamental changes we have made over the last few years have *moved* us and the bright prospects ahead for our clients, our people and our shareholders.

Thank you for your investment and continued support.

Steven H. Gunby
President and Chief Executive Officer

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Financial Overview

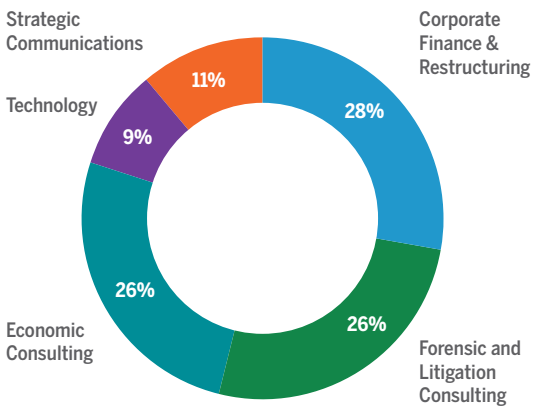
Financial Metrics (in millions, except per share data)	2014	2015	2016	2017	2018
Revenues	$1,756	$1,779	$1,810	$1,808	$2,028
Operating Income	$147.4	$164.5	$142.2	$108.7	$226.0
Net Income	$58.8	$66.1	$85.5	$108.0	$150.6
Adjusted EBITDA (1)	$210.6	$205.8	$203.0	$192.0	$265.7
Earnings Per Diluted Share	$1.44	$1.58	$2.05	$2.75	$3.93
Adjusted Earnings Per Diluted Share (1)	$1.64	$1.84	$2.24	$2.32	$4.00
Net Cash Provided by Operating Activities	$135.4	$139.9	$233.5	$147.6	$230.7
Free Cash Flow (1)	$96.1	$108.5	$204.6	$115.6	$198.4
Total Debt	$711.0	$500.0	$370.0	$400.0	$316.3
Cash and Cash Equivalents	$283.7	$149.8	$216.2	$190.0	$312.1

(1) Please refer to pages 6 through 11 of this Annual Report for the definitions of non-GAAP financial measures and the reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures.

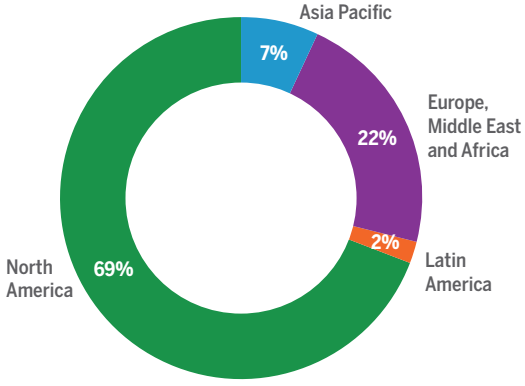
Revenues and Earnings Per Diluted Share

(in millions, except per share data)

2018 Revenues by Segment



2018 Revenues by Region



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2018 Awards, Statistics & Contributions

- **Top 10** ranking on *Consulting* magazine's **Best Firms to Work For** list
- Named to *Forbes'* list of **America's Best Management Consulting Firms** for the third consecutive year
- Named **Consulting Firm of the Year** by *Who's Who Legal* for the second consecutive year
- Ranked **#1 U.S. Restructuring Advisor** by *The Deal* for 11 consecutive years
- Named *Global M&A Network*'s **Global Turnaround Consulting Firm of the Year** for the fourth consecutive year
- FTI Consulting and Compass Lexecon had the **most experts** (144) recognized in the *Who's Who Legal* **Consulting Experts Guide** for the third consecutive year
- Named *Who's Who Legal*'s **Investigations Forensic Accounting Firm of the Year**
- Compass Lexecon ranked **#1** on *Global Arbitration Review*'s **GAR 100 Expert Witness Firms' Power Index**
- FTI Technology named **Technology Sector Consulting Firm of the Year** in Australia by *Corporate INTL* magazine
- Ranked in the **top five for global deal count and volume** in *Mergermarket*'s PR Advisors League Tables
- **765 professionals** promoted
- **33,384 hours** spent in professional development training
- **5,000+ hours** of volunteer service performed
- **$1.7 million** in pro bono services provided

Newly promoted Senior Directors attend a two-day milestone leadership training program

FTI Consulting professionals in Perth volunteer to cook and serve a hot meal for guests of the local Ronald McDonald House

Professionals enjoy collaborating in the firm's new Washington, D.C. office

The FTI Consulting Women's Initiative ("FTI WIN") group in Chicago hosts the 6th annual Women's Leadership Forum

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FTI Consulting, Inc.
Non-GAAP Financial Measures

In this Annual Report, FTI Consulting, Inc. (collectively, the "Company," "we," "our" or "FTI Consulting") includes information derived from consolidated and segment financial information that may not be prepared in accordance with Accounting Principles Generally Accepted in the United States ("GAAP"). Certain of these financial measures are considered not in conformity with GAAP ("non-GAAP financial measures") under the rules promulgated by the Securities and Exchange Commission ("SEC"). Specifically, we have referred to the following non-GAAP financial measures:

Total Segment Operating Income

Adjusted EBITDA

Total Adjusted Segment EBITDA

Adjusted EBITDA Margin

Adjusted Net Income

Adjusted Earnings per Diluted Share

Free Cash Flow

We have included the definitions of Segment Operating Income (Loss) and Adjusted Segment EBITDA below in order to more fully define the components of certain non-GAAP financial measures in the accompanying analysis of financial information. As described in Note 18, "Segment Reporting" in Part II, Item 8, "Financial Statement and Supplementary Data" of our Annual Report on Form 10-K for the year ended December 31, 2018 (our "Form 10-K"), we evaluate the performance of our operating segments based on Adjusted Segment EBITDA, and Segment Operating Income (Loss) is a component of the definition of Adjusted Segment EBITDA.

We define Segment Operating Income (Loss), which is a GAAP financial measure, as a segment's share of consolidated operating income. We define Total Segment Operating Income, which is a non-GAAP financial measure, as the total of Segment Operating Income (Loss) for all segments, which excludes unallocated corporate expenses. We use Segment Operating Income (Loss) for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted Segment EBITDA, a GAAP financial measure, as a segment's share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We use Adjusted Segment EBITDA as a basis to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment's ability to generate cash. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenues.

We define Total Adjusted Segment EBITDA, which is a non-GAAP financial measure, as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We define Adjusted EBITDA, which is a non-GAAP financial measure, as consolidated net income before income tax provision, other non-operating income (expense), depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, gain or loss on sale of a business and losses on early extinguishment of debt. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results and GAAP financial measures, provide management

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and investors with a more complete understanding of our operating results, including underlying trends. In addition, EBITDA is a common alternative measure of operating performance used by many of our competitors. It is used by investors, financial analysts, rating agencies and others to value and compare the financial performance of companies in our industry. Therefore, we also believe that these measures, considered along with corresponding GAAP financial measures, provide management and investors with additional information for comparison of our operating results with the operating results of other companies.

We define Adjusted Net Income and Adjusted Earnings per Diluted Share ("Adjusted EPS"), which are non-GAAP financial measures, as net income and earnings per diluted share ("EPS"), respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, losses on early extinguishment of debt, non-cash interest expense on convertible notes, gain or loss on sale of a business and the impact of adopting the 2017 U.S. Tax Cuts and Jobs Act (the "2017 Tax Act"). We use Adjusted Net Income for the purpose of calculating Adjusted EPS. Management uses Adjusted EPS to assess total Company operating performance on a consistent basis. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results, provide management and investors with an additional understanding of our business operating results, including underlying trends.

We define Free Cash Flow, which is a non-GAAP financial measure, as net cash provided by operating activities less cash payments for purchases of property and equipment. We believe this non-GAAP financial measure, when considered together with our GAAP financial results, provides management and investors with an additional understanding of the Company's ability to generate cash for ongoing business operations and other capital deployment.

Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable with other similarly titled measures of other companies. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, the information contained in our Consolidated Statements of Comprehensive Income. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are included in this Annual Report.

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2018 – 2014 Reconciliation of Net Income to Adjusted Net Income and Earnings Per Share to Adjusted Earnings Per Share

(in thousands, except per share data)

Year ended December 31	2018	2017	2016	2015	2014
Net income	$150,611	$107,962	$85,520	$66,053	$58,807
Add back:					
Special charges	–	40,885	10,445	–	16,339
Tax impact of special charges	–	(13,570)	(3,595)	–	(6,702)
Loss on early extinguishment of debt	9,072	–	–	19,589	–
Tax impact of loss on early extinguishment of debt	(2,359)	–	–	(7,708)	–
Remeasurement of acquisition-related contingent consideration	–	702	1,403	(1,867)	(2,723)
Tax impact of remeasurement of acquisition-related contingent consideration	–	(269)	(546)	747	1,005
Non-cash interest expense on convertible notes	3,019	–	–	–	–
Tax impact of non-cash interest expense on convertible notes	(775)	–	–	–	–
Gain on sale of business	(13,031)	–	–	–	–
Tax impact of gain on sale of business	6,798	–	–	–	–
Impact of 2017 Tax Act	–	(44,870)	–	–	–
Adjusted Net Income [1]	$153,335	$90,840	$93,227	$76,814	$66,726
Earnings per common share – diluted	$3.93	$2.75	$2.05	$1.58	$1.44
Add back:					
Special charges	–	1.04	0.25	–	0.40
Tax impact of special charges	–	(0.34)	(0.08)	–	(0.16)
Loss on early extinguishment of debt	0.23	–	–	0.47	–
Tax impact of loss on early extinguishment of debt	(0.06)	–	–	(0.19)	–
Remeasurement of acquisition-related contingent consideration	–	0.02	0.03	(0.04)	(0.07)
Tax impact of remeasurement of acquisition-related contingent consideration	–	(0.01)	(0.01)	0.02	0.03
Non-cash interest expense on convertible notes	0.08	–	–	–	–
Tax impact of non-cash interest expense on convertible notes	(0.02)	–	–	–	–
Gain on sale of business	(0.34)	–	–	–	–
Tax impact of gain on sale of business	0.18	–	–	–	–
Impact of 2017 Tax Act	–	(1.14)	–	–	–
Adjusted earnings per common share – diluted [1]	$4.00	$2.32	$2.24	$1.84	$1.64
Weighted average number of common shares outstanding – diluted	38,318	39,192	41,709	41,729	40,729

(1) See "FTI Consulting, Inc. Non-GAAP Financial Measures" on pages 6 through 7 for the definitions of Adjusted Net Income and Adjusted EPS, which are non-GAAP financial measures.

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USPS-20-1215-A-009401

Reconciliation of 2018 Net Income and Operating Income to Adjusted EBITDA

(in thousands) Year Ended December 31, 2018	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							**$150,611**
Interest income and other							(4,977)
Interest expense							27,149
Loss on early exinguishment of debt							9,072
Gain on sale of business							(13,031)
Income tax provision							57,181
Operating income	**$115,124**	**$91,262**	**$64,052**	**$14,912**	**$37,250**	**($96,595)**	**$226,005**
Depreciation and amortization	3,428	4,237	5,607	12,405	2,302	3,557	31,536
Amortization of other intangible assets	3,108	1,322	296	70	3,366	–	8,162
Adjusted EBITDA [1]	**$121,660**	**$96,821**	**$69,955**	**$27,387**	**$42,918**	**($93,038)**	**$265,703**

Reconciliation of 2017 Net Income and Operating Income to Adjusted EBITDA

(in thousands) Year Ended December 31, 2017	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							**$107,962**
Interest income and other							(3,752)
Interest expense							25,358
Income tax benefit							(20,857)
Operating income	**$70,234**	**$54,520**	**$49,154**	**$4,795**	**$13,148**	**($83,140)**	**$108,711**
Depreciation and amortization	3,175	4,259	5,589	11,684	2,405	4,065	31,177
Amortization of other intangible assets	4,014	1,592	597	635	3,725	–	10,563
Special charges	5,440	12,334	6,624	5,057	7,752	3,678	40,885
Remeasurement of acquisition-related contingent consideration	–	–	–	–	702	–	702
Adjusted EBITDA [1]	**$82,863**	**$72,705**	**$61,964**	**$22,171**	**$27,732**	**($75,397)**	**$192,038**

(1) See "FTI Consulting, Inc. Non-GAAP Financial Measures" on pages 6 through 7 for the definition of Adjusted EBITDA, which is a non-GAAP financial measure.

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Reconciliation of 2016 Net Income and Operating Income (Loss) to Adjusted EBITDA

(in thousands) Year Ended December 31, 2016	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							**$85,520**
Interest income and other							(10,466)
Interest expense							24,819
Income tax provision							42,283
Operating income (loss)	**$91,481**	**$49,088**	**$68,842**	**($2,183)**	**$23,110**	**($88,128)**	**$142,156**
Depreciation and amortization	2,897	4,490	4,614	19,820	2,243	4,636	38,700
Amortization of other intangible assets	3,310	2,000	646	648	3,702	–	10,306
Special charges	–	2,304	–	7,529	–	612	10,445
Remeasurement of acquisition-related contingent consideration	–	–	–	–	1,403	–	1,403
Adjusted EBITDA [1]	**$97,688**	**$57,882**	**$74,102**	**$25,814**	**$30,458**	**($82,934)**	**$203,010**

Reconciliation of 2015 Net Income and Operating Income to Adjusted EBITDA

(in thousands) Year Ended December 31, 2015	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							**$66,053**
Interest income and other							(3,232)
Interest expense							42,768
Loss on early extinguishment of debt							19,589
Income tax provision							39,333
Operating income	**$85,207**	**$58,185**	**$57,912**	**$22,832**	**$21,723**	**($81,348)**	**$164,511**
Depreciation and amortization	2,835	3,860	3,562	15,390	2,070	3,675	31,392
Amortization of other intangible assets	3,550	2,222	1,232	788	3,934	–	11,726
Remeasurement of acquisition-related contingent consideration	(1,491)	–	(376)	–	–	–	(1,867)
Adjusted EBITDA [1]	**$90,101**	**$64,267**	**$62,330**	**$39,010**	**$27,727**	**($77,673)**	**$205,762**

(1) See "FTI Consulting, Inc. Non-GAAP Financial Measures" on pages 6 through 7 for the definition of Adjusted EBITDA, which is a non-GAAP financial measure.

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Reconciliation of 2014 Net Income to Operating Income to Adjusted EBITDA

(in thousands) Year Ended December 31, 2014	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Unallocated Corporate	Total
Net income							$58,807
Interest income and other							(4,670)
Interest expense							50,685
Income tax provision							42,604
Operating income	**$46,913**	**$83,180**	**$55,282**	**$46,906**	**$15,603**	**($100,458)**	**$147,426**
Depreciation and amortization	3,568	4,301	4,068	15,768	2,562	3,722	33,989
Amortization of other intangible assets	5,589	3,613	1,047	852	4,420	–	15,521
Special charges	84	308	12	19	3	15,913	16,339
Remeasurement of acquisition-related contingent consideration	(662)	(934)	(1,127)	–	–	–	(2,723)
Adjusted EBITDA[1]	**$55,492**	**$90,468**	**$59,282**	**$63,545**	**$22,588**	**($80,823)**	**$210,552**

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

(in thousands) Year Ended December 31	2018	2017	2016	2015	2014
Net cash provided by operating activities	**$230,672**	**$147,625**	**$233,488**	**$139,920**	**$135,401**
Purchases of property and equipment	(32,270)	(32,004)	(28,935)	(31,399)	(39,256)
Free Cash Flow[1]	**$198,402**	**$115,621**	**$204,553**	**$108,521**	**$96,145**

(1) See "FTI Consulting, Inc. Non-GAAP Financial Measures" on pages 6 through 7 for the definitions of Adjusted EBITDA and Free Cash Flow, which are non-GAAP financial measures.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-14875

FTI CONSULTING, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	**52-1261113**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
555 12th Street NW Washington, D.C.	**20004**
(Address of Principal Executive Offices)	**(ZIP Code)**

(202) 312-9100
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was $2.3 billion, based on the closing sales price of the registrant's common stock on June 30, 2018.

The number of shares of the registrant's common stock outstanding on February 19, 2019 was 37,863,716.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the end of the 2018 fiscal year are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein.

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FTI CONSULTING, INC. AND SUBSIDIARIES
Annual Report on Form 10-K
Fiscal Year Ended December 31, 2018

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PART I

Forward-Looking Information

This Annual Report on Form 10-K (the "Annual Report") includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve uncertainties and risks. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues, future results and performance, future capital allocations and expenditures, expectations, plans or intentions relating to acquisitions, share repurchases and other matters, business trends, new, or changes to, laws and regulations, including the 2017 U.S. Tax Cuts and Jobs Act, and other information that is not historical. Forward-looking statements often contain words such as *"estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts"* and variations of such words or similar expressions. All forward-looking statements, including, without limitation, management's financial guidance and examination of operating trends, are based upon our historical performance and our current plans, estimates and expectations at the time we make them, and various assumptions. There can be no assurance that management's expectations, beliefs, forecasts and projections will result or be achieved. Our actual financial results, performance or achievements could differ materially from those expressed in, or implied by, any forward-looking statements. The inclusion of any forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates, forecasts or expectations contemplated by us will be achieved. Given these risks, uncertainties and other factors, you should not place undue reliance on any forward-looking statements.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in, or implied by, statements in this Annual Report. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Annual Report are set forth in this report, including under the heading "Risk Factors" in Part I, Item 1A of this Annual Report. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Annual Report and are expressly qualified in their entirety by the cautionary statements included herein. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances and do not intend to do so.

ITEM 1. BUSINESS

Unless otherwise indicated or required by the context, when we use the terms "Company," "FTI Consulting," "we," "us" and "our," we mean FTI Consulting, Inc., a Maryland corporation, and its consolidated subsidiaries.

Company Overview

General

FTI Consulting is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political and regulatory, reputational and transactional. Individually, each of our segments and practices is staffed with experts recognized for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle, from proactive risk management to rapid response to unexpected events and dynamic environments.

We report financial results for the following five reportable segments:

- Corporate Finance & Restructuring;
- Forensic and Litigation Consulting;
- Economic Consulting;
- Technology; and
- Strategic Communications.

We work closely with our clients to help them anticipate, illuminate and overcome complex business challenges and make the most of opportunities arising from factors such as the economy, financial and credit markets, governmental legislation and regulation, and litigation. We provide our clients with expert advice and solutions involving turnaround and restructuring (including bankruptcy), business transformations (including performance improvement), interim management, transactions (including mergers and acquisitions ("M&A"), forensic accounting and advisory services, global risk & investigations

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("GRIP"), antitrust and competition matters, international arbitrations, regulated industries, securities litigation and risk management, electronic discovery management (or "e-discovery"), managed document review, collection and computer forensics), information governance, privacy and security, M&A crisis and special situation communications, and public affairs communications. Our experienced professionals are acknowledged leaders in their chosen field not only for their level of knowledge and understanding, but for their ability to structure practical workable solutions to complex issues and real-world problems. Our clients include Fortune 500 corporations, FTSE 100 companies, global banks, major law firms, and local, state and national governments and agencies around the globe. In addition, major United States ("U.S.") and international law firms refer us or engage us on behalf of their clients. We believe clients retain us because of our recognized expertise and capabilities in highly specialized areas, as well as our reputation for successfully meeting our clients' needs.

Our operations span the globe encompassing locations within: (i) the Americas, consisting of our 47 U.S. offices located in 19 states, three offices located in Calgary, Toronto and Vancouver, Canada and our six offices serving Latin America located in Argentina, Brazil, Colombia, Mexico, the Cayman Islands and the Virgin Islands (British); (ii) Asia and the Pacific, consisting of 15 offices located in Australia, China (including Hong Kong), India, Indonesia, Japan, South Korea, Malaysia and Singapore; and (iii) Europe, Middle East and Africa ("EMEA"), consisting of 24 offices located in Belgium, Denmark, Finland, France, Germany, Ireland, Israel, Qatar, South Africa, Spain, United Arab Emirates and the United Kingdom ("UK").

We derive the majority of our revenues from providing professional services to clients in the U.S. For the year ended December 31, 2018, we derived approximately 68% and 32% of our consolidated revenues from the work of professionals who are assigned to locations inside and outside the U.S., respectively.

Summary Financial and Other Information

The following table sets forth the percentage of consolidated revenues for the last three years contributed by each of our five reportable segments.

	Year Ended December 31,		
Reportable Segment	2018	2017	2016
Corporate Finance & Restructuring	28%	27%	27%
Forensic and Litigation Consulting	26%	26%	25%
Economic Consulting	26%	27%	28%
Technology	9%	10%	10%
Strategic Communications	11%	10%	10%
Total	100%	100%	100%

The following table sets forth the number of offices and countries in which each segment operates, as well as the net number of revenue-generating professionals in each of our reportable segments.

	Year Ended December 31, 2018		Year Ended December 31,		
	Offices	Countries	2018 Billable Headcount	2017 Billable Headcount	2016 Billable Headcount
Corporate Finance & Restructuring	43	14	948	901	895
Forensic and Litigation Consulting	56	19	1,153	1,067	1,110
Economic Consulting	41	18	708	683	656
Technology	33	9	306	292	288
Strategic Communications	38	17	641	630	647
Total			3,756	3,573	3,596

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Our Reportable Segments

Corporate Finance & Restructuring

Our Corporate Finance & Restructuring segment focuses on the strategic, operational, financial and capital needs of our clients around the world. We address the full spectrum of financial, operational and transactional risks and opportunities facing our clients. Our clients include companies, boards of directors, investors, private equity sponsors, banks, lenders, and other financing sources and creditor groups, as well as other parties-in-interest. We deliver a wide range of service offerings, including turnaround and corporate restructuring (and bankruptcy), business transformation (including financial, operational and performance improvement services), and interim management services. Additionally, our services include dispute advisory, M&A, valuation and financial advisory and tax services. Our clients demand our industry expertise, which includes emphasis in the automotive, energy, power & products ("EPP"), healthcare, mining, real estate & infrastructure, retail & consumer products, and telecom, media & technology ("TMT") sectors.

In 2018, our Corporate Finance & Restructuring segment operated through business transformation, turnaround and restructuring, and other practices, which offer the following services:

- **Turnaround & Restructuring**. We provide advisory services to help our clients stabilize finances and operations to reassure creditors and other stakeholders that proactive steps are being taken to preserve and enhance value. For clients confronting liquidity problems, excessive leverage, underperformance, overexpansion, or other business or financial issues, we develop liquidity forecasts, identify cash flow improvements, obtain financing, negotiate loan covenant waivers and guide complex debt restructuring.

  Our turnaround management professionals provide their turnaround skills, restructuring expertise, and industry and functional experience to lead through crisis situations, such as financial and operational restructuring and insolvency and bankruptcy, by stabilizing financial position, optimizing financial resources, protecting enterprise value, resolving regulatory compliance issues, building morale and establishing credibility with stakeholders. Our professionals serve in the following interim executive and management roles: chief executive officer, chief operating officer, chief financial officer, chief restructuring officer, controller and treasurer, and other senior positions that report to them.

  Our company advisory group advises and assists clients by providing liquidity management, operational improvement, turnaround and restructuring, and capital solutions services to achieve successful turnarounds. Through our out-of-court services, we assist clients to right-size infrastructure, improve liquidity and solvency, improve cash flow and working capital management, sell noncore assets or business units and recapitalize. We perform due diligence reviews, financial statement, cash flow and EBITDA (earnings before interest expense, income taxes, depreciation and amortization) analyses, prepare liquidity forecasts and financial projections, recommend credit alternatives, assist in determining optimal capital structure, monitor portfolios of assets, assess collateral, provide crisis credit and securitized transaction assistance, negotiate loan covenant waivers and guide complex debt restructurings. We also lead and manage the financial aspects of in-court restructurings and bankruptcies by offering services that help our clients assess the impact of a bankruptcy filing on their financial condition and operations. We provide critical services specific to court-supervised insolvency and bankruptcy proceedings. We represent underperforming companies that are debtors-in-possession and lenders. With a focus on minimizing disruption and rebuilding the business after an exit from bankruptcy or insolvency, we help clients accelerate a return to business as usual.

  Our creditor advisory group advises and assists secured and unsecured creditors in distressed situations to maximize recoveries and preserve the value of assets. Our services include assessing the short-term and long-term liquidity needs, evaluating operations and the reasonableness of business plans, determining enterprise value, negotiating executable restructuring programs, building a consensus within the creditor group, investigating intercompany transactions and potential fraudulent conveyances, bankruptcy preparation and reporting services, financial analysis in support of petitions and affiliated motions, strategies for monetizing a debtor's assets, the discovery of unidentified assets and liabilities, and expert witness testimony.

- **Business Transformation**. The services offered by our business transformation practice focus on improving the efficiency and effectiveness of clients' operations by implementing systemic changes leading to sustainable results. Our expert-led teams focus on:

  - ***Revenues***, by helping clients unlock profitability, combining consulting tools, analytics and operating experience to deploy strategies designed to deliver sustainable, accelerated revenue growth in an accelerated time frame;

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- ***Operations***, such as sales, customers and sourcing and procurement, by analyzing data and other information that drives improvements, insights and change;

- ***Transactions***, such as M&A, by providing due diligence, pre- and post- advisory and merger integration services;

- ***Finance***, by collaborating with finance and accounting executives to address people, process and technology gaps by using data analytics and best practices to establish solutions that support finance responsibilities while balancing the company's strategic goals, including through our interim management services that address gaps in executive expertise; and

- ***People***, by partnering with business leaders, management, communications and HR, to drive business results by fully addressing the people-side of change. We help organizations realize the benefits of a transformation more rapidly and deliver sustainable change that moves our clients' businesses forward.

- **Office of the Chief Financial Officer ("CFO") Solutions**. Our Office of the CFO Solutions provides holistic, practical, value-enhancing solutions to address people, process and technology gaps. Our solutions are designed to preserve, create and sustain value and to help the CFO team achieve rapid success. We collaborate with CFOs and their finance and accounting organizations and use innovative engagement tools to provide transformation services, manage risk, deliver business intelligence capabilities, and prepare for and execute events, all while building confidence, clarity, controls and consistency.

- **Interim Management**. Through interim management services, our professionals fill the void when our clients need skilled, experienced leadership to pursue opportunities, contend with executive turnover and transition, or drive strategic transactions or change. The experienced and credentialed professionals in our transitional management practice assume executive officer level roles, providing the leadership, financial management, and operating and strategic decision-making abilities to lead transitions due to extraordinary events such as M&A, divestitures, changes in control and carve-outs of businesses from larger enterprises.

- **Transactions**. We combine the disciplines of structured finance, investment banking, lender services, M&A, M&A integration, and U.S. Securities and Exchange Commission ("SEC") and other regulatory experience to help our clients maximize value and minimize risk in M&A and other high stakes transactions. The many services that we provide relating to investment banking, lender services, M&A integration, and structured finance and transaction services include: performing due diligence reviews, evaluating key value drivers and risk factors, advising on the most advantageous tax and accounting structures, and assessing quality of earnings, quality of balance sheet and working capital requirements. We identify value enhancers and value issues. We provide comprehensive tax consulting intended to maximize a client's return on investment. We help structure post-acquisition earn-outs and price adjustment mechanisms to allow a client to realize optimal value and perform services for clients involved in purchase price disputes such as assessing the consistent application of U.S. generally accepted accounting principles ("GAAP"), earn-out issues, working capital issues, settlement ranges and allocation of purchase price for tax purposes.

  We provide investment banking services in the U.S. and other countries, including Canada and Puerto Rico, through financial industry regulated entities, focusing on identifying and executing value-added transactions for public and private middle market companies. We can also provide investment advisory services through our registered advisors.

- **Valuation & Financial Advisory Services**. We provide an array of forecasting, valuation and transaction support services with respect to strategic transactions, including capital markets, M&A and distressed situations. We have the expertise to provide fairness, solvency, collateral valuation, intellectual asset valuation, and going concern valuation options.

- **Dispute Advisory**. We provide independent litigation consulting, including bankruptcy and avoidance litigation and industry-specific civil, commercial and regulatory dispute services. Our bankruptcy and avoidance litigation services include consulting, expert witness and trial services related to preferential payments, solvency and fraudulent conveyances, substantive consolidation, claims litigation, plan feasibility, valuation disputes and board fiduciary assessments.

  Our commercial and regulatory dispute services involve industry-specific expertise relating to industry standards and customary practices, economic damages, fact finding, and forensic review and analysis, primarily related to the

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automotive, hospitality, gaming and leisure, real estate and infrastructure, retail and consumer products, structured finance and TMT industries.

- **Tax Services**. We provide advisory services relating to corporate, partnership, and real estate investment trust ("REIT") and real estate tax compliance and reporting, international taxation, debt restructuring, foreign, state and local taxes, research and development, transfer pricing, tax valuation services and value-added taxation. We advise businesses on a variety of tax matters ranging from tax transaction support to best practice process implementation and structuring.

- **Executive Compensation & Corporate Governance**. We provide objective advice on the design and implementation of comprehensive executive compensation programs to attract, retain, reward and motivate management and employees for the right kind of performance while closely aligning the interests of employees with those of the company's shareholders and investors. Our corporate governance services include succession planning, stock ownership requirements, and shareholder engagement and outreach.

Forensic and Litigation Consulting

Our Forensic and Litigation Consulting segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services. We advise our clients in response to allegations involving the propriety of accounting and financial reporting, fraud, regulatory scrutiny and anti-corruption. We assist our clients in protecting enterprise value by (i) quantifying damages and providing expert testimony in a wide range of dispute situations: claims and liabilities, government and regulatory inquiries, investigations and proceedings, litigation, intellectual property ("IP"), professional malpractice, lost profits, valuations, breach of contract, purchase price disagreements, business interruption, environmental claims, construction claims and fraud, (ii) employing forensic accounting and complex modeling to analyze financial transactions, and (iii) identifying, collecting, analyzing and preserving structured information within enterprise systems. We have the capacity to provide our full array of practice offerings across jurisdictional boundaries around the world.

In 2018, our Forensic and Litigation Consulting segment operated through risk advisory, investigations and disputes practices, which offer the following services:

- **Forensic Accounting & Advisory Services**. We assist U.S. and multinational clients with responding to allegations involving the propriety of accounting, financial reporting, fraud, regulatory scrutiny and anti-corruption inquiries. We identify, collect, analyze and interpret financial and accounting data and information for fraud, accounting, complex financial reporting, audit and special committee investigations. We analyze issues, identify options and make recommendations to respond to financial misstatements, financial restatements and inadequate disclosure allegations, claims, threatened and pending litigation, regulatory inquiries and actions, and whistleblower allegations. We employ investigative skills, establish document and database controls, prepare analytical models, perform forensic accounting, present expert testimony and render opinions, and prepare written reports. We have particular expertise investigating compliance with the U.S. Foreign Corrupt Practices Act (the "FCPA") and other anti-corruption laws, including the UK Anti-Bribery Act (the "UKBA") and the Organisation for Economic Co-operation and Development (the "OECD"). We provide consulting assistance and expert witness services to securities counsel and their clients regarding inquiries and investigations initiated by the Divisions of Enforcement and Corporate Finance and Office of the Chief Accountant of the SEC. We assist clients in responding to inquiries from the Public Company Accounting Oversight Board.

- **GRIP**. We utilize a multidisciplinary approach to conduct complex factual and regulatory investigations combining teams of former federal prosecutors and regulators, law enforcement and intelligence officials, forensic accountants, industry specialists and computer forensic specialists. We uncover actionable intelligence and perform value-added analysis to help our clients address and mitigate risks, protect assets, remediate compliance, make informed decisions and maximize opportunities. Our capabilities and services include white collar defense intelligence and investigations, complex commercial and financial investigations, business intelligence and investigative due diligence, political risk assessments, business risk assessments, fraud and forensic accounting investigations, computer forensics and electronics evidence, specialized fact finding, domestic and international arbitration proceedings, asset searching and analysis, IP and branding protection, anti-money laundering consulting, ethics and compliance program design, and transactional due diligence. We help our clients navigate anti-bribery and anti-corruption risk proactively (assessing and mitigating risk) and reactively (responding to allegations with multidisciplinary investigation, forensic accounting and information preservation experts). We help clients institute the necessary internal controls with which to comply, and we investigate suspected violations of the FCPA and other anti-corruption laws, including the UKBA and the OECD. We also develop remediation and

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monitoring plans, including the negotiation of settlement agreements. Through our services, we uncover actionable intelligence and perform value-added analysis to help our clients and other decision makers address and mitigate risk, protect assets, remediate compliance deficiencies, make informed decisions and maximize opportunities.

- **Cybersecurity**. Our cybersecurity practice uses cutting-edge technologies and capabilities together with our comprehensive practice offerings to enable clients to address their most critical needs and integrate new solutions atop or alongside pre-existing policies and programs to address cyber threats. We help our clients understand their own environments, implement defensive strategies, identify threats, holistically respond to crises, and sustainably recover their operations and reputation after an incident.

- **Dispute Advisory Services**. We provide early case assessment and pre-trial, in-trial and post-trial dispute advisory services in judicial and a broad range of alternative dispute resolution and regulatory forums, including international arbitration, to help clients assess potential, threatened and pending claims resulting from complex events, including securities, accounting and regulatory enforcement actions, valuation, solvency and acquisition disputes, intellectual property disputes and valuations, commercial disputes, including business insurance claims, financial and economic transactions, as well as accounting and professional malpractice allegations, and labor and employment disputes. We analyze records and information, including electronic information, to locate assets, trace flows of funds, identify illegal or fraudulent activity, reconstruct events from incomplete and/or corrupt data, uncover vital evidence, quantify damages and prepare for trial or settlement. In many of our engagements, we also act as an expert witness. We perform economic and commercial analyses necessary to support International Trade Commission Section 337 investigations used to prevent certain products subject to IP claims from entering the U.S.

- **Trial Services**. We work as part of the team advising and supporting clients in large and highly complex civil trials. Through the use of our proprietary information technology, we turn facts and ideas into presentations and information that drive decisions. We help control litigation costs, expedite the in-trial process, prepare evidence, and help our clients to readily organize, access and present case-related data. Our proprietary TrialMax® software integrates documents, photographs, animations, deposition videos, audios and demonstrative graphics into a single trial preparation and presentation tool. Our graphics consulting services select the most appropriate presentation formats to maximize impact and memorability and then create persuasive graphic presentations that support, clarify and emphasize the key themes of a case. We provide illustrations and visual aids that help simplify complex technical subjects for jurors through opening and closing statement consulting, witness presentations, research presentations, exhibit plans and outlines, hardboards, scale models, storyboards, timelines, and technical and medical illustrations.

- **Data & Analytics**. We deliver strategic business solutions for clients requiring in-depth identification, analysis and preservation of large, disparate sets of financial, operational and transactional data. We map relationships among various information systems and geographies, mine for specific transactions and uncover patterns that may signal fraudulent activity or transactional irregularities. We assist with recovering assets and designing and implementing safeguards to minimize the risk of recurrence. We produce detailed visualizations from complex data, making it easier to identify abnormalities and share information. We also have the expertise to perform system and information technology ("IT") audits and due diligence.

- **Compliance, Monitoring & Receivership**. Our expert industry professionals provide full-scale assessments and process improvement and support services for compliance programs, as well as act as independent monitors or in support of trustees, monitors, receivers and examiners. In matters involving the appointment of monitors, receivers or examiners by courts or regulators, our experts possess the necessary independence and skills to test and monitor compliance with and the continuing effectiveness of the terms of settlements or reforms across many industries and professions.

- **Anti-Corruption Investigations & Compliance**. We help clients mitigate corruption risks and investigate and prevent corruption issues arising from the FCPA, the UKBA, Brazil's Clean Company Act and other similar global statutes.

- **Anti-Money Laundering**. We help banks, broker-dealers, money transmitters, regulators, insurers, law firms, investors and corporations investigate and address anti-money laundering and anti-corruption regulations, compliance and sanctions with specialized consulting services, combining our expertise and investigative experience with our specialized technology and data services.

- **Health Solutions**. We work with a variety of healthcare and life sciences clients to discern innovative solutions that optimize performance in the short term and prepare for future strategic, operational, financial and legal challenges. We provide a one-company team of experts across the spectrum of healthcare disciplines. These

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professionals have specialized capabilities and a record of success across hospital operations and restructuring, healthcare economics, and stakeholder engagement and communication.

Economic Consulting

Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the U.S. and around the world. We deliver sophisticated economic analysis and modeling of issues arising in complex M&A transactions, antitrust litigation, commercial disputes, international arbitrations, regulatory proceedings, IP disputes and a wide range of financial litigation. We help clients analyze issues such as the economic impact of deregulation on a particular industry and the amount of damages suffered by a business as a result of a particular event. Our professionals regularly provide expert testimony on damages, rates and prices, valuations (including valuations of complex financial instruments), antitrust and competition regulation, business valuations, IP, transfer pricing and public policy.

In 2018, our Economic Consulting segment offered the following services:

- **Antitrust & Competition Economics**. We provide financial, economic and econometric consulting services to assist clients in public policy debates, regulatory proceedings and litigation. We apply our models to complex data in order to evaluate the likely effects of transactions on prices, costs and competition. Our professionals are experts at analyzing and explaining the antitrust and competition impact of diverse transactions and proceedings relating to M&A, price fixing, monopolization and abuse of a dominant position, exclusionary conduct, bundling and tying, and predatory pricing. Our services include financial and economic analyses of policy, regulatory and litigation matters. We provide expert testimony, testimony regarding class certifications and quantification of damages analyses for corporations, governments and public-sector entities in the U.S. and around the world.

- **Valuation**. We help clients identify and understand the value of their businesses in both contentious and uncontentious situations. We provide business valuation, expert valuation and expert testimony services relating to traditional commercial disputes and other matters as diverse as transaction pricing and structuring, securities fraud, valuations for financial reporting, tax, regulatory and stakeholder investment compliance, solvency issues, fraudulent transfers, post-acquisition M&A disputes and transactions, and disputes between shareholders. We provide our clients with specialized valuation opinions and expert testimony involving international disputes before international courts of jurisdiction and arbitration tribunals. We assist our clients in making economic and investment decisions that significantly affect shareholder value, economic returns and capital allocation.

- **Intellectual Property**. We help clients understand and maximize the value of their intangible business assets. We calculate losses from IP infringement, apply econometrics to develop pricing structures for IP valuations and licensing, manage the purchase or sale of IP assets, negotiate with tax authorities, and determine IP-related losses in legal disputes and arbitrations. We provide IP-related advice and expert opinions and testimony for commercial transactions, intergroup transfers, M&A and negotiations with taxing authorities to a wide range of industries.

- **International Arbitration**. We help clients navigate each phase of the dispute resolution process. Our international arbitration practice works with companies, governments and members of the international bar to provide independent advice and expert testimony relating to business valuations and economic damages in a wide variety of commercial and treaty disputes before international arbitration tribunals. Our services include evaluating claims, identifying and quantifying economic damages, litigation support and identifying the best approaches to achieve positive outcomes.

- **Labor & Employment**. We prepare economic and statistical analyses for clients facing disputes relating to wage and hour issues, class action, class certification, lost earnings and discrimination. Our experienced labor and employment team provide statistical analyses of data and damage exposure, review and rebut expert reports, calculate the economic value of a claim, determine if the purported class in labor and employment litigation meets legal requirements for certification, and provide expert testimony. We provide clients with statistical and economic analysis of Fair Labor Standards Act wage and hour issues, state wage and hour issues, employment discrimination issues, Equal Employment Opportunity Commission investigations, Office of Federal Contract Compliance Program audits, reduction-in-force assessments and compensation studies.

- **Public Policy**. We advise clients regarding the impact of legislation and political considerations on industries and commercial transactions. We perform financial and economic analyses of policy and regulatory matters and the effect of legislation, regulations and political considerations on a wide range of issues facing our clients around the world, such as the environment, taxation and regulations relating to global competitiveness. We provide comparative analyses of proposed policy alternatives, division of responsibilities of federal and local regulators,

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the effects of regulations on risk sharing across constituencies and geographies, and unintended consequences. Our services include strategic and regulatory planning, program evaluation, regulatory and policy reform, tort liability, forecasting, public private partnerships and public finance.

- **Regulated Industries**. We provide economic analysis, econometrics and network modeling to provide information to major network and regulated industry participants on the effects of regulations on global business strategies. We provide advice on pricing, valuation, risk management, and strategic and tactical challenges. We also advise clients on the transition of regulated industries to more competitive environments. Our services include economic analysis, econometrics and modeling, due diligence and expert testimony.

- **Securities Litigation & Risk Management**. Our professionals apply economic theory, econometrics and the modern theory of finance to assess, quantify and manage risks inherent in global financial markets. We advise clients and testify on a variety of issues, including securities fraud, insider trading, initial public offering ("IPO") allocations, market efficiency, market manipulation and forms of securities litigation. We also evaluate financial products such as derivatives, securitized products, collateralized obligations, special purpose entities, and structured financial instruments and transactions.

- **Center for Healthcare Economics and Policy**. We support and facilitate the work of local governments, insurers, providers, physicians, employers and community-based stakeholders by providing data-driven strategies and solutions based on empirical analyses and modeling to reduce the per capita cost of healthcare, improve the health of populations, and enhance patient experience and access to care.

- **Network Analysis**. We provide our clients with hindsight, insight and foresight by using our technology and experience to visualize and evaluate relationships and flows among people, groups, markets, organizations, infrastructure, IT systems, biological systems and other interconnected entities in order to understand complex interconnected data. The information we generate can be used by our clients to evaluate and defend insurance claims, support litigation and regulatory proceedings, detect fraud, identify trends and problematic events, certify class litigation claims, and investigate social and terrorist networks.

- **Economic Impact Analysis**. We apply both market and macroeconomic models across a range of industries to analyze how markets and the broader economy react to changes in public policy and investments. Our clients use our analyses to formulate their strategic plans to educate key stakeholders, policymakers, regulators, the media and the public on the benefits and costs of their plans when determining the best course of action.

Technology

Our Technology segment offers a comprehensive portfolio of information governance, e-discovery management and data analytics software, services and consulting to corporations, law firms, courts and government agencies worldwide. Our consulting and services allow our clients to control the risk and expense of information during legal and regulatory events more confidently, as well as better understand and act on their data in the context of compliance and risk. Our professionals help clients locate, analyze, review and produce electronically stored information ("ESI"), including email, computer files, audio, video, instant messaging, cloud data and social media. Our professionals have a proven track record of helping clients with complex issues, including internal investigations, regulatory and global investigations such as under the FCPA and UKBA, litigation and joint defense, discovery and preparation, and antitrust and competition investigations, including second requests under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

In 2018, our Technology segment operated through software and consulting and services practices, which offer the following services:

- **E-discovery Management**. We plan, design and manage discovery workflows and engagements to maximize responsiveness, minimize costs and risks, and provide greater budget predictability. We offer several deployment options, from a do-it-yourself on-premises model to a full-service managed services option. We offer clients the option to establish master repositories so that data need only be collected and processed once. In the repository, the data can be accessed and used across multiple matters, enabling the reuse and retention of valuable attorney work product and other information.

- **Managed Document Review**. We offer Acuity®, a managed review offering that allows corporations and law firms to improve the cost-effectiveness of their e-discovery processes while more effectively identifying the most critical information and documents in large data sets. With Acuity®, we drive review efficiency by leveraging the power of analytics and artificial intelligence while ensuring rigorous project and budget oversight. Acuity® workflows enable collaboration among the corporation, law firm and our managed review teams.

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- **Collections & Computer Forensics**. We help organizations meet requirements for collecting, analyzing and producing large amounts of data from a variety of sources, including email, chat, voicemail, backup tapes, social media, the cloud, mobile devices, shared server files and databases, often on multiple continents. We provide both proactive and reactive support using expert services, methodologies and tools that help companies and their legal advisors understand technology-dependent issues. We also offer services to reconstruct data that has been deleted, misplaced or damaged.

- **Information Governance, Privacy & Security**. We provide the people, process and technology to develop, implement and deliver information governance, privacy & security strategies that reduce corporate risk, cut storage costs, secure data, improve the e-discovery process and enable better insight into data. Services include: readiness assessment consulting and services for the General Data Protection Regulation Act, data privacy program development and managed services, scanning and quarantine of sensitive data, including personally identifiable information and trade secrets, cleanup of file share, litigation hold and preservation optimization, e-discovery readiness/meet-and-confer support, divestiture data segregation, decommission and disposition of business applications in a defensible manner, modernization of messaging policies, backup remediation, workstation and forensic image remediation, social media and messaging archive migration and remediation, migration to cloud applications, discovery of key data, enterprise content management and SharePoint migration and decommissioning, voice and audio readiness, and cybersecurity readiness assessment.

- **Contract Intelligence**. Our Contract Intelligence service provides a cost-effective solution for a key component of contract life cycle management, offering organizations a centralized, organized method to review and analyze their global contract universe. Corporations and firms using our Contract Intelligence service can better find, understand and act upon contracts to meet regulatory requirements, reduce risk and recognize greater business value in business contexts such as pre-merger contract diligence, alignment of contract with new regulations and analyses of leasing agreements for compliance with new accounting standards.

- **Relativity®***. In 2017, we became an authorized provider of Relativity®, a third-party software product designed to help clients find relevant information quickly and accurately and manage the complexity and scope of investigations and litigation, and have successfully delivered Relativity® on multiple legal and regulatory engagements.

- **Ringtail®* E-discovery Software**. In September 2018, we sold our Ringtail® software and related e-discovery and document review software platform to Nuix, an information software company, for approximately $55.0 million. At the time of sale, we entered into a three-year preferred partner licensing agreement with Nuix for the Nuix Ringtail Review platform. Ringtail helps companies find relevant information quickly and accurately and manage complex investigations and transactions.

- **Radiance Visual Analytics Software**. Radiance is a highly scalable, visual analytics platform to search ESI from disparate sources in a single interface.

* Registered trademark of Relativity Technologies, Inc. Ringtail is a registered trademark of Nuix.

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Strategic Communications

Our Strategic Communications segment designs and executes communications strategies for management teams and boards of directors to help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their brand, stake a competitive position, and preserve and grow operations. We believe our integrated offerings, which include a broad scope of services, deep industry expertise and global reach, are unique and distinguish us from other strategic communications consultancies.

In 2018, our Strategic Communications segment offered the following services:

- **M&A Crisis Communications & Special Situations**. We specialize in advising clients on their communications to investors and other audiences to help them protect their business, brand and market positions and achieve fair valuations in capital markets. We employ a disciplined discovery process to identify preparedness gaps, assess the situation, plan for various possibilities, prepare and disseminate communications, and manage legal and political consequences. We provide services relating to a wide range of M&A scenarios, including transformative and bolt-on acquisitions, friendly and hostile takeovers, and activism defense. We also advise clients in situations that present threats to their valuation and reputation with investors such as proxy contests, financial restatements, shareholder activism, unplanned management changes and other crises. Our integrated communications services are designed to address the concerns of all internal and external stakeholders.

- **Capital Markets Communications**. We assist clients in developing and delivering a consistent and credible narrative to investors and the investment community. We help companies articulate and present their entry into the equity markets, from articulating the strategic rationale and investment story to preparing the registration statement with securities regulators to developing the road show for the IPO. We provide investor relations best practices programs and investor relations services and communications. We conduct perception audits and organize investor community events. We provide a wide range of research and analyses to our clients. We also help clients communicate leadership transitions and demonstrate new management credibility to investors.

- **Corporate Reputation**. We promote businesses and protect corporate reputations, creating solutions for our clients' mission-critical communications needs. Our services include crisis and issues management, reputational risk advisory, stakeholder identification, mapping and engagement, messaging and organization positioning, thought leadership consultancy, corporate social responsibility, strategic media relations, employee communications, engagement and change communications, and media and presentation coaching, as well as qualitative and quantitative research.

- **Public Affairs & Government Relations**. We advise senior business leaders and leading organizations around the world on how to effectively engage with governments, politicians and policymakers and respond to regulatory changes. We advise governments on how to attract investors by improving their regulatory and legal frameworks. Our integrated global team is based in leading political centers, including Berlin, Brussels, London, Melbourne and Washington, D.C. We combine public policy, economic consulting and capital markets expertise with strategic communications and business advisory skills. We offer the full range of engagement programs, ranging from crisis management of imminent legislation to longer-term shaping of the policy environment. We use a range of qualitative and quantitative tools to establish our clients' case in connection with government investigations, political and legislative engagement, public policy debates and business strategies, whether in terms of message refinement, policy mapping, reputation benchmarking, opinion polling or speechwriting.

- **People & Change**. We help clients plan, design and implement internal communications and programs to increase engagement and understanding among leadership teams, employees, vendors, partners and customers. We partner with our clients to understand their unique business environment and internal and external communications aspirations. Our services assist business leaders in communicating and navigating change and transformative events, including new strategy and vision introductions, leadership positioning, M&A, operating model changes, outsourcing or insourcing, workforce consolidations or reductions, and restructurings and reorganizations. Our services are designed to align stakeholder insights with organizational needs.

- **Digital & Creative Communications**. We collaborate with clients to conceive and produce integrated design, content and digital strategies across all media and markets to advance business objectives with key stakeholders and the media. Our approach includes defining corporate and brand positioning, surveying the audience to gauge social sentiments and needs, demystifying complex business operations and situations, selecting a program that resonates with the marketplace, building the communications plan, launching the initiative for maximum visibility and evaluating the success of the program. We provide customized solutions to reach target audiences through digital channels. Our design and marketing teams specialize in corporate and brand identity development, website

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development, advertising, interactive marketing campaigns, video and animation, brochures, fact sheets, testimonials and other marketing materials, and annual report development. Our social media experts work with clients to identify and engage stakeholders through the most appropriate and useful paid and non-paid social and digital media outlets.

- **Strategy Consulting & Research**. We provide in-depth market and stakeholder analyses to help our clients solve complex business and communications problems. Our research services include reputation benchmarking, peer analysis, benchmarking and financial market valuations, brand awareness studies and brand extension audits, including customer focus groups, shareholder analysis and investor targeting, consumer trend analysis, public opinion polling and policymaker perception audits.

Our Industry Specializations

We employ professionals across our segments and practices who are qualified to provide our core services plus a range of specialized consulting services and solutions that address the strategic, reputational, operational, financial, regulatory, legal and other needs of specific industries. The major industry groups that we service include:

Aerospace & Defense. Our aerospace and defense professionals provide services addressing the core issues related to the strategic growth and tactical priorities of commercial aviation, airlines, defense contractors, aviation maintenance, repair and overhaul and service providers, and security-oriented businesses. We help our clients navigate issues such as organic and inorganic growth, affordability, profitability, digital strategies, complex disputes with governments and regulators, regulatory audits, strategic communications and improvements to business systems.

Agriculture. Our agribusiness experts advise producers, accumulators and processers to address global concerns relating to the quality, quantity, biodiversity, commodity pricing and sustainable practices, and the effects of weather, climate change and animal rights activism on the food supply.

Automotive. Our automotive experts offer vehicle manufacturers, suppliers, retailers, vehicle financers and other automotive subsectors, as well as their creditors, lenders and other stakeholders, a comprehensive range of corporate finance and strategic communications services.

Construction. Our construction services professionals provide commercial management, risk-based advice, dispute resolution services and strategic communications counsel on complex projects across all construction and engineering industries. Our professionals are industry leaders who understand technical, business, regulatory and legal matters and are seasoned in giving expert testimony to ensure that every aspect of their capital program or project is properly governed, well-executed, regulatory compliant and fully supported from beginning to end.

EPP. Our EPP professionals provide a wide array of advisory services that address the strategic, financial, restructuring, reputational, regulatory and legal needs of energy and utility clients involved in the production of crude oil, natural gas, refined products, chemicals, coal, electric power, emerging technologies, and renewable energy and clean energy technologies. Our professionals are involved in many of the largest financial and operational restructurings, regulatory and litigation matters involving energy and utility companies globally.

Environmental. Our environmental services professionals provide a comprehensive suite of services aimed at helping organizations manage and resolve specific environmental issues or programmatic challenges. Our services focus on the resolution of complex contamination, toxic tort, products liability, and insurance investigations and disputes before courts, regulators, mediators and alternative dispute tribunals.

Financial Institutions. Our professionals assist banks and financial services clients of all sizes and types in navigating through a changing environment of financial services regulations and enforcement actions, litigation threats, and economic and competitive challenges. We work with clients to manage risk, ensure compliance, resolve regulatory inquiries as they arise, engage with relevant stakeholders, and leverage their assets to protect and enhance enterprise value.

Healthcare & Life Sciences. Our professionals work with a wide variety of healthcare and life sciences clients to discern innovative solutions that optimize performance in the short term and prepare for future strategic, operational, financial, regulatory, legal and reputational challenges. We provide a one-company team of experts across the spectrum of healthcare disciplines. These professionals have specialized capabilities and a record of success across hospital operations and restructuring, healthcare economics, regulatory compliance, and stakeholder engagement and communications.

Hospitality, Gaming & Leisure. Our professionals help hotels, resorts, casinos, timeshares and condo hotels with operational realignment, asset and interim management, strategic analysis and event readiness (e.g., IPO, receivership, bankruptcy) and stakeholder engagement to preserve, protect and enhance asset and enterprise value.

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Insurance. Our professionals combine their business and technical acumen to help insurers, reinsurers, captives, brokers, investors, regulators, corporations and their legal and business advisors address complex strategic and tactical issues. We apply methodologies, analytics and communications counsel to support the strategic requirements of our clients to protect assets, meet compliance requirements, achieve performance goals and engage with key stakeholders. Our professionals have a proven track record of effectively managing a broad range of large domestic and international engagements such as high-profile, discreet investigations and disputes, complex restructuring and enterprise-wide transformations, and the application of methodologies and analytics to innovate, improve performance, reduce risk and achieve compliance.

Mining. Our professionals assist mining businesses in understanding how to conduct business in emerging markets, M&A, capital markets financing, commodity pricing, valuations and quantification of damages in dispute situations.

Public-Sector & Government Contracts. Our government contracts team assists businesses through all phases of public sector contracting, including complying with government regulations and managing government business, risk avoidance, dispute resolution and litigation support. Our public-sector solutions team delivers services, including financial and performance improvement, risk management and forensic consulting, economic and public policy consulting, technology and data analytics, and strategic communications.

Real Estate & Infrastructure. Our professionals have the industry expertise and experience to help real estate owners, users, investors and lenders better navigate the real estate market's complexities and manage its inherent risks. We provide such services through our real estate solutions practice within our Corporate Finance & Restructuring segment and our construction solutions practice within our Forensic and Litigation Consulting segment. We represent leading public and private real estate entities and stakeholders, including REITs, financial institutions, investment banks, opportunity funds, insurance companies, hedge funds, pension advisors, owners and developers, offering services that help align strategy with business goals.

Retail & Consumer Products. Our professionals provide a full range of corporate finance, turnaround, restructuring and strategic communications expertise for retailers. We have experience in developing strategies for retail and consumer products companies to address internal and external challenges from inception through maturity. Our professionals have deep industry expertise in critical functional areas to help our clients drive performance, implement plans and engage with key stakeholders that will have sustained results. Our Fast Track™ approach utilizes highly developed frameworks and analytics to identify levers in the retail value equation that can be influenced quickly and serve to fund longer term strategic initiatives that drive shareholder value.

TMT. Our TMT team provides strategic, financial, operational and communications consulting with industry specialists in wireline and wireless telecom, print and digital media, broadcast TV and radio, entertainment and content production, and technology companies of all types, including software, hardware, Internet business models and cloud-based technology. We provide targeted performance improvement strategies and implementation, commercial diligence and transaction advisory, M&A integration, carve-outs and divestitures planning, valuation, interim management, restructuring and strategic communications. We deliver original insights that help clients better understand company performance, consumer behavior, digital substitution, emerging technologies, disruptive trends and stakeholder priorities in our industries.

Transportation. Our professionals provide corporate communications, financial communications, public affairs advice, strategy consulting and research to a broad range of organizations and companies involved in various forms of transportation, including rail, trucking and infrastructure.

Our Business Drivers

Factors that drive demand for our business offerings include:

- ***M&A Activity***. M&A activity is an important driver for all of our segments. We offer services for all phases of the M&A process. Our services during the pre-transaction phase include government competition advice and pre-transaction analysis. Our services during the negotiation phase include due diligence, negotiation and other transaction advisory services, government competition and antitrust regulation services, expert advice, asset valuations and financial communications advice. We also offer post-M&A integration and transformation services.

- ***Financial Markets***. Financial market factors, including credit and financing availability, terms and conditions, the willingness of financial institutions to provide debt modifications or relief, corporate debt levels, default rates and capital markets transactions, are significant drivers of demand for our business offerings, particularly our Corporate Finance & Restructuring and Strategic Communications segments.

- ***Regulatory Complexity, Public Scrutiny and Investigations***. Increasingly complex global regulations and legislation, greater scrutiny of corporate governance, instances of corporate malfeasance, and more stringent and complex

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reporting requirements drive demand for our business offerings. The need to understand and address the impact of regulation and legislation, as well as the increasing costs of doing business, have prompted companies to focus on better assessing and managing risks and opportunities. In addition, boards of directors, audit committees and independent board committees have been increasingly tasked with conducting internal investigations of financial wrongdoing, regulatory non-compliance and other issues. These factors and laws, such as the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, have contributed to the demand for independent consultants and experts to investigate and provide analyses and to support the work of outside legal counsel, accountants and other advisors. These types of investigations also increasingly demand the use of multiple disciplinary service offerings like ours, which combine skills and capabilities across practices with industry expertise. These factors drive demand for various practices and services of all our segments.

- ***Litigation and Disputes***. Litigation and business disputes, the complexity of the issues presented, and the amount of potential damages and penalties drive demand for the services offered by many of our segments, particularly our Forensic and Litigation Consulting, Economic Consulting and Technology segments. Law firms and their clients, as well as government regulators and other interested third parties, rely on independent outside resources to evaluate claims, facilitate discovery, assess damages, provide expert reports and testimony, manage the pre-trial and in-trial process, and effectively present evidence.

- ***Operational Challenges and Opportunities***. Businesses facing challenges require the evaluation and re-evaluation of strategy, risks and opportunities as a result of crisis-driven situations, competition, regulation, innovation and other events that arise in the course of business. These challenges include enterprise risk management, global expansion, competition from established companies, and emerging businesses and technologies doing business in emerging markets, and new and changing regulatory requirements and legislation. Management, companies and their boards need outside help to recognize, understand and evaluate such events and effect change, which drives demand for independent expertise that can combine general business acumen with the specialized technical expertise of our practice offerings and industry expertise. These factors drive demand for various practices and services of all our segments.

- ***Developing Markets***. The growth of multinational firms and global consolidation can precipitate antitrust and competition scrutiny and the spread internationally of issues and practices that historically have been more common in the U.S., such as increased and complex litigation, corporate restructuring and bankruptcy activities, and antitrust and competition scrutiny. Companies in the developing world and multinational companies can benefit from our expert advice to access capital and business markets, comply with the regulatory and other requirements of multiple countries, structure M&A transactions and conduct due diligence, which drives demand for the services of all of our segments.

Our Competitive Strengths

We compete primarily on the basis of the breadth of our services, the quality of our work, the prominence of our professionals, our geographic reach, our reputation and performance record, our specific industry expertise and our strong client relationships. We believe our success is driven by a combination of long-standing competitive strengths, including:

- ***Pre-eminent Businesses and Professionals***. We believe that our segments include some of the pre-eminent practices and professionals in our industry today. During 2018, the awards and recognitions received by the Company include the following:

    - FTI Consulting named to *Forbes* magazine's list of America's Best Management Consulting Firms for the third consecutive year — recognized in 18 sectors and functional areas

    - FTI Consulting named to *Consulting* magazine's Best Firms to Work For list

    - FTI Consulting named *Who's Who Legal*'s Consulting Firm of the Year award for the second consecutive year

    - Corporate Finance & Restructuring ranked the #1 U.S. Restructuring Advisor by *The Deal* for 11 consecutive years

    - FTI Consulting and Compass Lexecon had the most experts (144) recognized in the *Who's Who Legal* Consulting Experts Guide for the third consecutive year

    - Compass Lexecon ranked #1 on *Global Arbitration Review*'s GAR 100 Expert Witness Firms' Power Index

    - Compass Lexecon named *Who's Who Legal*'s Competition Economics Firm of the Year for the fourth consecutive year

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- FTI Consulting named *Who's Who Legal*'s Arbitration Consulting Firm of the Year for the third consecutive year
- FTI Consulting named *Who's Who Legal*'s Investigations Firm of the Year
- FTI Technology named 2018 Technology Sector Consulting Firm of the Year in Australia by *Corporate Intl* magazine
- Strategic Communications ranked in the top five PR Advisor by deal count and volume in *MergerMarket'*s 2018 PR Advisors League Tables in the Global, Europe and Asia-Pacific categories
- FTI Consulting named a Top 15 Strategy Consulting Firm in the Asia Pacific region by *Consultancy Asia*

- ***Diversified Service Offerings***. Our five reportable segments offer a diversified portfolio of practices providing services within our four geographic regions. Our broad range of practices and services, the diversity of our revenue streams, our specialized industry expertise and our global locations distinguish us from our competitors. This diversity helps to mitigate the impact of crises, events and changes in a particular practice, industry or country.
- ***Diversified Portfolio of Elite Clients***. We provide services to a diverse group of clients, including global Fortune 500 companies, FTSE 100 companies, global financial institutions, banks, and local, state and national governments and agencies in the U.S. and other countries. Additionally, 96 of the 100 law firms as ranked by American Lawyer Global 100: Most Revenue List refer or engage us on behalf of multiple clients on multiple matters.
- ***Strong Cash Flow***. Our business model has several characteristics that produce consistent cash flows. Our strong cash flow supports business operations, capital expenditures, and research and development efforts in our Technology segment and our ability to service our indebtedness and pursue our growth and other strategies.
- ***Demand for Integrated Solutions and a Consultative Approach***. Our breadth and depth of practice and service offerings and industry expertise across the globe drive demand by businesses that seek our integrated services and consultative approach covering different aspects of event-driven occurrences, reputational issues and transactions across different jurisdictions.

Our Business Strategy

We build client relationships based on the quality of our services, our brand and the reputation of our professionals. We provide diverse complementary services to meet our clients' needs around the world. We emphasize client service and satisfaction. We aim to build strong brand recognition. The following are key elements of our business strategy:

- ***Leverage Our Practitioners, Businesses, Extensive Geographic Diversification and Relationships***. We work hard to maintain and strengthen our core practices and competencies. We believe that our recognized expertise, client relationships and the quality of our reputation, coupled with our successful track record, size and geographic diversity, are the most critical elements in a decision to retain us. Many of our professionals are recognized experts in their respective fields.
- ***Grow Organically***. Our strategy is to grow organically by increasing headcount and market share to provide clients with an attractive and evolving suite of services across our segments, as well as the industries and geographic regions in which we operate.
- ***Attract and Retain Highly Qualified Professionals***. Our professionals are crucial to delivering our services to clients and generating new business. As of December 31, 2018, we employed 3,756 revenue-generating professionals, many of whom have an established and widely recognized name in their respective service and industry specialization. Through our substantial staff of highly qualified professionals, we can handle a large number of complex assignments simultaneously. To attract and retain highly qualified professionals, we offer significant compensation opportunities, including sign-on bonuses, forgivable loans, retention bonuses, cash incentive bonuses and equity compensation, along with a competitive benefits package and the chance to work on challenging global engagements with other highly skilled peers.
- ***Enhance Profitability***. We endeavor to manage costs, headcount, utilization, bill rates and pricing for both time and materials and alternative fee arrangements to operate profitably.
- ***Acquisitions and Other Investments***. Enhance value through capital allocation: The strength of our balance sheet gives us the flexibility to allocate capital and create shareholder value in numerous ways including investments in hiring new

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employees, acquisitions and share repurchases. We consider strategic and opportunistic acquisition opportunities on a selective basis. We seek to integrate completed acquisitions and manage investments in a way that fosters organic growth, expands our geographic presence or complements our segments, practices, services and industry focuses. We typically structure our acquisitions to retain the services of key individuals from the acquired companies.

Our Employees

Our success depends on our ability to attract and retain our expert professional workforce. Our professionals include PhDs, MBAs, JDs, CPAs, CPA-ABVs (CPAs accredited in business valuations), CPA-CFFs (CPAs certified in financial forensics), CRAs (certified risk analysts), Certified Turnaround Professionals, Certified Insolvency and Reorganization Advisors, Certified Fraud Examiners, ASAs (accredited senior appraisers), construction engineers and former senior government officials. We also engage independent contractors to supplement our professionals on client engagements as needed. As of December 31, 2018, we employed 4,768 employees, of which 3,756 were revenue-generating professionals.

Employment Agreements

As of December 31, 2018, we had written employment arrangements with substantially all of our 486 Senior Managing Directors and equivalent personnel (collectively, "SMD"). These arrangements generally provide for fixed salary and participation in incentive payment programs (which, in some cases, may be based on financial measures such as EBITDA or relative total shareholder return), salary continuation benefits, accrued bonuses and other benefits beyond the termination date if an SMD leaves our employment for specified reasons prior to the expiration date of the employment agreement. The length and amount of payments to be paid by us following the termination or resignation of an SMD may vary, depending on whether the person resigned with or without "good reason" or was terminated by us with or without "cause," retired or did not renew, died or became "disabled," or was terminated as a result of a "change in control" (all such terms as defined in such SMD's employment agreement). All of our written employment arrangements with SMDs require some notice period be given by the party prior to termination of employment and include covenants providing for restrictions on the SMDs competing against, and soliciting employees from, the Company for a specified period of time following the end of the SMDs employment.

Incentive and Retention Payments

Our SMDs and other employees, consultants and professionals may receive incentive, retention or sign-on payments, on a case-by-case basis, through unsecured general recourse forgivable loans, equity awards or other payments (collectively, "Retention Awards"). We believe that providing these multi-year Retention Awards greatly enhances our ability to attract and retain our key professionals.

Some or all of the principal amount and accrued interest of the loans we make will be forgiven by us upon the passage of time, or their repayment will be funded by us through additional cash bonus compensation, provided that the recipient is an employee or consultant on the forgiveness date. In addition, upon certain termination events, accrued interest and the outstanding principal balance may be forgiven, including upon death, disability and, in some cases, retirement or termination by the Company without cause or the recipient with good reason, or the recipient may be required to repay the unpaid accrued interest and outstanding principal balance upon certain other termination events such as voluntary resignation, as provided in the applicable promissory note. The value of the forgivable loans we have made, in the aggregate, as well as on an individual basis, have been, and we anticipate will continue to be, significant. Our executive officers and outside directors are not eligible to receive loans, and no loans have been made to them.

Our executive officers, other members of senior management and outside directors, as well as employees and independent service providers, have received and will continue to receive equity awards, which may include stock option and share-based awards (including awards in the form of restricted stock, performance-based restricted stock units, deferred restricted stock units, and cash-settled stock appreciation rights and units), on a case-by-case basis, to the extent that shares are available under our stockholder-approved equity compensation plans. The value of such equity and cash-based awards, in the aggregate, as well as on an individual basis, has been and is expected to continue to be significant.

Recipients of sign-on or other retention payments, other than loans, may be required to repay a portion or all of the original payment upon a termination event. These awards are typically smaller amounts in nature than forgivable loans and have a shorter service requirement than forgivable loans.

Select SMDs may participate in certain incentive compensation programs, such as our Senior Managing Director Incentive Compensation Program in the U.S., UK and Canada (the "ICP") or the Key Senior Managing Director Incentive Plan (the "KSIP"). The ICP was closed to new participants effective January 2015. Participants were recommended by management and approved by the Compensation Committee of the Board of Directors of the Company. The ICP and KSIP provide for a combination of forgivable loans, equity awards and retention bonuses that are paid over an average of six to 10 years depending

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on the program and economic value of the award. These programs also require participants to defer a portion of their bonus in the form of cash or restricted stock over a two-to-three-year period.

Marketing

We rely primarily on our senior professionals to identify and pursue business opportunities. Referrals from clients, law firms and other intermediaries and our reputation from prior engagements are also key factors in securing new business. Our professionals often learn about new business opportunities from their frequent contacts and close working relationships with clients. In marketing our services, we emphasize our experience, the quality of our services and our professionals' particular areas of expertise, as well as our ability to quickly staff new and large engagements. While we aggressively seek new business opportunities, we maintain high professional standards and carefully evaluate potential new client relationships and engagements before accepting them. We also employ or contract with sales professionals who are tasked primarily with marketing the services of our Corporate Finance & Restructuring, Forensic and Litigation Consulting, Technology and Strategic Communications segments.

Clients

During the year ended December 31, 2018, no single client accounted for more than 10% of our consolidated revenues. No reportable segment had a single client that accounted for more than 10% of its respective total revenues for the year ended December 31, 2018. In some cases, we may have engagements through law firms that represent a larger percentage of our consolidated revenues or the revenues of a segment; however, each law firm engages us on behalf of multiple clients.

Competition

We compete with different companies or businesses of companies depending on the particular nature of a proposed engagement and the requested types of service(s) or the location of the client or delivery of the service(s) or product(s). Our businesses are highly competitive. Our competitors include large organizations, such as the global accounting firms and large management and financial consulting companies, that offer a broad range of consulting services; investment banking firms; IT consulting and software companies that offer niche services that are the same or similar to services or products offered by one or more of our segments; and small firms and independent contractors that provide one or more specialized services.

We compete primarily on the basis of the breadth of our services, the quality of our work, the prominence of our professionals, our geographic reach, our reputation and performance record, our specific industry expertise, our ability to staff multiple significant engagements across disciplines and industries in multiple locations, and our strong client relationships. Our Technology segment, particularly with respect to hosting services, and to a lesser extent our other segments, may also compete on price, although the critical nature of the services provided by our Corporate Finance & Restructuring, Forensic and Litigation Consulting, and Economic Consulting segments typically makes price a secondary consideration with respect to those segments. Since our businesses depend in large part on professional relationships, there are low barriers of entry for professionals, including our professionals, electing to work independently, start their own firms or change employers.

Our Corporate Finance & Restructuring segment primarily competes with specialty boutiques providing restructuring, bankruptcy or M&A services and, to a lesser extent, large investment banks and global accounting firms.

Our Forensic and Litigation Consulting segment primarily competes with other large consulting companies and global accounting firms with service offerings similar to ours.

Our Economic Consulting segment primarily competes with individually recognized economists, specialty boutiques and large consulting companies with service offerings similar to ours.

Our Technology segment primarily competes with consulting and/or software providers specializing in e-discovery, ESI and the management of electronic content. Competitors may offer products and/or services intended to address one piece or more of those areas. There continues to be significant consolidation of companies providing products and services similar to our Technology segment, through M&A and other transactions, which may provide competitors access to greater financial and other resources than those of FTI Consulting. This industry is subject to significant and rapid innovation. Larger competitors may be able to invest more in research and development or react more quickly to new regulatory or legal requirements and other changes and may be able to innovate more quickly and efficiently. In addition, companies compete aggressively against our Technology segment on the basis of price, particularly with respect to hosting and e-discovery services.

Our Strategic Communications segment competes with large public relations firms, as well as boutique M&A, crisis communications and public affairs firms.

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Some service providers are larger than we are and, on certain engagements, may have an advantage over us with respect to one or more competitive factors. Specialty boutiques or smaller local or regional firms, while not offering the range of services we provide, may compete with us on the basis of geographic proximity, specialty services or pricing advantages.

Patents, Licenses and Trademarks

We hold no U.S. patents and have three U.S. patent applications pending. We have no U.S. provisional patent applications pending. We have no Canadian or other international patents, provisional patents or patents pending.

We consider the Acuity®, Radiance™ and our other technologies and software to be proprietary and confidential. We consider our TrialMax® comprehensive trial preparation software to be proprietary and confidential. The TrialMax® software and technology are not protected by patents. We rely upon international copyright laws, non-disclosure agreements and contractual agreements, internal controls, including confidentiality and invention disclosure agreements with our employees and independent contractors, and license agreements with third parties to protect our proprietary information, software and other works. Despite these safeguards, there is a risk that competitors may obtain and seek to use such intellectual property.

We have also developed marketing language such as "Critical Thinking at the Critical Time®" and "Experts with Impact™" and other trademarks, logos and designs. In some cases, but not all, the trademarks have been registered in the U.S. and/or foreign jurisdictions or, in some cases, applications have been filed and are pending. Certain FTI Consulting and Compass-formative marks' use is pursuant to certain Co-Existence, Consent and/or Settlement agreements. We believe we take the appropriate steps to protect our trademarks and brands.

Corporate Information

We incorporated under the laws of the state of Maryland in 1982. We are a publicly traded company with common stock listed on the New York Stock Exchange (the "NYSE") under the symbol FCN. Our executive offices are located at 555 12th Street NW, Washington, D.C. 20004. Our telephone number is 202-312-9100. Our website is *http://www.fticonsulting.com*.

Financial Information on Industry Segments and Geographic Areas

We manage and report operating results through five reportable segments. We also administratively manage our business regionally. See "Risk Factors — Risks Related to Our Operations" for a discussion of risks related to international operations. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 18, "Segment Reporting" in Part II, Item 8 of this Annual Report for a discussion of revenues, net income and total assets by business segment and revenues for the U.S., UK and all other foreign countries as a group.

Available Information

We make available, free of charge, on or through our website at *http://www.fticonsulting.com*, our annual, quarterly and current reports and any amendments to those reports, our proxy statements, as well as our other filings with the SEC, as soon as reasonably practicable after electronically filing them with the SEC. Information posted on our website is not part of this Annual Report or any other report filed with the SEC in satisfaction of the requirements of the Exchange Act. Copies of this Annual Report, as well as other periodic reports filed with the SEC, may also be requested at no charge from our Corporate Secretary at FTI Consulting, Inc., 6300 Blair Hill Lane, Suite 303, Baltimore, MD 21209, telephone number 410-591-4867.

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ITEM 1A. RISK FACTORS

All of the following risks could materially and adversely affect our business, financial condition and results of operations. In addition to the risks discussed below and elsewhere in this Annual Report, other risks and uncertainties not currently known to us or that we currently consider immaterial could, in the future, materially and adversely affect our business, financial condition and financial results.

Risks Related to Our Reportable Segments

Changes in capital markets, M&A activity, legal or regulatory requirements, general economic conditions and monetary or geopolitical disruptions, as well as other factors beyond our control, could reduce demand for our practice offerings or services, in which case our revenues and profitability could decline.

Different factors outside of our control could affect demand for a segment's practices and our services. These include:

- fluctuations in U.S. and/or global economies, including economic downturns or recessions and the strength and rate of any general economic recoveries;
- the U.S. or global financial markets and the availability, costs, and terms of credit and credit modifications;
- level of leverage incurred by countries or businesses;
- M&A activity;
- frequency and complexity of significant commercial litigation;
- overexpansion by businesses causing financial difficulties;
- business and management crises, including the occurrence of alleged fraudulent or illegal activities and practices;
- new and complex laws and regulations, repeals of existing laws and regulations or changes of enforcement of laws, rules and regulations, including antitrust/competition reviews of proposed M&A transactions;
- other economic, geographic or political factors; and
- general business conditions.

We are not able to predict the positive or negative effects that future events or changes to the U.S. or global economies will have on our business or the business of any particular segment. Fluctuations, changes and disruptions in financial, credit, M&A and other markets, political instability and general business factors could impact various segments' operations and could affect such operations differently. Changes to factors described above, as well as other events, including by way of example, contractions of regional economies, or the economy of a particular country, trade restrictions, monetary systems, banking, real estate and retail or other industries; debt or credit difficulties or defaults by businesses or countries; new, repeals of or changes to laws and regulations, including changes to the bankruptcy and competition laws of the U.S. or other countries; tort reform; banking reform; a decline in the implementation or adoption of new laws or regulation, or in government enforcement, litigation or monetary damages or remedies that are sought; or political instability may have adverse effects on one or more of our segments or service, practice or industry offerings.

Our revenues, operating income and cash flows are likely to fluctuate.

We experience fluctuations in our revenues and cost structure and the resulting operating income and cash flows and expect that this will continue to occur in the future. We experience fluctuations in our annual and quarterly financial results, including revenues, operating income and earnings per share, for reasons that include: (i) the types and complexity, number, size, timing and duration of client engagements; (ii) the timing of revenue recognition under U.S. GAAP; (iii) the utilization of revenue-generating professionals, including the ability to adjust staffing levels up or down to accommodate the business and prospects of the applicable segment and practice; (iv) the time it takes before a new hire becomes profitable; (v) the geographic locations of our clients or the locations where services are rendered; (vi) billing rates and fee arrangements, including the opportunity and ability to successfully reach milestones and complete, and collect success fees and other outcome-contingent or performance-based fees; (vii) the length of billing and collection cycles and changes in amounts that may become uncollectible; (viii) changes in the frequency and complexity of government regulatory and enforcement activities; (ix) business and asset acquisitions; (x) fluctuations in the exchange rates of various currencies against the U.S. dollar; and (xi) economic factors beyond our control.

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The results of different segments and practices may be affected differently by the above factors. Certain of our practices, particularly our restructuring practice, tend to experience their highest demand during periods when market and/or industry conditions are less favorable for many businesses. For example, in periods of limited credit availability, reduced M&A activity and/or declining business and/or consumer spending, while not always the case, there may be increased restructuring opportunities that will cause our restructuring practice to experience high demand. On the other hand, those same factors may cause a number of our other segments and practices, such as our antitrust and competition practice in Economic Consulting, to experience reduced demand. The positive effects of certain events or factors on certain segments and practices may not be sufficient to overcome the negative effects of those same events or factors on other parts of our business. In addition, our mix of practice offerings adds complexity to the task of predicting revenues and results of operations and managing our staffing levels and expenditures across changing business cycles and economic environments.

Our results are subject to seasonal and similar factors, such as during the fourth quarter when our professionals and our clients typically take vacations. We may also experience fluctuations in our operating income and related cash flows because of increases in employee compensation, including changes to our incentive compensation structure and the timing of incentive payments, which we generally pay during the first quarter of each year, or hiring or retention payments, which are paid throughout the year. Also, the timing of investments or acquisitions and the cost of integrating them may cause fluctuations in our financial results, including operating income and cash flows. This volatility makes it difficult to forecast our future results with precision and to assess accurately whether increases or decreases in any one or more quarters are likely to cause annual results to exceed or fall short of previously issued guidance. While we assess our annual guidance at the end of each quarter and update such guidance when we think it is appropriate, unanticipated future volatility can cause actual results to vary significantly from our guidance, even where that guidance reflects a range of possible results and has been updated to take account of partial-year results.

If we do not effectively manage the utilization of our professionals or billable rates, our financial results could decline.

Our failure to manage the utilization of our professionals who bill on an hourly basis, or maintain or increase the hourly rates we charge our clients for our services, could result in adverse consequences, such as non- or lower-revenue-generating professionals, increased employee turnover, fixed compensation expenses in periods of declining revenues, the inability to appropriately staff engagements (including adding or reducing staff during periods of increased or decreased demand for our services), or special charges associated with reductions in staff or operations. Reductions in workforce or increases of billable rates will not necessarily lead to savings. In such events, our financial results may decline or be adversely impacted. A number of factors affect the utilization of our professionals. Some of these factors we cannot predict with certainty, including general economic and financial market conditions; the complexity, number, type, size and timing of client engagements; the level of demand for our services; appropriate professional staffing levels, in light of changing client demands and market conditions; utilization of professionals across segments and geographic regions; competition; and acquisitions. In addition, our global expansion into or within locations where we are not well-known or where demand for our services is not well-developed could also contribute to low or lower utilization rates in certain locations.

Segments may enter into engagements such as fixed fee and time and materials with caps. Failure to effectively manage professional hours and other aspects of alternative fee engagements may result in the costs of providing such services exceeding the fees collected by the Company. Failure to successfully complete or reach milestones with respect to contingent fee or success fee assignments may also lead to lower revenues or the costs of providing services under those types of arrangements may exceed the fees collected by the Company.

Factors that could negatively affect utilization in our segments include:

Corporate Finance & Restructuring — The completion of bankruptcy proceedings; the timing of the completion of other engagements; fewer and smaller restructuring (including bankruptcy) cases; a recovering or strong economy; easy credit availability; low interest rates; and fewer, smaller and less complex M&A and restructuring activity; or less capital markets activity.

Forensic and Litigation Consulting — The settlement of litigation; less frequent instances of significant mismanagement, fraud, wrongdoing or other business problems that could result in fewer or less complex business engagements; fewer and less complex legal disputes; fewer class action suits; the timing of the completion of engagements; less government regulation or fewer regulatory investigations; and the timing of government investigations and litigation.

Economic Consulting — Fewer, smaller and less complex M&A activity; less capital markets activity or fewer complex transactions; a reduced number of regulatory filings and less litigation, reduced or less aggressive antitrust and competition

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regulation or enforcement; fewer government investigations and proceedings; and the timing of client utilization of our services.

Technology — The settlement of litigation; a decline in volume and complexity of litigation proceedings and governmental investigations; and volume and timing of M&A activities and degree of enforcement of anti-trust regulations.

Strategic Communications — Fewer event-driven crises affecting businesses; general economic decline that may reduce certain discretionary spending by clients; a decline in capital markets activity, including M&A; and fewer public securities offerings.

Our segments may face risks of fee non-payment, clients may seek to renegotiate existing fees and contract arrangements, and clients may not accept billable rate or price increases, which could result in loss of clients, fee write-offs, reduced revenues and less profitable business.

In some cases, our segments are engaged by certain clients who are experiencing or anticipate experiencing financial distress or are facing complex challenges, are engaged in litigation or regulatory or judicial proceedings, or are facing foreclosure of collateral or liquidation of assets. This may be true in light of general economic conditions; lingering effects of past economic slowdowns or recession; or business- or operations-specific reasons. Such clients may not have sufficient funds to continue operations or to pay for our services. We typically do not receive retainers before we begin performing services on a client's behalf in connection with a significant number of engagements in our segments. In the cases where we have received retainers, we cannot assure the retainers will adequately cover our fees for the services we perform on behalf of these clients. With respect to bankruptcy cases, bankruptcy courts have the discretion to require us to return all, or a portion of, our fees.

We may receive requests to discount our fees or to negotiate lower rates for our services and to agree to contract terms relative to the scope of services and other terms that may limit the size of an engagement or our ability to pass through costs. We consider these requests on a case-by-case basis. We routinely receive these types of requests and expect this to continue in the future. In addition, our clients and prospective clients may not accept rate increases that we put into effect or plan to implement in the future. Fee discounts, pressure not to increase or even decrease our rates, and less advantageous contract terms could result in the loss of clients, lower revenues and operating income, higher costs and less profitable engagements. More discounts or write-offs than we expect in any period would have a negative impact on our results of operations. There is no assurance that significant client engagements will be renewed or replaced in a timely manner or at all, or that they will generate the same volume of work or revenues or be as profitable as past engagements.

Certain of our clients prefer fixed and other alternative fee arrangements that place revenue ceilings or other limitations on our fee structure or may shift more of our revenue-generating potential to back-end contingent and success fee arrangements. With respect to such alternative fee arrangements, we may discount our rates initially, which could mean that the cost of providing services exceeds the fees collected by the Company during all or a portion of the term of the engagement. In such cases, the Company's failure to manage the engagement efficiently or collect the success or performance fees could expose the Company to a greater risk of loss on such engagement than other fee arrangements or may cause variations in the Company's revenues and operating results due to the timing of achievement of the performance-based criteria, if achieved at all. A segment's ability to service clients with these fee arrangements at a cost that does not directly correlate to time and materials may negatively impact or result in a loss of the profitability of such engagements, adversely affecting the financial results of the segment.

Our Technology segment faces certain risks, including (i) industry consolidation and a highly competitive environment, (ii) client concentration, (iii) downward pricing pressure, (iv) technology changes and obsolescence and (v) failure to protect IP used by the segment, which individually or together could cause the financial results and prospects of this segment and the Company to decline.

Our Technology segment is facing significant competition from other consulting and/or software providers specializing in e-discovery, ESI and the management of electronic content. There continues to be consolidation of companies providing products and services similar to those offered by our Technology segment, which may provide competitors access to greater financial and other resources than those of the Company. Larger competitors may be able to react more quickly to new regulatory or legal requirements and other changes, or innovate more quickly and efficiently. Our Technology segment has been experiencing increasing competition from companies providing similar services at lower prices, particularly with respect to hosting and e-discovery services.

The success of our Technology segment and its ability to compete depends significantly on the IP rights we license from third-parties. There is no assurance that (i) the software we license to provide our services will remain competitive or

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technologically innovative, (ii) new, innovative or improved software or products will not be developed by others that will compete more effectively with the software or products we currently license or use to service our customers, or (iii) we can enter into licenses or other agreements on economically advantageous terms to license or enter into other agreements to use new or more innovative third-party software and products to provide our services. If our Technology segment is unable to license or otherwise use competitively innovative or technologically advanced software and products to provide our services, we could be unable to retain clients, grow our business and capitalize on market opportunities, which would adversely affect our operating margins and financial results.

Unauthorized use and misuse of our proprietary IP by employees or third parties could have a material adverse effect on our business, financial condition and results of operations. The available legal remedies for unauthorized or misuse of our proprietary IP may not adequately compensate us for the damages caused by unauthorized use.

Our segments face certain risks relating to cybersecurity and the failure to protect the confidentiality of client information against misuse or disclosure.

Our reputation for maintaining the confidentiality of proprietary, confidential and trade secret information is critical to the success of our segments. In addition, our Technology segment is dependent on providing secure information storage to host client information as a service. We routinely face cyber-based attacks and attempts by hackers and similar unauthorized users to gain access to or corrupt our information technology systems, which so far have been unsuccessful. Such attacks could disrupt our business operations, cause us to incur unanticipated losses or expenses, and result in unauthorized disclosures of confidential or proprietary information. We expect to continue to face such attempts. Although we seek to prevent, detect and investigate these network security incidents, and take steps to mitigate the likelihood of network security breaches, there can be no assurance that attacks by unauthorized users will not be attempted in the future or that our security measures will be effective. If we fail to effectively protect the confidentiality of our clients' or our own IP and proprietary information from disclosure or misuse by our employees, contractors or third parties, the financial results of the affected segment or the Company would be adversely affected. There is no certainty that we can maintain the confidentiality or prevent the misuse of our or our client information.

We may not manage our growth effectively, and our profitability may suffer.

We experience fluctuations in growth of our different segments, practices or services, including periods of rapid or declining growth. Periods of rapid expansion may strain our management team or human resources and information systems. To manage growth successfully, we may need to add qualified managers and employees and periodically update our operating, financial and other systems, as well as our internal procedures and controls. We also must effectively motivate, train and manage a larger professional staff. If we fail to add or retain qualified managers, employees and contractors when needed, estimate costs, or manage our growth effectively, our business, financial results and financial condition may suffer.

We cannot assure that we can successfully manage growth through acquisitions and the integration of the companies and assets we acquire or that they will result in the financial, operational and other benefits that we anticipate. Some acquisitions may not be immediately accretive to earnings, and some expansion may result in significant expenditures.

In periods of declining growth, underutilized employees and contractors may result in expenses and costs being a greater percentage of revenues. In such situations, we will have to weigh the benefits of decreasing our workforce or limiting our service offerings and saving costs against the detriment that the Company could experience from losing valued professionals and their industry expertise and clients.

Risks Related to Our Operations

Our international operations involve special risks.

Our international operations involve financial and business risks that differ from or are in addition to those faced by our U.S. operations, including:

- cultural and language differences;
- limited "brand" recognition;
- different employment laws and rules, employment or service contracts, compensation methods, and social and cultural factors that could result in employee turnover, lower utilization rates, higher costs and cyclical fluctuations in utilization that could adversely affect financial and operating results;

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- foreign currency disruptions and currency fluctuations between the U.S. dollar and foreign currencies that could adversely affect financial and operating results;
- different legal and regulatory requirements and other barriers to conducting business;
- greater difficulties in resolving the collection of receivables when legal proceedings are necessary;
- greater difficulties in managing our non-U.S. operations, including client relationships, in certain locations;
- disparate systems, policies, procedures and processes;
- failure to comply with the FCPA and anti-bribery laws of other jurisdictions;
- higher operating costs;
- longer sales and/or collections cycles;
- potential restrictions or adverse tax consequences for the repatriation of foreign earnings, such as trapped foreign losses and importation or withholding taxes;
- different or less stable political and/or economic environments;
- conflicts between and among the U.S. and countries in which we conduct business, including those arising from trade disputes or disruptions, the termination or suspension of treaties, or boycotts; and
- civil disturbances or other catastrophic events that reduce business activity.

If we are not able to quickly adapt to or effectively manage our operations in geographic markets outside the U.S., our business prospects and results of operations could be negatively impacted.

Failure to comply with governmental, regulatory and legal requirements or with our company-wide Code of Ethics and Business Conduct, Anti-Corruption Policy, Policy on Inside Information and Insider Trading, and other policies could lead to governmental or legal proceedings that could expose us to significant liabilities and damage our reputation.

We have a robust Code of Ethics and Business Conduct, Anti-Corruption Policy, Policy on Inside Information and Insider Trading, and other policies and procedures that are designed to educate and establish the standards of conduct that we expect from our executive officers, outside directors, employees, and independent consultants and contractors. These policies require strict compliance with U.S. and local laws and regulations applicable to our business operations, including those laws and regulations prohibiting improper payments to government officials. In addition, as a corporation whose securities are registered under the Securities Act and publicly traded on the NYSE, our executive officers, outside directors, employees and independent contractors are required to comply with the prohibitions against insider trading of our securities. In addition, we impose certain restrictions on the trading of securities of our clients. Nonetheless, we cannot assure our stakeholders that our policies, procedures and related training programs will ensure full compliance with all applicable legal requirements. Illegal or improper conduct by our executive officers, directors, employees, independent consultants or contractors, or others who are subject to our policies and procedures could damage our reputation in the U.S. and internationally or lead to litigation or governmental or regulatory proceedings in the U.S. or foreign jurisdictions, which could result in civil or criminal penalties, including substantial monetary awards, fines and penalties, as well as disgorgement of profits.

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We may be required to recognize goodwill impairment charges, which could materially affect our financial results.

We assess our goodwill, trade names and other intangible assets, as well as our other long-lived assets as and when required by GAAP to determine whether they are impaired and, if they are, to record appropriate impairment charges. Factors we consider include significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends. We have previously recorded impairment charges to the carrying value of goodwill of certain of our segments, and it is possible that we may be required to record significant impairment charges in the future. Such charges have had and could have an adverse impact on our results of operations.

Risks Related to Our People

Our failure to recruit and retain qualified professionals could negatively affect our financial results and our ability to staff client engagements, maintain relationships with clients and drive future growth.

We deliver sophisticated professional services to our clients. Our success is dependent, in large part, on our ability to keep our supply of skills and resources in balance with client demand around the world. To attract and retain clients, we need to demonstrate professional acumen and build trust and strong relationships. Our professionals have highly specialized skills. They also develop strong bonds with the clients they serve. Our continued success depends upon our ability to attract and retain professionals who have expertise, a good reputation and client relationships critical to maintaining and developing our business. We face intense competition in recruiting and retaining highly qualified professionals to drive our organic growth and support expansion of our services and geographic footprint. We cannot assure that we will be able to attract or retain qualified professionals to maintain or expand our business. If we are unable to successfully integrate, motivate and retain qualified professionals, our ability to continue to secure work in may suffer. Moreover, competition has caused our costs of retaining and hiring qualified professionals to increase, a trend that could continue and could adversely affect our operating margins and financial results.

Despite fixed terms or renewal provisions, we could face retention issues during and at the end of the terms of those agreements and large compensation expenses to secure extensions. There is no assurance we will enter into new or extend employment agreements with our professionals. We monitor contract expirations carefully to commence dialogues with professionals regarding their employment in advance of the actual contract expiration dates. Our goal is to renew employment agreements when advisable and to stagger the expirations of the agreements if possible. Because of the concentration of contract expirations in certain years, we may experience high turnover or other adverse consequences, such as higher costs, loss of clients and engagements or difficulty in staffing engagements, if we are unable to renegotiate employment arrangements or the costs of retaining qualified professionals become too high. The implementation of new compensation arrangements may result in the concentration of potential turnover in future years.

Headcount reductions to manage costs during periods of reduced demand for our services could have negative impacts on our business over the longer term.

Our people are our primary assets and account for the majority of our expenses. During periods of reduced demand for our services, or in response to unfavorable changes in market or industry conditions, we may seek to align our cost structure more closely with our revenues and increase our utilization rates by reducing headcount and eliminating or consolidating underused locations in affected business segments or practices. Following such actions, in response to subsequent increases in demand for our services, including as a result of favorable changes in market or industry conditions, we may need to hire, train and integrate additional qualified and skilled personnel and may be unable to do so to meet our needs or our clients' demands on a timely basis If we are unable to manage staffing levels on a timely basis in light of changing opportunities or conditions, our ability to accept or service business opportunities and client engagements, take advantage of positive market and industry developments, and realize future growth could be negatively affected, which could negatively impact our revenues and profitability. In addition, while increased utilization resulting from headcount reductions may enhance our profitability in the near term, it could negatively affect our business over the longer term by limiting the time our professionals have to seek out and cultivate new client relationships and win new projects.

We incur substantial costs to hire and retain our professionals, and we expect these costs to continue and to grow.

We may pay hiring or retention bonuses to secure the services of professionals. Those payments have taken the form of unsecured general recourse forgivable loans, stock options, restricted stock, cash-based stock appreciation rights and other equity- and cash-based awards, and cash payments to attract and retain our professional employees. We make forgivable loans to KSIP participants and may provide forgivable or other types of loans to new hires and professionals who join us in connection with acquisitions, as well as to select current employees and other professionals on a case-by-case basis. The

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aggregate amount of loans to professionals is significant. We expect to continue issuing unsecured general recourse forgivable loans.

We also provide significant additional payments under the KSIP and annual recurring equity or cash awards under the ICP, the Executive Committee incentive compensation arrangements and other compensation programs, including awards in the form of restricted stock and other stock- or cash-based awards or, alternatively, cash if we do not have adequate equity securities available under stockholder-approved equity plans.

In addition, our Economic Consulting segment has contracts with select economists or professionals that provide for compensation equal to a percentage of such individual's annual collected client fees plus a percentage of the annual fees generated by junior professionals working on engagements managed by such professionals, which results in compensation expenses for that segment being a higher percentage of revenues and EBITDA than the compensation paid by other segments. We expect that these arrangements will continue and that the Company may enter into similar arrangements with other economists and professionals hired by the Company.

We rely heavily on our executive officers and the heads of our operating segments and industry leaders for the success of our business.

We rely heavily on our executive officers and the heads of our operating segments, regional locations and industries to manage our operations. Given the highly specialized nature of our services and the scale of our operations, our executive officers and the heads of our operating segments and industry and regional leaders must have a thorough understanding of our service offerings, as well as the skills and experience necessary to manage a large organization in diverse geographic locations. We are unable to predict with certainty the impact that leadership transitions may have on our business operations, prospects, financial results, client relationships, or employee retention or morale.

Professionals may leave our Company to form or join competitors, and we may not have, or may choose not to pursue, legal recourse against such professionals.

Our professionals typically have close relationships with the clients they serve, based on their expertise and bonds of personal trust and confidence. Therefore, the barriers to our professionals pursuing independent business opportunities or joining our competitors should be considered low. Although our clients generally contract for services with us as a company, and not with an individual professional, in the event that a professional leaves, such clients may decide that they prefer to continue working with a specific professional rather than with our Company. Substantially all of our written employment arrangements with our senior managing directors and equivalent employees include non-competition and non-solicitation covenants. These restrictions have generally been drafted to comply with state "reasonableness" standards. However, states generally interpret restrictions on competition narrowly and in favor of employees. Therefore, a state may hold certain restrictions on competition to be unenforceable. In the case of employees outside the U.S., we draft non-competition provisions in an effort to comply with applicable foreign law. In the event an employee departs and acts in a way that we believe violates his or her non-competition or non-solicitation agreement, we will consider any legal remedies we may have against such person on a case-by-case basis. We may decide that preserving cooperation and a professional relationship with a former employee or client, or other concerns, outweighs the benefits of any possible legal recourse. We may also decide that the likelihood of success does not justify the costs of pursuing a legal remedy. Therefore, there may be times we may decide not to pursue legal action, even if it is available to us.

Risks Related to Our Client Relationships

If we are unable to accept client engagements due to real or perceived relationship issues, our revenues, growth, client engagements and prospects may be negatively affected.

Our inability to accept engagements from existing or prospective clients, represent multiple clients in connection with the same or competitive engagements, or any requirement that we resign from a client engagement may negatively impact our revenues, growth and financial results. While we follow internal practices to assess real and potential issues in the relationships between and among our clients, engagements, segments, practices and professionals, such concerns cannot always be avoided. For example, we generally will not represent parties adverse to each other in the same matter. Under U.S. federal bankruptcy rules, we generally may not represent both a debtor and its creditors in the same proceeding, and we are required to notify the U.S. Trustee of real or potential conflicts. Even if we begin a bankruptcy-related engagement, the U.S. Trustee could find that we no longer meet the disinterestedness standard because of real or potential changes in our status as a disinterested party and order us to resign, which could result in disgorgement of fees. Acquisitions may require us to resign from a client engagement because of relationship issues that are not currently identifiable. In addition, businesses that we acquire or employees who join us may not be free to accept engagements they could have accepted prior to our acquisition or hire because of relationship issues.

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Claims involving our services could harm our overall professional reputation and our ability to compete and attract business or hire or retain qualified professionals.

Our engagements involve matters that may result in a severe impact on a client's business, cause the client a substantial monetary loss or prevent the client from pursuing business opportunities. Our ability to attract new clients and generate new and repeat engagements or hire professionals depends upon our ability to maintain a high degree of client satisfaction, as well as our reputation among industry professionals. As a result, any claims against us involving the quality of our services may be more damaging than similar claims against businesses in other industries.

We may incur significant costs and may lose engagements as a result of claims by our clients regarding our services.

Many of our engagements involve complex analysis and the exercise of professional judgment, including litigation and governmental investigatory matters where we act as experts. Therefore, we are subject to the risk of professional and other liabilities. Although we believe we maintain an appropriate amount of insurance, it is limited. Damages and/or expenses resulting from any successful claim against us, for indemnity or otherwise, in excess of the amount of insurance coverage will be borne directly by us and could harm our profitability and financial resources. Any claim by a client or third party against us could expose us to reputational issues that adversely affect our ability to attract new or maintain existing engagements or clients or qualified professionals or other employees, consultants or contractors.

Our clients may terminate our engagements with little or no notice and without penalty, which may result in unexpected declines in our utilization and revenues.

Our engagements center on transactions, disputes, litigation and other event-driven occurrences that require independent analysis or expert services. Transactions may be postponed or canceled, litigation may be settled or dismissed, and disputes may be resolved, in each case with little or no prior notice to us. If we cannot manage our work in process, our professionals may be underutilized until we can reassign them or obtain new engagements, which can adversely affect financial results.

The engagement letters that we typically enter into with clients do not obligate them to continue to use our services. Typically, our engagement letters permit clients to terminate our services at any time without penalties. In addition, our business involves large client engagements that we staff with a substantial number of professionals. At any time, one or more client engagements may represent a significant portion of a segment's revenues. If we are unable to replace clients or revenues as engagements end or if clients unexpectedly cancel engagements with us or curtail the scope of our engagements and we are unable to replace the revenues from those engagements, eliminate the costs associated with those engagements or find other engagements to utilize our professionals, the financial results of the Company could be adversely affected.

We may not have, or may choose not to pursue, legal remedies against clients that terminate their engagements.

The engagement letters that we typically have with clients do not obligate them to continue to use our services and permit them to terminate the engagement without penalty at any time. Even if the termination of an ongoing engagement by a client could constitute a breach of the client's engagement agreement, we may decide that preserving the overall client relationship is more important than seeking damages for the breach and, for that or other reasons, decide not to pursue any legal remedies against a client, even though such remedies may be available to us. We make the determination whether to pursue any legal actions against a client on a case-by-case basis.

Failures of our internal information technology systems controls.

Our reputation for providing secure information storage and maintaining the confidentiality of proprietary, confidential and trade secret information is critical to the success of our businesses, especially our Technology segment, which hosts client information as a service. We routinely face cyber-based attacks and attempts by hackers and similar unauthorized users to gain access to or corrupt our information technology systems, which so far have been unsuccessful. Such attacks could disrupt our business operations, cause us to incur unanticipated losses or expenses, and result in unauthorized disclosures of confidential or proprietary information. We expect to continue to face such attempts. Although we seek to prevent, detect and investigate these network security incidents and have taken steps to mitigate the likelihood of network security breaches, there can be no assurance that attacks by unauthorized users will not be attempted in the future or that our security measures will be effective.

Compromise of confidential or proprietary information could damage our reputation, harm our businesses and adversely impact our financial results.

The Company's own confidential and proprietary information and that of our clients could be compromised, whether intentionally or unintentionally, by our employees, consultants or vendors. A compromise of the security of our information technology systems leading to theft or misuse of our own or our clients' proprietary or confidential information, or the public disclosure or use of such information by others, could result in losses, third-party claims against us and reputational harm,

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including the loss of clients. The theft or compromise of our or our clients' information could negatively impact our reputation, financial results and prospects. In addition, if our reputation is damaged due to a data security breach, our ability to attract new engagements and clients may be impaired or we may be subjected to damages or penalties, which could negatively impact our businesses, financial results or financial condition.

Governmental focus on data privacy and security could increase our costs of operations.

In reaction to publicized incidents in which electronically stored personal and other information has been lost, accessed or stolen, or transmitted by or to third parties without permission, U.S. and non-U.S. governmental authorities have proposed or adopted or are considering proposing or adopting data security and/or data privacy statutes or regulations. Continued governmental focus on data security and privacy may lead to additional legislative and regulatory action, which could increase the complexity of doing business in the U.S. or the applicable jurisdiction. The increased emphasis on information security and the requirements to comply with applicable U.S. and foreign data security and privacy laws and regulations may increase our costs of doing business and negatively impact our financial results.

Risks Related to Competition

If we fail to compete effectively, we may miss new business opportunities or lose existing clients, and our revenues and profitability may decline.

The market for some of our consulting services is highly competitive. We do not compete against the same companies across all of our segments, practices, services, industries or geographic regions. Instead, we compete with different companies or businesses of companies depending on the particular nature of a proposed engagement and the types of requested service(s) and the location of the client or delivery of the service(s). Our operations are highly competitive.

Our competitors include large organizations, such as the global accounting firms and the large management and financial consulting companies that offer a broad range of consulting services; investment banking firms; IT consulting and software companies, which offer niche services that are the same or similar to services or products offered by one or more of our segments; and small firms and independent contractors that focus on specialized services. Some of our competitors have significantly more financial resources, a larger national or international presence, larger professional staffs and greater brand recognition than we do. Some have lower overhead and other costs and can compete through lower cost-service offerings.

Since our business depends in large part on professional relationships, our business has low barriers to entry for professionals electing to start their own firms or work independently. In addition, it is relatively easy for professionals to change employers.

If we cannot compete effectively or if the costs of competing, including the costs of hiring and retaining professionals, become too expensive, our revenue growth and financial results could be negatively affected and may differ materially from our expectations.

We may face competition from parties who sell us their businesses and from professionals who cease working for us.

In connection with our acquisitions, we generally obtain non-solicitation agreements from the professionals we hire, as well as non-competition agreements from senior managers and professionals. The agreements prohibit such individuals from competing with us during the term of their employment and for a fixed period afterwards and from seeking to solicit our employees or clients. In some cases, but not all, we may obtain non-competition or non-solicitation agreements from parties who sell us their businesses or assets. The duration of post-employment non-competition and non-solicitation agreements typically ranges from six to 12 months. Non-competition agreements with the sellers of businesses or assets that we acquire typically continue longer than 12 months. Certain activities may be carved out of, or otherwise may not be prohibited by, these arrangements. We cannot assure that one or more of the parties from whom we acquire a business or assets, or who do not join us or leave our employment, will not compete with us or solicit our employees or clients in the future. States and foreign jurisdictions may interpret restrictions on competition narrowly and in favor of employees or sellers. Therefore, certain restrictions on competition or solicitation may be unenforceable. In addition, we may not pursue legal remedies if we determine that preserving cooperation and a professional relationship with a former employee or his or her clients, or other concerns, outweighs the benefits of any possible legal recourse or the likelihood of success does not justify the costs of pursuing a legal remedy. Such persons, because they have worked for our Company or a business that we acquire, may be able to compete more effectively with us, or be more successful in soliciting our employees and clients, than unaffiliated third parties.

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Risks Related to Acquisitions

We will consider future strategic or opportunistic acquisitions. In those cases, some or all of the following risks could be applicable.

We may have difficulty integrating acquisitions or convincing clients to allow assignment of their engagements to us, which can reduce the benefits we receive from acquisitions.

The process of managing and integrating acquisitions into our existing operations may result in unforeseen operating difficulties and may require significant financial, operational and managerial resources that would otherwise be available for the operation, development and organic expansion of our existing operations. To the extent that we misjudge our ability to properly manage and integrate acquisitions, we may have difficulty achieving our operating, strategic and financial objectives.

Acquisitions also may involve a number of special financial, business and operational risks, such as:

- difficulties in integrating diverse corporate cultures and management styles;
- disparate policies and practices;
- client relationship issues;
- decreased utilization during the integration process;
- loss of key existing or acquired personnel;
- increased costs to improve or coordinate managerial, operational, financial and administrative systems;
- dilutive issuances of equity securities, including convertible debt securities, to finance acquisitions;
- the assumption of legal liabilities;
- future earn-out payments or other price adjustments;
- potential future write-offs relating to the impairment of goodwill or other acquired intangible assets or the revaluation of assets;
- difficulty or inability to collect receivables; and
- undisclosed liabilities.

In addition to the integration challenges mentioned above, our acquisitions of non-U.S. companies offer distinct integration challenges relating to foreign laws and governmental regulations, including tax and employee benefit laws, and other factors relating to operating in countries other than the U.S., which we have addressed above in the discussion regarding the difficulties we may face operating globally.

Asset transactions may require us to seek client consents to the assignment of their engagements to us or a subsidiary. All clients may not consent to assignments. In certain cases, such as government contracts and bankruptcy engagements, the consent of clients cannot be solicited until after the acquisition has closed. Further, such engagements may be subject to security clearance requirements or bidding provisions with which we might not be able to comply. There is no assurance that clients of the acquired entity or local, state, federal or foreign governments will agree to novate or assign their contracts to us.

The Company may also hire groups of selected professionals from another company. In such event, there may be restrictions on the ability of the professionals who join the Company to compete and work on client engagements. In addition, the Company may enter into arrangements with the former employers of those professionals regarding limitations on their work until any time restrictions pass. In such circumstances, there is no assurance that the Company will enter into mutually agreeable arrangements with any former employer, and the utilization of such professionals may be limited, and our financial results could be negatively affected until their restrictions end. The Company could also face litigation risks from group hires.

We may be unable to take advantage of opportunistic acquisition situations, which may adversely affect our ability to expand or diversify our business.

At the time an acquisition opportunity presents itself, internal and external pressures (including, but not limited to, competition for such acquisition, the cost of such acquisition, borrowing capacity under our senior secured bank revolving

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credit facility (as amended and restated on November 30, 2018, the "Credit Facility") or the availability and cost of alternative financing) may cause us to be unable to pursue or complete an acquisition.

An acquisition may not be accretive in the near term or at all.

Competitive market conditions may require us to pay a price that represents a higher multiple of revenues or profits for an acquisition. As a result of these competitive dynamics, cost of the acquisition or other factors, certain acquisitions may not be accretive to our overall financial results at the time of the acquisition or at all.

We may have a different system of governance and management from a company we acquire or its parent, which could cause professionals who join us from an acquired company to leave us.

Our governance and management policies and practices will not mirror the policies and practices of an acquired company or its parent. In some cases, different management practices and policies may lead to workplace dissatisfaction on the part of professionals who join our Company. Some professionals may choose not to join our Company or leave after joining us. Existing professionals may leave us as well. The loss of key professionals may harm our business and financial results and cause us not to realize the anticipated benefits of the acquisition.

Due to fluctuations in our stock price, acquisition candidates may be reluctant to accept shares of our common stock as purchase price consideration, use of our shares as purchase price consideration may be dilutive or the owners of certain companies we seek to acquire may insist on stock price guarantees.

We may structure an acquisition to pay a portion of the purchase price in shares of our common stock. The number of shares issued as consideration is typically based on an average closing price per share of our common stock for a number of days prior to the closing of such acquisition. We believe that payment in the form of shares of common stock of FTI Consulting provides the acquired entity and its principals with a vested interest in the future success of the acquisition and the Company. Stock market volatility, generally, or FTI Consulting's stock price volatility, specifically, may result in acquisition candidates being reluctant to accept our shares as consideration. In such cases, we may have to issue more shares if stock constitutes part of the consideration, offer stock price guarantees, pay the entire purchase price in cash or negotiate an alternative price structure. The result may be an increase in the cost of an acquisition.

Certain past acquisition-related agreements have contained stock price guarantees that resulted in cash payments in the future if the price per share of FTI Consulting common stock fell below a specified per share market value on the date restrictions lapse. There is no assurance that an acquisition candidate will not negotiate stock price guarantees with respect to a future acquisition, which may increase the cost of such acquisition.

Risks Related to Our Indebtedness

Our leverage could adversely affect our financial condition or operating flexibility if the Company fails to comply with operating covenants under applicable debt instruments.

Our Credit Facility, or our other indebtedness outstanding from time to time, contains or may contain operating covenants that may, subject to exceptions, limit our ability and the ability of our subsidiaries to, among other things:

- create, incur or assume certain liens;
- make certain restricted payments, investments and loans;
- create, incur or assume additional indebtedness or guarantees;
- create restrictions on the payment of dividends or other distributions to us from our restricted subsidiaries;
- engage in M&A transactions, consolidations, sale-leasebacks, joint ventures, and asset and security sales and dispositions;
- pay dividends or redeem or repurchase our capital stock;
- alter the business that we and our subsidiaries conduct;
- engage in certain transactions with affiliates;
- modify the terms of certain indebtedness;
- prepay, redeem or purchase certain indebtedness; and

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- make material changes to accounting and reporting practices.

In addition, the Credit Facility includes a financial covenant that requires us not to exceed a maximum consolidated total net leverage ratio (the ratio of funded debt (less unrestricted cash up to $150.0 million) to Consolidated EBITDA, as defined in the Credit Facility).

Operating results below a certain level or other adverse factors, including a significant increase in interest rates, could result in us being unable to comply with certain covenants. If we violate any applicable covenants and are unable to obtain waivers, our agreements governing our indebtedness or other applicable agreement could be declared in default and could be accelerated, which could permit, in the case of secured debt, the lenders to foreclose on our assets securing the debt thereunder. If the indebtedness is accelerated, we may not be able to repay our debt or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our debt is in default for any reason, our cash flows, financial results or financial condition could be materially and adversely affected. In addition, complying with these covenants may cause us to take actions that are not favorable to holders of our indebtedness outstanding from time to time and may make it more difficult for us to successfully execute our business strategy and compete against companies that are not subject to such restrictions.

Despite our current level of indebtedness, we and our subsidiaries may still incur significant additional indebtedness, which could further exacerbate the risks associated with our substantial indebtedness.

Our current level of indebtedness could have important consequences on our future operations. We and our subsidiaries may be able to incur substantial additional indebtedness, including additional secured indebtedness, in the future. The terms of the indenture, dated as of August 20, 2018, between us and U.S. Bank National Association, as trustee (the "Indenture") governing the 2.0% Convertible Senior Notes due 2023 (the “2023 Convertible Notes”) do not restrict us from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the Indenture. The terms of the agreements governing our Credit Facility and other indebtedness limit, but do not prohibit, us from incurring additional indebtedness.

Our ability to incur additional indebtedness may have the effect of reducing the funds available to pay amounts due with respect to our indebtedness. If we incur new indebtedness or other liabilities, the related risks that we and our subsidiaries may face could intensify.

We may not be able to generate sufficient cash to service our indebtedness, and we may be forced to take other actions to satisfy our payment obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our indebtedness depends on our future performance, including the performance of our subsidiaries, which will be affected by financial, business and economic conditions, competition and other factors. We will not be able to control many of these factors, such as the general economy, economic conditions in the industries in which we operate and competitive pressures. Our cash flow may not be sufficient to allow us to pay principal and interest on our indebtedness and to meet our other obligations. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital, or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In addition, the terms of existing or future debt agreements, including our Credit Facility, may restrict us from pursuing any of these alternatives.

In the event that we need to refinance all or a portion of our outstanding indebtedness before maturity or as it matures, we may not be able to obtain terms as favorable as the terms of our existing indebtedness or refinance our existing indebtedness at all. If interest rates or other factors existing at the time of refinancing result in higher interest rates upon refinancing, we will incur higher interest expense. Furthermore, if any rating agency changes our credit rating or outlook, our debt and equity securities could be negatively affected, which could adversely affect our financial condition and financial results.

Our Credit Facility is guaranteed by substantially all of our domestic subsidiaries and will be required to be guaranteed by future domestic subsidiaries, including those that join us in connection with acquisitions.

Substantially all of our U.S. subsidiaries guarantee our obligations under our Credit Facility, and substantially all of their assets are pledged as collateral for the Credit Facility. Future U.S. subsidiaries will be required to provide similar guarantees under the Credit Facility. If we default on any guaranteed indebtedness, our U.S. subsidiaries could be required to make payments under their guarantees, and our senior secured creditors could foreclose on our U.S. subsidiaries’ assets to satisfy unpaid obligations, which would materially adversely affect our business and financial results.

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We may not have the ability to raise the funds necessary to settle conversions of the 2023 Convertible Notes or to repurchase the 2023 Convertible Notes upon a fundamental change, and the agreements governing our other indebtedness contain, and our future debt may contain, limitations on our ability to pay cash upon conversion or repurchase of the 2023 Convertible Notes.

Holders of the 2023 Convertible Notes will have the right to require us to repurchase their 2023 Convertible Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the 2023 Convertible Notes to be repurchased, plus any accrued and unpaid interest. In addition, upon conversion of the 2023 Convertible Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2023 Convertible Notes being converted in accordance with the terms of the Indenture governing the 2023 Convertible Notes. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the 2023 Convertible Notes. Our Credit Facility prohibits us from making any cash payments on the conversion or repurchase of the 2023 Convertible Notes if a default or an event of default under that facility exists or would result from such conversion or repurchase, or if, after giving effect to such conversion or repurchase (and any additional indebtedness incurred in connection with such conversion or a repurchase), we would not be in pro forma compliance with certain financial tests under that the Credit Facility.

Any new credit facility that we may enter into may have similar restrictions. In addition, our ability to repurchase the 2023 Convertible Notes or to pay cash upon conversions of the 2023 Convertible Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase the 2023 Convertible Notes at a time when the repurchase is required by the Indenture or to pay any cash payable on future conversions of the Notes as required by the Indenture would constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our existing and future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2023 Convertible Notes or make cash payments upon conversions thereof.

The conditional conversion feature of the 2023 Convertible Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2023 Convertible Notes is triggered, holders of the 2023 Convertible Notes will be entitled to convert the 2023 Convertible Notes at their option at any time during specific periods listed in the Indenture governing the 2023 Convertible Notes. If one or more holders elect to convert their 2023 Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2023 Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2023 Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the 2023 Convertible Notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"), an entity must separately account for the liability and equity components of convertible debt instruments (such as the 2023 Convertible Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the 2023 Convertible Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the 2023 Convertible Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the 2023 Convertible Notes to their face amount over the term of the 2023 Convertible Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the 2023 Convertible Notes.

In addition, under certain circumstances, convertible debt instruments (such as the 2023 Convertible Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the 2023 Convertible Notes are not included in the calculation of diluted earnings per share, except to the extent that the conversion value of the 2023 Convertible Notes exceeds their principal amount. Under the treasury

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stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, is issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the 2023 Convertible Notes, then our diluted earnings per share would be adversely affected.

Our variable rate indebtedness will subject us to interest rate risk, which could cause our annual debt service obligations to increase significantly.

Borrowings under our Credit Facility will be at variable rates of interest, which expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our cash flow could be adversely affected. An increase in debt service obligations under our variable rate indebtedness could affect our ability to make payments required under the terms of the agreements governing our indebtedness or our other indebtedness outstanding from time to time.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our executive offices located in Washington, D.C., consist of 93,507 square feet under a lease expiring April 2028. Our principal corporate facilities located in Bowie, Maryland, consist of 30,835 square feet under a lease expiring April 2028. We also lease offices to support our operations in 45 other cities across the U.S., including New York, Chicago, Denver, Houston, Dallas, Los Angeles and San Francisco, and we lease office space to support our international locations in 27 countries — the United Kingdom, Ireland, Finland, France, Germany, Spain, Belgium, Denmark, Israel, Australia, Malaysia, China (including Hong Kong), Japan, Singapore, the United Arab Emirates, South Korea, South Africa, Argentina, Brazil, Colombia, Mexico, Canada, Indonesia, India, Qatar, the Cayman Islands and the British Virgin Islands. We believe our existing leased facilities are adequate to meet our current requirements and that suitable space will be available as needed.

ITEM 3. LEGAL PROCEEDINGS

From time to time in the ordinary course of business, we are subject to claims, asserted or unasserted, or named as a party to lawsuits or investigations. Litigation, in general, and IP and securities litigation, in particular, can be expensive and disruptive to normal business operations. Moreover, the results of legal proceedings cannot be predicted with any certainty, and in the case of more complex legal proceedings, such as IP and securities litigation, the results are difficult to predict at all. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from those anticipated at the time. We currently are not aware of any asserted or unasserted legal proceedings or claims that we believe would have a material adverse effect on our financial condition or results of our operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock currently trades on the NYSE under the symbol FCN. As of January 31, 2019, the number of holders of record of our common stock was 181.

Securities Authorized for Issuance under Equity Compensation Plans

The following table includes the number of shares of common stock of the Company authorized or to be issued upon exercise of outstanding options, warrants and rights awarded under our employee equity compensation plans as of December 31, 2018.

	(a)		(b)	(c)	
Plan Category	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights		Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))	
	(in thousands, except per share data)				
Equity compensation plans approved by our security holders	881	(1)	$ 36.48	1,747	(3)
Equity compensation plans not approved by our security holders	54	(2)	36.75	—	
Total	935		$ 36.50	1,747	

(1) Includes up to (i) 11,826 shares of common stock issuable upon vesting and exercise of outstanding stock options granted under our 2004 Long-Term Incentive Plan (as Amended and Restated Effective as of May 14, 2008); (ii) 70,523 shares of common stock issuable upon vesting and exercise of outstanding stock options granted under our 2006 Global Long-Term Incentive Plan (as Amended and Restated Effective as of May 14, 2008); and (iii) 798,968 shares of common stock issuable upon vesting and exercise of outstanding stock options granted under our 2009 Omnibus Incentive Compensation Plan (as Amended and Restated Effective as of June 3, 2015).

(2) Includes up to 53,552 shares of common stock issuable upon exercise of fully vested stock options granted as employment inducement on July 30, 2014 to an executive officer hire pursuant to Rule 303.08 of the NYSE.

(3) Includes 1,746,500 shares of common stock available for issuance under our 2017 Omnibus Incentive Compensation Plan, all of which are available for stock-based awards.

Issuances of Unregistered Securities

Not Applicable.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information with respect to purchases we made of our common stock during the fourth quarter of 2018.

	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [1]		Approximate Dollar Value That May yet Be Purchased under the Program
			(in thousands, except per share data)			
October 1 through October 31, 2018	—		$ —	—		$ 99,099
November 1 through November 30, 2018	93	[2]	$ 67.35	90	[4]	$ 93,047
December 1 through December 31, 2018	332	[3]	$ 62.22	329	[5]	$ 72,582
Total	425			419		

(1) On June 2, 2016, our Board of Directors authorized a stock repurchase program of up to $100.0 million (the "Repurchase Program"). On each of May 18, 2017 and December 1, 2017, our Board of Directors authorized an additional $100.0 million, increasing the Repurchase Program to an aggregate authorization of $300.0 million. During the year ended December 31, 2018, we repurchased an aggregate of 755,803 shares of our outstanding common stock under the Repurchase Program at an average repurchase price of $53.88 per share for a total cost of approximately $40.7 million.

(2) Includes 3,322 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.

(3) Includes 3,216 shares of common stock withheld to cover payroll tax withholdings related to the lapse of restrictions on restricted stock.

(4) During the month ended November 30, 2018, we repurchased and retired 89,824 shares of common stock, at an average per share price of $67.35, for an aggregate cost of $6.0 million.

(5) During the month ended December 31, 2018, we repurchased and retired 328,904 shares of common stock, at an average per share price of $62.20, for an aggregate cost of $20.5 million.

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ITEM 6. SELECTED FINANCIAL DATA

We derived the selected financial data presented below for the periods or dates indicated from our consolidated financial statements. The data below should be read in conjunction with our consolidated financial statements, related notes and other financial information appearing in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 8 of this Annual Report.

A number of factors have caused our results of operations and financial position to vary significantly from one year to the next and can make it difficult to evaluate period-to-period comparisons because of a lack of comparability. The most significant of these factors include: acquisitions, goodwill impairment charges, special charges and stock repurchases.

Income Statement, Balance Sheet and Stockholders' Equity Data

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands, except per share data)				
Income Statement Data					
Revenues	$ 2,027,877	$ 1,807,732	$ 1,810,394	$ 1,779,149	$ 1,756,212
Operating Expenses					
Direct cost of revenues	1,328,074	1,215,560	1,210,771	1,171,444	1,144,757
Selling, general and administrative expenses	465,636	432,013	436,716	431,468	432,169
Special charges	—	40,885	10,445	—	16,339
Amortization of other intangible assets	8,162	10,563	10,306	11,726	15,521
	1,801,872	1,699,021	1,668,238	1,614,638	1,608,786
Operating income	226,005	108,711	142,156	164,511	147,426
Interest income and other	4,977	3,752	10,466	3,232	4,670
Interest expense	(27,149)	(25,358)	(24,819)	(42,768)	(50,685)
Gain on sale of business	13,031	—	—	—	—
Loss on early extinguishment of debt	(9,072)	—	—	(19,589)	—
Income before income tax provision (benefit)	207,792	87,105	127,803	105,386	101,411
Income tax provision (benefit)	57,181	(20,857)	42,283	39,333	42,604
Net income	$ 150,611	$ 107,962	$ 85,520	$ 66,053	$ 58,807
Earnings per common share — basic	$ 4.06	$ 2.79	$ 2.09	$ 1.62	$ 1.48
Earnings per common share — diluted	$ 3.93	$ 2.75	$ 2.05	$ 1.58	$ 1.44
Weighted average number of common shares outstanding					
Basic	37,098	38,697	40,943	40,846	39,726
Diluted	38,318	39,192	41,709	41,729	40,729

	December 31,				
	2018	2017	2016	2015	2014
			(in thousands)		
Balance Sheet Data					
Cash and cash equivalents	$ 312,069	$ 189,961	$ 216,158	$ 149,760	$ 283,680
Working capital [1]	$ 482,783	$ 383,851	$ 404,716	$ 394,548	$ 489,749
Total assets	$ 2,379,121	$ 2,257,241	$ 2,225,368	$ 2,229,018	$ 2,391,599
Long-term debt, net	$ 265,571	$ 396,284	$ 365,528	$ 494,772	$ 699,404
Stockholders' equity	$ 1,348,825	$ 1,191,971	$ 1,207,358	$ 1,147,603	$ 1,102,746

[1] Working capital is defined as current assets less current liabilities.

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	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in thousands)				
Stockholders' Equity Data					
Shares of common stock repurchased and retired	952	4,674	537	765	—
Total cost	$ 55,722	$ 168,001	$ 21,479	$ 26,516	$ —

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our consolidated financial condition, results of operations, liquidity and capital resources for each of the three years in the period ended December 31, 2018 and significant factors that could affect our prospective financial condition and results of operations. This discussion should be read in conjunction with our consolidated financial statements and notes included in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K (the “Annual Report”). Historical results and any discussion of prospective results may not indicate our future performance.

Business Overview

FTI Consulting is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political and regulatory, reputational and transactional. Individually, each of our practices is staffed with experts recognized for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle, from proactive risk management to rapid response to unexpected events and dynamic environments.

We report financial results for the following five reportable segments:

Our **Corporate Finance & Restructuring (“Corporate Finance”)** segment focuses on the strategic, operational, financial and capital needs of our clients around the world and delivers a wide range of service offerings related to restructuring, business transformation and transaction support. Our restructuring practice includes corporate restructuring, including bankruptcy and interim management services. Our business transformation and transactions support practices include financings, mergers and acquisitions ("M&A"), M&A integration, valuations and tax advice, as well as financial, operational and performance improvement services.

Our **Forensic and Litigation Consulting (“FLC”)** segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services, as well as interim management and performance improvement services for our health solutions practice clients.

Our **Economic Consulting** segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the United States ("U.S.") and around the world.

Our **Technology** segment offers a comprehensive portfolio of information governance and electronic discovery ("e-discovery") software, services and consulting support to companies, law firms, courts and government agencies worldwide. Our services allow our clients to control the risk and expense of e-discovery events more confidently, as well as manage their data in the context of compliance and risk.

Our **Strategic Communications** segment designs and executes communications strategies for management teams and boards of directors to help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their brand, stake a competitive position, and preserve and grow their operations.

We derive substantially all of our revenues from providing professional services to both U.S. and global clients. Most of our services are rendered under time-and-expense arrangements that obligate the client to pay us a fee for the hours that we incur at agreed-upon rates. Under this arrangement, we typically bill our clients for reimbursable expenses, which may include the cost of producing our work product and other direct expenses that we incur on behalf of the client, such as travel costs. We also render services for which certain clients may be required to pay us a fixed fee or recurring retainer. These arrangements are generally cancelable at any time. Some of our engagements contain performance-based arrangements in which we earn a success fee when and if certain predefined outcomes occur. This type of success fee may supplement a time-and-expense or fixed fee arrangement. Success fee revenues may cause variations in our revenues and operating results due to the timing of achieving the performance-based criteria. Seasonal factors, such as the timing of our employees’ and clients’ vacations and holidays, may impact the timing of our revenues across our segments.

In our Technology segment, certain clients are billed based on the amount of data stored on our electronic systems, the volume of information processed or the number of users licensing our Ringtail® software prior to its sale in September 2018, and our other software products. We licensed, and in some cases continue to license, certain products directly to end users, as well as indirectly through our channel partner relationships. Unit-based revenues are defined as revenues billed on a per item, per page or some other unit-based method and include revenues from data processing and hosting, software usage and software

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licensing. Unit-based revenues include revenues associated with the software products that are made available to customers, either via a web browser (“on-demand”) or installed at our customer or partner locations (“on-premise”). On-demand revenues are charged on a unit or monthly basis and include, but are not limited to, processing and review related functions. On-premise revenues are composed of upfront license fees, with recurring support and maintenance.

Our financial results are primarily driven by:

- the number, size and type of engagements we secure;
- the rate per hour or fixed charges we charge our clients for services;
- the utilization rates of the revenue-generating professionals we employ;
- the timing of revenue recognition related to revenues subject to certain performance-based contingencies;
- the number of revenue-generating professionals;
- licensing of our software products and other technology services;
- the types of assignments we are working on at different times;
- the length of the billing and collection cycles; and
- the geographic locations of our clients or locations in which services are rendered.

We define acquisition growth as revenues of acquired companies in the first 12 months following the effective date of an acquisition. Our definition of organic growth is the change in revenues, excluding the impact of all such acquisitions.

When significant, we identify the estimated impact of foreign currency translation (“FX”) driven by our businesses with functional currencies other than the U.S. dollar (“USD”), on the period-to-period performance results. The estimated impact of FX is calculated as the difference between the prior period results multiplied by the average foreign currency exchange rates to USD in the current period and the prior period results, multiplied by the average foreign currency rates to USD in the prior period.

Non-GAAP Financial Measures

In the accompanying analysis of financial information, we sometimes use information derived from consolidated and segment financial information that may not be presented in our financial statements or prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). Certain of these financial measures are considered “not in conformity with GAAP ("non-GAAP financial measures”) under the U.S. Securities and Exchange Commission (“SEC”) rules. Specifically, we have referred to the following non-GAAP financial measures:

- Total Segment Operating Income
- Adjusted EBITDA
- Total Adjusted Segment EBITDA
- Adjusted EBITDA Margin
- Adjusted Net Income
- Adjusted Earnings per Diluted Share
- Free Cash Flow

We have included the definitions of Segment Operating Income (Loss) and Adjusted Segment EBITDA below in order to more fully define the components of certain non-GAAP financial measures in the accompanying analysis of financial information. As described in Note 18, “Segment Reporting” in Part II, Item 8, “Financial Statements and Supplementary Data” of this Annual Report, we evaluate the performance of our operating segments based on Adjusted Segment EBITDA, and Segment Operating Income (Loss) is a component of the definition of Adjusted Segment EBITDA.

We define Segment Operating Income (Loss), a GAAP financial measure, as a segment’s share of consolidated operating income. We define Total Segment Operating Income, which is a non-GAAP financial measure, as the total of Segment

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Operating Income (Loss) for all segments, which excludes unallocated corporate expenses. We use Segment Operating Income (Loss) for the purpose of calculating Adjusted Segment EBITDA. We define Adjusted Segment EBITDA, a GAAP financial measure as a segment's share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We use Adjusted Segment EBITDA as a basis to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment's ability to generate cash. We define Adjusted EBITDA Margin as Adjusted EBITDA as a percentage of total revenues.

We define Total Adjusted Segment EBITDA, which is a non-GAAP financial measure, as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We define Adjusted EBITDA, which is a non-GAAP financial measure, as consolidated net income before income tax provision, other non-operating income (expense), depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, gain or loss on sale of a business and losses on early extinguishment of debt. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results and GAAP financial measures, provide management and investors with a more complete understanding of our operating results, including underlying trends. In addition, EBITDA is a common alternative measure of operating performance used by many of our competitors. It is used by investors, financial analysts, rating agencies and others to value and compare the financial performance of companies in our industry. Therefore, we also believe that these measures, considered along with corresponding GAAP financial measures, provide management and investors with additional information for comparison of our operating results with the operating results of other companies.

We define Adjusted Net Income and Adjusted Earnings per Diluted Share ("Adjusted EPS"), which are non-GAAP financial measures, as net income and earnings per diluted share ("EPS"), respectively, excluding the impact of remeasurement of acquisition-related contingent consideration, special charges, goodwill impairment charges, losses on early extinguishment of debt, non-cash interest expense on convertible notes, gain or loss on sale of a business and the impact of adopting the 2017 U.S. Tax Cuts and Jobs Act (the "2017 Tax Act"). We use Adjusted Net Income for the purpose of calculating Adjusted EPS. Management uses Adjusted EPS to assess total Company operating performance on a consistent basis. We believe that these non-GAAP financial measures, when considered together with our GAAP financial results, provide management and investors with an additional understanding of our business operating results, including underlying trends.

We define Free Cash Flow, which is a non-GAAP financial measure, as net cash provided by operating activities less cash payments for purchases of property and equipment. We believe this non-GAAP financial measure, when considered together with our GAAP financial results, provides management and investors with an additional understanding of the Company's ability to generate cash for ongoing business operations and other capital deployment.

Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable with other similarly titled measures of other companies. Non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, the information contained in our Consolidated Statements of Comprehensive Income. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are included elsewhere in this report.

AMERICAN OVERSIGHT

Full Year 2018 Executive Highlights
Financial Highlights

	Year Ended December 31,		
	2018	2017	% Growth
	(dollar amounts in thousands, except per share amounts)		
Revenues	$ 2,027,877	$ 1,807,732	12.2%
Special charges	$ —	$ 40,885	-100.0%
Net income	$ 150,611	$ 107,962	39.5%
Adjusted EBITDA	$ 265,703	$ 192,038	38.4%
Earnings per common share — diluted	$ 3.93	$ 2.75	42.9%
Adjusted earnings per common share — diluted	$ 4.00	$ 2.32	72.4%
Net cash provided by operating activities	$ 230,672	$ 147,625	56.3%
Total number of employees as of December 31	4,768	4,609	3.4%

Revenues

Revenues increased $220.1 million, or 12.2%, from 2017 to 2018. The increase in revenues was primarily due to higher global demand across all segments, particularly in our Corporate Finance and FLC segments.

Special charges

There were no special charges in 2018. For the year ended December 31, 2017, we recorded special charges of $40.9 million related to certain targeted reductions of staff in areas of each segment to realign our workforce with current business demand. In addition, cost-cutting actions were taken in certain corporate departments where we were able to streamline support activities and reduce our real estate costs.

Gain on sale of business

During the year ended December 31, 2018, we sold our Ringtail® e-discovery software and related business (collectively, "Ringtail"). The net proceeds from the sale were $50.3 million, which resulted in a pre-tax gain of $13.0 million.

Loss on early extinguishment of debt

In order to more effectively utilize the Company’s growing cash balances, maintain financial flexibility and reduce cash interest, we issued $316.3 million aggregate principal amount of 2.0% convertible senior notes due 2023 ("2023 Convertible Notes") and used a portion of the proceeds, along with cash on hand, to retire $300 million aggregate principal amount of 6.0% senior notes due 2022 (the “2022 Notes”) during 2018. We recognized a $9.1 million loss on early extinguishment of debt for 2018, consisting primarily of a redemption premium of $6.0 million and a $3.1 million non-cash write-off of unamortized deferred financing costs. The impact of early extinguishment of debt is excluded from the calculation of Adjusted EBITDA.

Net income

Net income increased $42.6 million, or 39.5%, from 2017 to 2018. This increase was primarily due to higher operating profits across all business segments and a $13.0 million gain related to the sale of Ringtail, which were partially offset by a $9.1 million loss on early extinguishment of debt and $3.0 million of non-cash interest on convertible notes. Net income in 2017 included a $44.9 million net tax benefit to reflect the impact of adopting the 2017 Tax Act, which was nearly offset by $40.9 million in pre-tax special charges related to headcount and real estate reductions.

Adjusted EBITDA

Adjusted EBITDA increased $73.7 million, or 38.4%, from 2017 to 2018. Adjusted EBITDA was 13.1% of revenues for the year ended December 31, 2018 compared with 10.6% of revenues for the year ended December 31, 2017. The increase in Adjusted EBITDA was primarily due to higher revenues across all business segments, which were partially offset by an increase in compensation, primarily related to higher variable compensation and an increase in billable headcount and higher selling, general and administrative (“SG&A”) expenses.

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EPS and Adjusted EPS

EPS increased $1.18 to $3.93 in 2018 compared with $2.75 in 2017. 2018 EPS included a loss on early extinguishment of debt, which decreased EPS by $0.17 and non-cash interest on convertible notes, which decreased EPS by $0.06. These decreases were partially offset by a gain on the sale of Ringtail, which increased EPS by $0.16. EPS for the year ended December 31, 2017 included the net tax benefit recorded to reflect the impact of adopting the 2017 Tax Act, which increased EPS by $1.14, and a special charge related to headcount and real estate reductions, which reduced EPS by $0.70.

Adjusted EPS increased $1.68 to $4.00 in 2018 compared with $2.32 in 2017, largely due to improved operating results.

Liquidity and Capital Allocation

Cash balances increased by $122.1 million, or 64.3%, to $312.1 million for the year ended December 31, 2018. Cash provided by operating activities increased $83.0 million to $230.7 million in 2018 as compared with $147.6 million in 2017. The increase was primarily due to higher cash collections resulting from higher revenues, partially offset by an increase in cash paid for salaries and benefits and increased income tax payments. Days sales outstanding ("DSO") was 93 days as of December 31, 2018 and 91 days as of December 31, 2017.

A portion of net cash provided by operating activities was used to repurchase and retire 0.8 million shares of our common stock under our Repurchase Program for an average price per share of $53.88, at a total cost of $40.7 million during the year ended December 31, 2018. We had $72.6 million remaining under the Repurchase Program to repurchase additional shares as of December 31, 2018. Additionally, we used a portion of the proceeds from the issuance of the 2023 Convertible Notes to repurchase 0.2 million shares of our common stock at $76.51 per share for a total cost of $15.0 million. This was a separate repurchase transaction outside of the Repurchase Program.

Free Cash Flow, which is a non-GAAP financial measure, for the years ended December 31, 2018 and 2017 was $198.4 million and $115.6 million, respectively. The increase was primarily due to an increase in net cash provided by operating activities, as described above.

Headcount

Our total headcount increased 3.4% from 4,609 as of December 31, 2017 to 4,768 as of December 31, 2018. The following table includes the net billable headcount additions (reductions) for the year ended December 31, 2018.

Billable Headcount	Corporate Finance	FLC	Economic Consulting	Technology	Strategic Communications	Total
December 31, 2017	901	1,067	683	292	630	3,573
Additions (reductions), net	47	86	25	14	11	183
December 31, 2018	948	1,153	708	306	641	3,756
Percentage change in headcount from December 31, 2017	5.2%	8.1%	3.7%	4.8%	1.7%	5.1%

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RESULTS OF OPERATIONS

Segment and Consolidated Operating Results:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except per share data)		
Revenues			
Corporate Finance	$ 564,479	$ 482,041	$ 483,269
FLC	520,333	462,324	457,734
Economic Consulting	533,979	496,029	500,487
Technology	185,755	174,850	177,720
Strategic Communications	223,331	192,488	191,184
Total revenues	$ 2,027,877	$ 1,807,732	$ 1,810,394
Segment operating income (loss)			
Corporate Finance	$ 115,124	$ 70,234	$ 91,481
FLC	91,262	54,520	49,088
Economic Consulting	64,052	49,154	68,842
Technology	14,912	4,795	(2,183)
Strategic Communications	37,250	13,148	23,110
Total segment operating income	322,600	191,851	230,338
Unallocated corporate expenses	(96,595)	(83,140)	(88,182)
Operating income	226,005	108,711	142,156
Other income (expense)			
Interest income and other	4,977	3,752	10,466
Interest expense	(27,149)	(25,358)	(24,819)
Gain on sale of business	13,031	—	—
Loss on early extinguishment of debt	(9,072)	—	—
	(18,213)	(21,606)	(14,353)
Income before income tax provision (benefit)	207,792	87,105	127,803
Income tax provision (benefit)	57,181	(20,857)	42,283
Net income	$ 150,611	$ 107,962	$ 85,520
Earnings per common share — basic	$ 4.06	$ 2.79	$ 2.09
Earnings per common share — diluted	$ 3.93	$ 2.75	$ 2.05

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Reconciliation of Net Income to Adjusted EBITDA:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net income	$ 150,611	$ 107,962	$ 85,520
Add back:			
Income tax provision (benefit)	57,181	(20,857)	42,283
Interest income and other	(4,977)	(3,752)	(10,466)
Interest expense	27,149	25,358	24,819
Gain on sale of business	(13,031)	—	—
Loss on early extinguishment of debt	9,072	—	—
Depreciation and amortization	31,536	31,177	38,700
Amortization of other intangible assets	8,162	10,563	10,306
Special charges	—	40,885	10,445
Remeasurement of acquisition-related contingent consideration	—	702	1,403
Adjusted EBITDA	$ 265,703	$ 192,038	$ 203,010

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Reconciliation of Net Income and EPS to Adjusted Net Income and Adjusted EPS:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands, except per share data)		
Net income	$ 150,611	$ 107,962	$ 85,520
Add back:			
Special charges	—	40,885	10,445
Tax impact of special charges	—	(13,570)	(3,595)
Loss on early extinguishment of debt	9,072	—	—
Tax impact of loss on early extinguishment of debt	(2,359)	—	—
Remeasurement of acquisition-related contingent consideration	—	702	1,403
Tax impact of remeasurement of acquisition-related contingent consideration	—	(269)	(546)
Non-cash interest expense on convertible notes	3,019	—	—
Tax impact of non-cash interest expense on convertible notes	(775)	—	—
Gain on sale of business	(13,031)	—	—
Tax impact of gain on sale of business	6,798	—	—
Impact of 2017 Tax Act	—	(44,870)	—
Adjusted net income	$ 153,335	$ 90,840	$ 93,227
Earnings per common share — diluted	$ 3.93	$ 2.75	$ 2.05
Add back:			
Special charges	—	1.04	0.25
Tax impact of special charges	—	(0.34)	(0.08)
Loss on early extinguishment of debt	0.23	—	—
Tax impact of loss on early extinguishment of debt	(0.06)	—	—
Remeasurement of acquisition-related contingent consideration	—	0.02	0.03
Tax impact of remeasurement of acquisition-related contingent consideration	—	(0.01)	(0.01)
Non-cash interest expense on convertible notes	0.08	—	—
Tax impact of non-cash interest expense on convertible notes	(0.02)	—	—
Gain on sale of business	(0.34)	—	—
Tax impact of gain on sale of business	0.18	—	—
Impact of 2017 Tax Act	—	(1.14)	—
Adjusted earnings per common share — diluted	$ 4.00	$ 2.32	$ 2.24
Weighted average number of common shares outstanding — diluted	38,318	39,192	41,709

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow:

	Year Ended December 31,		
	2018	2017	2016
	(in thousands)		
Net cash provided by operating activities	$ 230,672	$ 147,625	$ 233,488
Purchases of property and equipment	(32,270)	(32,004)	(28,935)
Free Cash Flow	$ 198,402	$ 115,621	$ 204,553

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Year Ended December 31, 2018 Compared with December 31, 2017

Revenues and Operating Income

See “Segment Results” for an expanded discussion of Revenues and Adjusted Segment EBITDA.

Special Charges

There were no special charges during the year ended December 31, 2018. Special charges for the year ended December 31, 2017 were $40.9 million. See Note 5, "Special Charges" in Part II, Item 8 of this Annual Report for expanded disclosure.

Unallocated Corporate Expenses

Unallocated corporate expenses increased $13.5 million, or 16.2%, to $96.6 million in 2018 from $83.1 million in 2017. Excluding the impact of special charges of $3.7 million recorded in 2017, unallocated corporate expenses increased by $17.1 million in 2018, or 21.6%. The increase was primarily due to an increase in variable compensation expense, higher costs for corporate and regional business development initiatives and the senior managing director meeting held in December 2018.

Interest Income and Other

Interest income and other, which includes FX gains and losses, increased $1.2 million to $5.0 million for the year ended December 31, 2018 from $3.8 million for the year ended December 31, 2017. The increase was primarily due to a $1.5 million increase in interest income resulting from investments of excess cash and a $0.3 million increase in net unrealized FX gains, partially offset by a $0.6 million loss on sale of investment in 2018. FX gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity’s functional currency. These monetary assets and liabilities include cash, as well as third-party and intercompany receivables and payables.

Interest Expense

Interest expense increased $1.8 million, or 7.1%, to $27.1 million in 2018 from $25.4 million in 2017. The increase in interest expense reflects additional interest expense related to the 2023 Convertible Notes issuance that overlapped the period until the redemption of the 2022 Notes, partially offset by lower interest expense due to lower outstanding borrowings under our senior secured bank revolving credit facility.

Income Tax Provision (Benefit)

Our income tax provision was $57.2 million for 2018 as compared with an income tax benefit of $20.9 million for 2017. Excluding the discrete income tax benefit in 2017 from the adoption of the 2017 Tax Act, our effective tax rate was 27.5% for 2018 and 27.6% for 2017. The 2018 rate was favorably impacted by reductions in the U.S. income tax rate as a result of the 2017 Tax Act, which was partially offset by an unfavorable discrete tax adjustment relating to the sale of Ringtail®. The 2017 effective tax rate was favorably impacted by an unusually high mix of foreign earnings compared with low U.S. earnings due to 2017 special charges.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues and Operating Income

See “Segment Results” for an expanded discussion of Revenues and Adjusted Segment EBITDA.

Special Charges

Special charges for the year ended December 31, 2017 were $40.9 million. Special charges for the year ended December 31, 2016 were $10.4 million. See Note 5, "Special Charges" in Part II, Item 8 of this Annual Report for an expanded disclosure.

Unallocated Corporate Expenses

Unallocated corporate expenses decreased $5.0 million, or 5.7%, to $83.1 million in 2017 from $88.2 million in 2016. Excluding the impact of special charges of $3.7 million recorded in 2017, unallocated corporate expenses decreased by $8.1 million in 2017, or 9.3%. The decrease was primarily due to lower infrastructure department spend and lower executive compensation expenses, which were partially offset by higher outside legal expenses.

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Interest Income and Other

Interest income and other, which includes FX gains and losses, decreased $6.7 million to $3.8 million for the year ended December 31, 2017 from $10.5 million for the year ended December 31, 2016. The decrease was primarily due to a net unrealized FX loss, which was $0.1 million for the year ended December 31, 2017 compared with a $4.9 million gain for the year ended December 31, 2016. FX gains and losses, both realized and unrealized, relate to the remeasurement or settlement of monetary assets and liabilities that are denominated in a currency other than an entity's functional currency. These monetary assets and liabilities include cash, as well as third-party and intercompany receivables and payables.

Interest Expense

Interest expense increased $0.5 million, or 2.2%, to $25.4 million in 2017 from $24.8 million in 2016 due to the impact of a 0.7% increase in average interest rates on our borrowings under our senior secured bank revolving credit facility in 2017, partially offset by lower average borrowings outstanding during 2017 as compared with 2016.

Income Tax Provision (Benefit)

Our income tax benefit was $20.9 million for 2017 as compared with an income tax provision of $42.3 million for 2016. Our 2017 income tax benefit included a discrete income tax benefit of $44.9 million related to the adoption of the 2017 Tax Act on December 22, 2017. Excluding the impact of the 2017 Tax Act, our effective tax rate was 27.6% for 2017 as compared with an effective tax rate of 33.1% for 2016. The 2017 effective tax rate, excluding the impact of adopting the 2017 Tax Act, declined related to the mix of higher foreign and U.S. state earnings in lower taxed jurisdictions as compared with the prior year.

The $44.9 million discrete adjustment for 2017 related to the adoption of the 2017 Tax Act impact includes the following:

- $65.1 million income tax benefit related to the remeasurement of U.S. deferred tax liabilities from the previous U.S. federal tax rate of 35% to the newly enacted rate of 21%; and
- $18.7 million income tax expense related to a Transition Tax on a deemed repatriation of accumulated foreign earnings and profits as required under the new tax law.

SEGMENT RESULTS

Total Adjusted Segment EBITDA

We evaluate the performance of each of our operating segments based on Adjusted Segment EBITDA, which is a GAAP measure. The following table reconciles Net Income to Total Adjusted Segment EBITDA, a non-GAAP financial measure, for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
		(in thousands)	
Net income	$ 150,611	$ 107,962	$ 85,520
Add back:			
Income tax provision (benefit)	57,181	(20,857)	42,283
Interest income and other	(4,977)	(3,752)	(10,466)
Interest expense	27,149	25,358	24,819
Gain on sale of business	(13,031)	—	—
Loss on early extinguishment of debt	9,072	—	—
Unallocated corporate expense	96,595	83,140	88,182
Total segment operating income	322,600	191,851	230,338
Add back:			
Segment depreciation expense	27,979	27,112	34,064
Amortization of other intangible assets	8,162	10,563	10,306
Segment special charges	—	37,207	9,833
Remeasurement of acquisition-related contingent consideration	—	702	1,403
Total Adjusted Segment EBITDA	$ 358,741	$ 267,435	$ 285,944

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Other Segment Operating Data

	Year Ended December 31,		
	2018	2017	2016
Number of revenue-generating professionals (at period end):			
Corporate Finance	948	901	895
FLC	1,153	1,067	1,110
Economic Consulting	708	683	656
Technology [1]	306	292	288
Strategic Communications	641	630	647
Total revenue-generating professionals	3,756	3,573	3,596
Utilization rate of billable professionals [2]:			
Corporate Finance	66%	61%	65%
FLC	64%	61%	59%
Economic Consulting	69%	67%	73%
Average billable rate per hour [3]:			
Corporate Finance	$ 433	$ 396	$ 392
FLC	$ 326	$ 321	$ 327
Economic Consulting	$ 519	$ 524	$ 517

(1) The number of revenue-generating professionals for the Technology segment excludes as-needed professionals, who we employ based on demand for the segment's services. We employed an average of 253, 305 and 287 as-needed employees during the years ended December 31, 2018, 2017 and 2016, respectively.

(2) We calculate the utilization rate for our billable professionals by dividing the number of hours that all of our billable professionals worked on client assignments during a period by the total available working hours for all of our billable professionals during the same period. Available hours are determined by the standard hours worked by each employee, adjusted for part-time hours, U.S. standard work weeks and local country holidays. Available working hours include vacation and professional training days but exclude holidays. Utilization rates are presented for our segments that primarily bill clients on an hourly basis. We have not presented utilization rates for our Technology and Strategic Communications segments as most of the revenues of these segments are not generated on an hourly basis.

(3) For engagements where revenues are based on number of hours worked by our billable professionals, average billable rate per hour is calculated by dividing revenues (excluding revenues from success fees, pass-through revenues and outside consultants) for a period by the number of hours worked on client assignments during the same period. We have not presented average billable rates per hour for our Technology and Strategic Communications segments as most of the revenues of these segments are not based on billable hours.

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CORPORATE FINANCE & RESTRUCTURING

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands, except rate per hour)		
Revenues	$ 564,479	$ 482,041	$ 483,269
Percentage change in revenues from prior year	17.1%	-0.3%	
Operating expenses:			
Direct cost of revenues	354,210	318,606	306,894
Selling, general and administrative expenses	92,037	83,747	81,584
Special charges	—	5,440	—
Amortization of other intangible assets	3,108	4,014	3,310
	449,355	411,807	391,788
Segment operating income	115,124	70,234	91,481
Percentage change in segment operating income from prior year	63.9%	-23.2%	
Add back:			
Depreciation and amortization of intangible assets	6,536	7,189	6,207
Special charges	—	5,440	—
Adjusted Segment EBITDA	$ 121,660	$ 82,863	$ 97,688
Gross profit [1]	$ 210,269	$ 163,435	$ 176,375
Percentage change in gross profit from prior year	28.7%	-7.3%	
Gross profit margin [2]	37.3%	33.9%	36.5%
Adjusted Segment EBITDA as a percent of revenues	21.6%	17.2%	20.2%
Number of revenue-generating professionals (at period end)	948	901	895
Percentage change in number of revenue-generating professionals from prior year	5.2%	0.7%	
Utilization rate of billable professionals	66%	61%	65%
Average billable rate per hour	$ 433	$ 396	$ 392

(1) Revenues less direct cost of revenues.
(2) Gross profit as a percent of revenues.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased $82.4 million, or 17.1%, from 2017 to 2018. Acquisition-related revenues contributed $9.5 million, or 2.0%, compared with 2017. Excluding the acquisition, revenues increased $73.0 million, or 15.1%. The revenue increase was largely driven by increased demand for our restructuring services and business transformation and transactions services, primarily in North America and Europe, Middle East and Africa ("EMEA"), along with higher realization due to mix of client engagements and staffing globally, which was partially offset by lower success fees.

Gross profit increased $46.8 million, or 28.7%, from 2017 to 2018. Gross profit margin increased 3.4 percentage points from 2017 to 2018. This increase was primarily due to increased utilization because of higher demand in our global restructuring services and business transformation and transaction services along with higher realization, partially offset by lower success fees.

SG&A expenses increased $8.3 million, or 9.9%, from 2017 to 2018. SG&A expenses were 16.3% of revenues in 2018 compared with 17.4% in 2017. The increase in SG&A expenses was primarily due to higher bad debt, infrastructure support, recruiting and other general administrative expenses.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues decreased $1.2 million, or 0.3%, from 2016 to 2017. Acquisition-related revenues contributed $10.1 million, or 2.1%, compared with 2016. Excluding the acquisition, revenues decreased $11.3 million, or 2.3%. This decrease was primarily driven by lower demand for restructuring practice offerings globally, which was partially offset by increased demand in the business transformation practice and higher success fees.

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Gross profit decreased $12.9 million, or 7.3%, from 2016 to 2017. Gross profit margin decreased 2.6 percentage points from 2016 to 2017. This decrease was due to lower utilization driven by an increase in billable headcount, which was partially offset by higher success fees.

SG&A expenses increased $2.2 million, or 2.7%, from 2016 to 2017, which included $1.2 million from a recent acquisition and the impact of higher bad debt expenses, partially offset by other general overhead expenses. Bad debt expenses in 2016 included collections of prior period write-offs. SG&A expenses were 17.4% of revenues in 2017 compared with 16.9% in 2016.

FORENSIC AND LITIGATION CONSULTING

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands, except rate per hour)		
Revenues	$ 520,333	$ 462,324	$ 457,734
Percentage change in revenues from prior year	12.5%	1.0%	
Operating expenses:			
Direct cost of revenues	330,791	305,822	314,810
Selling, general and administrative expenses	96,958	88,056	89,532
Special charges	—	12,334	2,304
Amortization of other intangible assets	1,322	1,592	2,000
	429,071	407,804	408,646
Segment operating income	91,262	54,520	49,088
Percentage change in segment operating income from prior year	67.4%	11.1%	
Add back:			
Depreciation and amortization of intangible assets	5,559	5,851	6,490
Special charges	—	12,334	2,304
Adjusted Segment EBITDA	$ 96,821	$ 72,705	$ 57,882
Gross profit [1]	$ 189,542	$ 156,502	$ 142,924
Percentage change in gross profit from prior year	21.1%	9.5%	
Gross profit margin [2]	36.4%	33.9%	31.2%
Adjusted Segment EBITDA as a percent of revenues	18.6%	15.7%	12.6%
Number of revenue-generating professionals (at period end)	1,153	1,067	1,110
Percentage change in number of revenue-generating professionals from prior year	8.1%	-3.9%	
Utilization rate of billable professionals	64%	61%	59%
Average billable rate per hour	$ 326	$ 321	$ 327

(1) Revenues less direct cost of revenues.
(2) Gross profit as a percent of revenues.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased $58.0 million, or 12.5%, from 2017 to 2018. The increase was driven by higher demand for our construction solutions, investigations and disputes services, particularly across North America and EMEA.

Gross profit increased $33.0 million, or 21.1%, from 2017 to 2018. Gross profit margin increased 2.5 percentage points from 2017 to 2018. This increase in gross profit margin is related to higher utilization, primarily due to higher demand for our construction solutions and investigations services.

SG&A expenses increased $8.9 million, or 10.1%, from 2017 to 2018. SG&A expenses were 18.6% of revenues in 2018 compared with 19.0% in 2017. The increase in SG&A expenses was due to higher personnel, rent and occupancy, travel and other administrative costs.

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Year Ended December 31, 2017 Compared with December 31, 2016

Revenues increased $4.6 million, or 1.0%, from 2016 to 2017. This increase was driven by increased volume in the global construction solutions practice and investigations practice in EMEA, which was partially offset by lower demand in the health solutions practice.

Gross profit increased $13.6 million, or 9.5%, from 2016 to 2017. Gross profit margin increased 2.7 percentage points from 2016 to 2017. This increase in gross profit margin is related to higher utilization, largely in the construction solutions, disputes and investigations practices, partially offset by lower success fees in our health solutions practice.

SG&A expenses decreased $1.5 million, or 1.6%, from 2016 to 2017. SG&A expenses were 19.0% of revenues in 2017 compared with 19.6% in 2016. The decrease in SG&A expenses was due to lower costs from headcount reductions, primarily in our health solutions practice, partially offset by higher bad debt expenses.

ECONOMIC CONSULTING

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands, except rate per hour)		
Revenues	$ 533,979	$ 496,029	$ 500,487
Percentage change in revenues from prior year	7.7%	-0.9%	
Operating expenses:			
Direct cost of revenues	396,001	367,711	363,616
Selling, general and administrative expenses	73,630	71,943	67,383
Special charges	—	6,624	—
Amortization of other intangible assets	296	597	646
	469,927	446,875	431,645
Segment operating income	64,052	49,154	68,842
Percentage change in segment operating income from prior year	30.3%	-28.6%	
Add back:			
Depreciation and amortization of intangible assets	5,903	6,186	5,260
Special charges	—	6,624	—
Adjusted Segment EBITDA	$ 69,955	$ 61,964	$ 74,102
Gross profit [1]	$ 137,978	$ 128,318	$ 136,871
Percentage change in gross profit from prior year	7.5%	-6.2%	
Gross profit margin [2]	25.8%	25.9%	27.3%
Adjusted Segment EBITDA as a percent of revenues	13.1%	12.5%	14.8%
Number of revenue-generating professionals (at period end)	708	683	656
Percentage change in number of revenue-generating professionals from prior year	3.7%	4.1%	
Utilization rate of billable professionals	69%	67%	73%
Average billable rate per hour	$ 519	$ 524	$ 517

(1) Revenues less direct cost of revenues.

(2) Gross profit as a percent of revenues.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased $38.0 million, or 7.7%, from 2017 to 2018. The increase was primarily due to higher demand for antitrust services in EMEA and financial economic services in North America, which were partially offset by lower demand for antitrust services in North America and lower realization due to mix of client engagements in EMEA.

Gross profit increased $9.7 million, or 7.5%, from 2017 to 2018. Gross profit margin was consistent from 2017 to 2018. Higher margins from improved utilization were entirely offset by lower realization and higher variable compensation as a percentage of revenues.

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SG&A expenses increased $1.7 million, or 2.3%, from 2017 to 2018. SG&A expenses were 13.8% of revenues in 2018 compared with 14.5% in 2017. The increase in SG&A expenses was primarily driven by higher rent and occupancy costs, which were partially offset by lower bad debt expense.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues decreased $4.5 million, or 0.9%, from 2016 to 2017. This decrease was primarily driven by lower demand for financial economics services in North America, which was partially offset by higher demand for antitrust services in EMEA and international arbitration services in North America.

Gross profit decreased $8.6 million, or 6.2%, from 2016 to 2017. Gross profit margin decreased 1.4 percentage points from 2016 to 2017. This decrease was primarily due to a decline in utilization, resulting from both lower demand and an increase in billable headcount.

SG&A expenses increased $4.6 million, or 6.8%, from 2016 to 2017. SG&A expenses were 14.5% of revenues in 2017 compared with 13.5% in 2016. The increase in SG&A expenses was driven primarily by higher bad debt, compensation, depreciation and infrastructure support costs, which were partially offset by lower legal fees.

TECHNOLOGY

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Revenues	$ 185,755	$ 174,850	$ 177,720
Percentage change in revenues from prior year	6.2%	-1.6%	
Operating expenses:			
Direct cost of revenues	111,129	101,505	107,591
Selling, general and administrative expenses	59,644	62,858	64,135
Special charges	—	5,057	7,529
Amortization of other intangible assets	70	635	648
	170,843	170,055	179,903
Segment operating (loss) income	14,912	4,795	-2,183
Percentage change in segment operating income from prior year	211.0%	-319.7%	
Add back:			
Depreciation and amortization of intangible assets	12,475	12,319	20,468
Special charges	—	5,057	7,529
Adjusted Segment EBITDA	$ 27,387	$ 22,171	$ 25,814
Gross profit [1]	$ 74,626	$ 73,345	$ 70,129
Percentage change in gross profit from prior year	1.7%	4.6%	
Gross profit margin [2]	40.2%	41.9%	39.5%
Adjusted Segment EBITDA as a percent of revenues	14.7%	12.7%	14.5%
Number of revenue-generating professionals (at period end) [3]	306	292	288
Percentage change in number of revenue-generating professionals from prior year	4.8%	1.4%	

(1) Revenues less direct cost of revenues.

(2) Gross profit as a percent of revenues.

(3) Includes personnel involved in direct client assistance and revenue-generating consultants and excludes professionals employed on an as-needed basis.

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Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased $10.9 million, or 6.2%, from 2017 to 2018. The increase in revenues was primarily due to an increase in both demand and pricing for consulting services, an increase in demand for hosting and higher realized pricing for M&A-related managed reviews. This increase was partially offset by lower pricing for hosting and $2.0 million in lower revenues from software licensing due to the Ringtail® divestiture. Higher consulting revenues were driven by increased demand for information governance, privacy and security services and global investigations.

Gross profit increased $1.3 million, or 1.7%, from 2017 to 2018. Gross profit margin decreased 1.7 percentage points to 40.2% from 2017 to 2018. The decrease in gross profit margin was largely due to a lower mix of high-margin hosting and software licensing revenues.

SG&A expenses decreased $3.2 million, or 5.1%, from 2017 to 2018. SG&A expenses were 32.1% of revenues in 2018 compared with 35.9% in 2017. The decrease in SG&A expenses was primarily due to lower research and development expenses due to the Ringtail® divestiture, partially offset by an increase in other general administrative expenses. Research and development expenses related to software development were $8.7 million in 2018, a decline of $6.2 million, compared with $14.9 million in 2017.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues decreased $2.9 million, or 1.6%, from 2016 to 2017. This decrease was primarily driven by lower pricing for hosting services as a result of a decline in legacy hosting matters at the end of their cycle, coupled with lower demand for managed review offerings, partially offset by higher demand for hosting services as a result of new engagements. Additionally, higher demand for consulting was driven by growth in new engagements, as well as growth in information governance engagements.

Gross profit increased $3.2 million, or 4.6%, from 2016 to 2017. Gross profit margin increased 2.4 percentage points to 41.9% from 2016 to 2017. This margin increase was due to higher pricing for consulting, higher demand for hosting and lower depreciation expense, which was partially offset by lower pricing for hosting services.

SG&A expenses decreased $1.3 million, or 2.0%, from 2016 to 2017. SG&A expenses were 35.9% of revenues in 2017 compared with 36.1% in 2016. This decrease was due to lower salary and benefits and lower research and development expenses, partially offset by higher sales commissions. Research and development expenses related to software development were $14.9 million in 2017, a decline of $2.6 million, compared with $17.5 million in 2016.

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STRATEGIC COMMUNICATIONS

	Year Ended December 31,		
	2018	2017	2016
	(dollars in thousands)		
Revenues	$ 223,331	$ 192,488	$ 191,184
Percentage change in revenues from prior year	16.0%	0.7%	
Operating expenses:			
Direct cost of revenues	135,943	121,916	117,858
Selling, general and administrative expenses	46,772	45,947	46,514
Special charges	—	7,752	—
Amortization of other intangible assets	3,366	3,725	3,702
	186,081	179,340	168,074
Segment operating income	37,250	13,148	23,110
Percentage change in segment operating income from prior year	183.3%	-43.1%	
Add back:			
Depreciation and amortization of intangible assets	5,668	6,130	5,945
Special charges	—	7,752	—
Fair value remeasurement of contingent consideration	—	702	1,403
Adjusted Segment EBITDA	$ 42,918	$ 27,732	$ 30,458
Gross profit [1]	$ 87,388	$ 70,572	$ 73,326
Percentage change in gross profit from prior year	23.8%	-3.8%	
Gross profit margin [2]	39.1%	36.7%	38.4%
Adjusted Segment EBITDA as a percent of revenues	19.2%	14.4%	15.9%
Number of revenue-generating professionals (at period end)	641	630	647
Percentage change in number of revenue-generating professionals from prior year	1.7%	-2.6%	

(1) Revenues less direct cost of revenues.
(2) Gross profit as a percent of revenues.

Year Ended December 31, 2018 Compared with December 31, 2017

Revenues increased $30.8 million, or 16.0%, from 2017 to 2018, which included a 1.6% estimated positive impact from FX. Excluding the estimated positive impact of FX, revenues increased $27.8 million or 14.4%. The increase was primarily due to higher project-based revenues in North America and higher retainer- and project-based revenues in EMEA. These increases were primarily driven by an increase in public affairs and financial communications services, as well as an increase in pass-through revenues.

Gross profit increased $16.8 million, or 23.8%, from 2017 to 2018. Gross profit margin increased 2.4 percentage points from 2017 to 2018. The increase in gross profit margin was due to lower fixed compensation as a percentage of revenues, partially offset by higher variable compensation and a higher proportion of lower margin pass-through revenues.

SG&A expenses increased $0.8 million, or 1.8%, from 2017 to 2018. SG&A expenses were 20.9% of revenues in 2018 compared with 23.9% in 2017. The increase in SG&A expenses was primarily due to higher infrastructure support costs, bad debt and variable compensation, partially offset by lower expenses related to acquisition-related contingent consideration.

Year Ended December 31, 2017 Compared with December 31, 2016

Revenues increased $1.3 million, or 0.7%, from 2016 to 2017. This increase was due to higher retainer-based revenues across all regions, which was partially offset by lower project income in North America, primarily in the financial communications practice.

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Gross profit decreased $2.8 million, or 3.8%, from 2016 to 2017. Gross profit margin decreased 1.7 percentage points from 2016 to 2017. This decrease was primarily due to fewer large, high-margin engagements in North America, as well as higher compensation as a result of increased average billable headcount.

SG&A expenses decreased $0.6 million, or 1.2%, from 2016 to 2017. SG&A expenses were 23.9% of revenues in 2017 compared with 24.3% in 2016. The decrease in SG&A expenses was primarily due to lower staff costs, partially offset by higher travel and entertainment expenses.

Liquidity and Capital Resources

Cash Flows

	Year Ended December 31,		
	2018	2017	2016
Cash Flows	(dollars in thousands)		
Net cash provided by operating activities	$ 230,672	$ 147,625	$ 233,488
Net cash provided by (used in) investing activities	$ 18,744	$ (40,638)	$ (30,132)
Net cash used in financing activities	$ (117,519)	$ (140,934)	$ (125,310)
DSO	93	91	91

We have generally financed our day-to-day operations, capital expenditures and acquisitions through cash flows from operations. During the first quarter of our fiscal year, our cash needs generally exceed our cash flows from operations due to the payment of annual incentive compensation. Our operating cash flows generally exceed our cash needs subsequent to the second quarter of each year.

Our operating assets and liabilities consist primarily of billed and unbilled accounts receivable, notes receivable from employees, accounts payable, accrued expenses and accrued compensation expenses. The timing of billings and collections of receivables, as well as compensation and vendor payments, affect the changes in these balances.

DSO is a performance measure used to assess how quickly revenues are collected by the Company. We calculate DSO at the end of each reporting period by dividing net accounts receivable reduced by billings in excess of services provided, by revenues for the quarter, adjusted for changes in foreign exchange rates. We multiply the result by the number of days in the quarter.

Free Cash Flow, a non-GAAP financial measure, for the three years ended December 31, 2018, 2017 and 2016 was $198.4 million, $115.6 million and $204.6 million, respectively.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017

Net cash provided by operating activities increased $83.0 million, or 56.3%, from 2017 to 2018. The increase in net cash provided by operating activities was primarily due to higher cash collections, partially offset by an increase in cash paid for salaries and benefits and higher income tax payments. DSO was 93 days as of December 31, 2018 and 91 days as of December 31, 2017.

Net cash provided by investing activities increased $59.4 million, or 146.1%, from 2017 to 2018. The Company received proceeds of $50.3 million from the sale of Ringtail® in 2018. Capital expenditures were $32.3 million for 2018 as compared with $32.0 million for 2017.

Net cash used in financing activities decreased $23.4 million, or 16.6%, from 2017 to 2018. Cash used in financing activities in 2018 included the $300 million redemption of the 2022 Notes, $100 million of net repayments under our senior secured bank revolving credit facility (as amended and restated on November 30, 2018, the “Credit Facility”), $16.1 million payments of debt issue costs, redemption premium and other redemption costs, and $55.7 million in common stock repurchases. These cash outflows were partially offset by $316.3 million in proceeds from the issuance of the 2023 Convertible Notes and $38.5 million from the issuance of common stock under our equity compensation plans. Net cash used in financing activities for the year ended December 31, 2017 included payments of $168.1 million for common stock repurchases and $5.2 million cash paid for acquisition-related contingent consideration, partially offset by $30.0 million of net borrowings under our senior secured bank revolving credit facility.

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Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Net cash provided by operating activities decreased $85.9 million, or 36.8%, from 2016 to 2017. The decrease was primarily due to higher compensation payments, including salaries, bonuses and severance, and lower cash collections. This was partially offset by lower income tax payments in the year ended December 31, 2017. DSO was 91 days as of December 31, 2017 and 2016.

Net cash used in investing activities increased $10.5 million, or 34.9%, from 2016 to 2017. Payment for the acquisition of substantially all of the assets of a business completed in 2017 by our Corporate Finance segment was $8.9 million, net of cash received. Payment for the acquisition completed in 2016 by our Strategic Communications segment was $1.2 million, net of cash received. Capital expenditures were $32.0 million for 2017 as compared with $28.9 million for 2016.

Net cash used in financing activities increased $15.6 million, or 12.5%, from 2016 to 2017. Cash used in financing activities in 2017 included $168.1 million in common stock repurchases and $5.2 million cash paid for acquisition-related contingent consideration, partially offset by $30.0 million of net borrowings under our senior secured bank revolving credit facility and the receipt of $2.8 million of refundable deposits related to one of our foreign entities. Net financing activities for 2016 included repayments of $130.0 million of borrowings under our senior secured bank revolving credit facility and $21.5 million in common stock repurchases, partially offset by $21.7 million in cash received from the issuance of common stock under our equity compensation plan and the receipt of $4.0 million of refundable deposits related to one of our foreign entities.

Capital Resources

As of December 31, 2018, our capital resources included $312.1 million of cash and cash equivalents and available borrowing capacity of $549.0 million under a $550.0 million revolving line of credit under our Credit Facility. As of December 31, 2018, we had no outstanding borrowings under our Credit Facility and $1.0 million of outstanding letters of credit, which reduced the availability of borrowings under the Credit Facility. We use letters of credit primarily in lieu of security deposits for our leased office facilities. The $550.0 million revolving line of credit under the Credit Facility includes a $75.0 million sublimit for borrowings in currencies other than USD, including the euro, British pound, Australian dollar and Canadian dollar.

The availability of borrowings, as well as issuances and extensions of letters of credit, under our Credit Facility is subject to specified conditions. We may choose to repay outstanding borrowings under the Credit Facility at any time before maturity without premium or penalty. Borrowings under the Credit Facility in USD, euro and British pound bear interest at an annual rate equal to the London Interbank Offered Rate ("LIBOR"), plus an applicable margin or an alternative base rate plus an applicable margin. The alternative base rate means a fluctuating rate per annum equal to the highest of (1) the rate of interest in effect for such day as the prime rate announced by Bank of America, (2) the federal funds rate plus the sum of 50 basis points, and (3) the one-month LIBOR plus 100 basis points. Borrowings under the Credit Facility in Canadian dollars bear interest at an annual rate equal to the Canadian Dealer Offered Rate plus an applicable margin. Borrowings under the Credit Facility in Australian dollars bear interest at an annual rate equal to the Bank Bill Swap Reference Bid Rate plus an applicable margin. The Credit Facility is guaranteed by substantially all of our domestic subsidiaries and is secured by a first priority security interest in substantially all of the assets of FTI Consulting and such domestic subsidiaries. Subject to certain conditions, at any time prior to maturity, we will be able to invite existing and new lenders to increase the size of the facility up to a maximum of $700.0 million.

Our Credit Facility and other indebtedness outstanding from time to time contains or may contain covenants that, among other things, may limit our ability to: incur additional indebtedness; create liens; pay dividends on our capital stock, make distributions or repurchases of our capital stock or make specified other restricted payments; consolidate, merge or sell all or substantially all of our assets; guarantee obligations of other entities or our foreign subsidiaries; enter into hedging agreements; enter into transactions with affiliates or related persons; or engage in any business other than consulting-related businesses. In addition, the Credit Facility includes a financial covenant that requires us not to exceed a maximum consolidated total net leverage ratio (the ratio of funded debt (less unrestricted cash up to $150.0 million) to Consolidated EBITDA, as defined in the Credit Facility). As of December 31, 2018, we were in compliance with the covenants contained in the Credit Facility and the indenture, dated as of August 20, 2018, between us and U.S. Bank National Association, as trustee (the "Indenture") governing the 2023 Convertible Notes.

Future Capital Needs

We anticipate that our future capital needs will principally consist of funds required for:

- operating and general corporate expenses relating to the operation of our businesses;

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- capital expenditures, primarily for information technology equipment, office furniture and leasehold improvements;
- debt service requirements, including interest payments on our long-term debt;
- compensation for designated executive management and senior managing directors under our various long-term incentive compensation programs;
- discretionary funding of our stock repurchase program;
- contingent obligations related to our acquisitions;
- potential acquisitions of businesses; and
- other known future contractual obligations.

We currently anticipate capital expenditures of $31 million to $38 million to support our organization during 2019, including direct support for specific client engagements. Our estimate takes into consideration the needs of our existing businesses but does not include the impact of any purchases that we may be required to make as a result of future acquisitions or specific client engagements that are not currently contemplated. Our capital expenditure requirements may change if our staffing levels or technology needs change significantly from what we currently anticipate, if we are required to purchase additional equipment specifically to support new client engagements or for their purposes or if we pursue and complete additional acquisitions.

2023 Convertible Notes

Our 2023 Convertible Notes were issued pursuant to the Indenture. The 2023 Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2019. The 2023 Convertible Notes will mature on August 15, 2023, unless earlier converted or repurchased. Upon conversion, the 2023 Convertible Notes may be settled, at our election in cash, shares of our common stock or a combination of cash and shares of our common stock.

Each $1,000 principal amount of the 2023 Convertible Notes will initially be convertible into 9.8643 shares of our common stock, which is equivalent to an initial conversion price of approximately $101.38 per share of common stock, subject to adjustment upon the occurrence of specified events. Prior to the close of business on the business day immediately preceding May 15, 2023, the 2023 Convertible Notes may be converted only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2018 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the “Measurement Period”) in which the trading price (as defined in the Indenture) per $1,000 principal amount of the 2023 Convertible Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate in effect on each such trading day; or (3) upon the occurrence of specified corporate events. On or after May 15, 2023, until the close of business on the business day immediately preceding the maturity date of August 15, 2023, holders may convert their 2023 Convertible Notes at any time, regardless of the foregoing circumstances.

We may not redeem the 2023 Convertible Notes prior to the maturity date.

If we undergo a fundamental change (as defined in the Indenture), subject to certain conditions, holders may require us to repurchase for cash all or part of their 2023 Convertible Notes in principal amounts of $1,000 or a multiple thereof. The fundamental change repurchase price will be equal to 100% of the principal amount of the 2023 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, in certain circumstances, we may be required to increase the conversion rate for any 2023 Convertible Notes converted in connection with a make-whole fundamental change (as defined in the Indenture). See Note 1, "Description of Business and Summary of Significant Accounting Policies" and Note 13, "Long-Term Debt" in Part II, Item 8 and "Risk Factors" in Part I, Item 1A of this Annual Report for a further discussion of the 2023 Convertible Notes.

Cash Flows

For the last several years, our cash flows from operations have exceeded our cash needs for capital expenditures and debt service requirements. We believe that our cash flows from operations, supplemented by short-term borrowings under our

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Credit Facility, as necessary, will provide adequate cash to fund our long-term cash needs from normal operations for the next 12 months or longer.

Our conclusion that we will be able to fund our cash requirements by using existing capital resources and cash generated from operations does not take into account the impact of any future acquisitions, unexpected significant changes in number of employees or other unanticipated uses of cash. The anticipated cash needs of our business could change significantly if we pursue and complete additional business acquisitions, if our business plans change, if economic conditions change from those currently prevailing or from those now anticipated, or if other unexpected circumstances arise that may have a material effect on the cash flow or profitability of our business, including material negative changes in the operating performance or financial results of our business. Any of these events or circumstances, including any new business opportunities, could involve significant additional funding needs in excess of the identified currently available sources and could require us to raise additional debt or equity funding to meet those needs. Our ability to raise additional capital, if necessary, is subject to a variety of factors that we cannot predict with certainty, including:

- our future profitability;
- the quality of our accounts receivable;
- our relative levels of debt and equity;
- the volatility and overall condition of the capital markets; and
- the market price of our securities.

Any new debt funding, if available, may be on terms less favorable to us than our Credit Facility or the Indenture that governs our 2023 Convertible Notes.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements other than operating leases, and we have not entered into any transactions involving unconsolidated subsidiaries or special purpose entities.

Future Contractual Obligations

The following table sets forth our estimates as to the amounts and timing of contractual payments for our most significant contractual obligations as of December 31, 2018. The information in the table reflects future unconditional payments and is based on the terms of the relevant agreements, appropriate classification of items under GAAP currently in effect and certain assumptions such as interest rates. Future events could cause actual payments to differ from these amounts.

Future contractual obligations related to our long-term debt assume that payments will be made based on the current payment schedule and that interest payments will be at their stated rates and exclude any additional revolving line of credit borrowings or repayments subsequent to December 31, 2018 and prior to the November 30, 2023 maturity date of our Credit Facility.

		Payments Due by Period			
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
		(in thousands)			
Long-term debt [1]	$ 347,805	$ 6,255	$ 12,650	$ 328,900	$ —
Operating leases	261,291	49,757	91,564	44,780	75,190
Total obligations	$ 609,096	$ 56,012	$ 104,214	$ 373,680	$ 75,190

(1) Includes principal and interest payments. Projected interest payments may differ in the future based on the balance outstanding on our Credit Facility, as well as changes in market interest rates.

Effect of Inflation

Inflation is not generally a material factor affecting our business. General operating expenses such as salaries, employee benefits and lease costs are, however, subject to normal inflationary pressures.

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Critical Accounting Policies

General. Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We evaluate our estimates, including those related to allowance for doubtful accounts and unbilled services, goodwill, share-based compensation, income taxes and contingencies on an ongoing basis. We base our estimates on current facts and circumstances, historical experience and various other assumptions that we believe are reasonable. These results form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe that the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

***Revenue Recognition*.** Revenues are recognized when we satisfy a performance obligation by transferring goods or services promised in a contract to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Performance obligations in our contracts represent distinct or separate service streams that we provide to our customers.

We evaluate our revenue contracts with customers based on the five-step model under *Revenue from Contracts with Customers*: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied. If, at the outset of an arrangement, we determine that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

We generate the majority of our revenues by providing consulting services to our clients. Most of our consulting service contracts are based on one of the following types of arrangements:

- *Time and expense arrangements* require the client to pay us based on the number of hours worked at contractually agreed-upon rates. We recognize revenues for these arrangements based on hours incurred and contracted rates utilizing a right-to-invoice practical expedient because we have a right to consideration for services completed to date. When a time and expense arrangement has a not-to-exceed or "cap" amount and we expect to perform work in excess of the cap, we recognize revenue up to the cap amount specified by the client, based on the efforts or hours incurred as a percentage of total efforts or hours expected to be incurred (i.e., proportional performance method). Certain time and materials arrangements may be subject to third-party approval, e.g., a court or other regulatory institution, with interim billing and payments made and received based upon preliminarily agreed-upon rates. In such cases, we record revenues for the portion of our services based on our assessment of the expected probability of amounts ultimately to be agreed upon by the court or regulator. These assessments are made on a case-by-case basis depending on the nature of the engagement, client economics, historical experience and other appropriate factors.

- *Fixed fee arrangements* require the client to pay a pre-established fee in exchange for a predetermined set of professional services. We recognize revenues for these arrangements based on the proportional performance related to individual performance obligations within each arrangement, however, these arrangements generally have one performance obligation.

- *Performance-based or contingent arrangements* represent forms of variable consideration. In these arrangements, our fees are based on the attainment of contractually defined objectives with our client, such as completing a business transaction or assisting the client in achieving a specific business objective. When our performance obligation(s) are satisfied over time, we determine the transaction price based on the expected probability of achieving the agreed-upon outcome and recognize revenues earned to date by applying the proportional performance method. These arrangements include conditional payments, commonly referred to as success fees, which were previously recognized when the cash was collected.

In addition, we generate certain revenues from our Technology segment that are based on units of data stored or processed. Unit-based revenues are recognized as services are provided, based on either the amount of data stored or processed, the number of concurrent users accessing the information, or the number of pages or images processed for a client, and agreed-upon per unit rates. We also generate revenues from our on-premise software licenses. Software license revenues are generally recognized at a point in time when the customer acceptance occurs, in accordance with the provision of the arrangements.

Certain of our time and expense and fixed fee billing arrangements may include client incentives in the form of volume-based discounts, where if certain fee levels are reached, the client can receive future services at a discounted hourly rate.

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Contracts with customers that have a prospective discounted pricing option based on predetermined volume thresholds are evaluated to determine whether they include a material right, which is an option that provides a customer the right to acquire free or discounted goods or services in the future. If the option provides a material right to the customer, we allocate a portion of the transaction price to the material right and defer revenues during the pre-discount period, compared with our previous practice of recognizing the reduction in revenues when customers became eligible to receive the volume discount.

Reimbursable expenses, including those relating to travel, out-of-pocket expenses, outside consultants and other outside service costs, are generally included in revenues, and an equivalent amount of reimbursable expenses is included in costs of services in the period in which the expense is incurred.

Allowance for Doubtful Accounts and Unbilled Services. We maintain an allowance for doubtful accounts and unbilled services for estimated losses resulting from disputes that affect our ability to fully collect our billed accounts receivable, potential fee reductions negotiated by clients or imposed by bankruptcy courts and the inability of clients to pay our fees. Even if a bankruptcy court approves our services, the court has the discretion to require us to refund all or a portion of our fees due to the outcome of the case or a variety of other factors. We estimate the allowance for all receivable risks by reviewing the status of each matter and recording reserves based on our experience and knowledge of the particular client and historical collection patterns. However, our actual experience may vary from our estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay our fees, or bankruptcy courts require us to refund certain fees, we may need to record additional allowances or write-offs in future periods. This risk related to a client's inability to pay may be partially mitigated to the extent that we may receive retainers from some of our clients prior to performing services.

Timing of revenue recognition often differs from the timing of billing to our customers. Generally, we transfer goods or services to a customer before the customer pays consideration or payment is due. If we have an unconditional right to invoice and receive payment for goods or services already provided, we record billed and unbilled receivables on our Consolidated Balance Sheets. Payment terms and conditions vary depending on the jurisdiction, market and type of service and whether regulatory or other third-party approvals are required. In addition, contracts may be negotiated per the client's request, or at times we are asked to execute contracts in a form provided by customers that might include different terms. Our standard contract terms generally include a requirement of payment within 30 days where no contingencies exist.

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenues when there are changes in estimates of fee reductions that may be imposed by bankruptcy courts and other regulatory institutions, for both billed and unbilled receivables. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we later discover that collectability is not reasonably assured. These adjustments are recorded to "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income and totaled $17.9 million, $15.4 million and $8.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Goodwill and Other Intangible Assets. Goodwill represents the purchase price of acquired businesses in excess of the fair market value of net assets acquired at the date of acquisition. Other intangible assets may include trade names, customer relationships, non-competition agreements and software.

We test our goodwill and other indefinite-lived intangible assets for impairment annually as of the first day of the fourth quarter and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. On a quarterly basis, we monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test. Important factors we consider that could trigger an interim impairment review include, but are not limited to, the following:

- significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business;
- a significant market decline related to negative industry or economic trends; and/or
- our market capitalization relative to net carrying value.

We assess our goodwill for impairment at the reporting unit level. A reporting unit is an operating segment or a business one level below that operating segment if discrete financial information is available and regularly reviewed by the chief operating decision makers. Entities have an option, under certain circumstances, to perform a qualitative assessment regarding the reporting unit's fair value to determine whether it is necessary to perform the quantitative impairment test.

In the qualitative assessment, we consider various factors, events or circumstances, including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant reporting unit specific events. If, based on the qualitative assessment, an entity determines that it is not "more likely than not" that the fair

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value of a reporting unit is less than its carrying value, we do not prepare a quantitative impairment test. If we determine otherwise, we will prepare a quantitative assessment for potential goodwill impairment.

In the quantitative assessment, we compare the estimated fair value of the reporting unit with the carrying amount of that reporting unit. We estimate fair value using a combination of an income approach (based on discounted cash flows) and market approaches, using appropriate weighting factors. If the fair value exceeds the carrying amount, goodwill is not impaired. However, if the carrying value exceeds the fair value of the reporting unit, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

The cash flows employed in the income approach are based on our most recent budgets, forecasts and business plans, as well as various growth rate assumptions for years beyond the current business plan period, discounted using an estimated weighted average cost of capital ("WACC") based on our assessment of the risk inherent in the future revenue streams and cash flows and our WACC. The WACC consists of (1) a risk-free rate of return, (2) an equity risk premium that is based on the rate of return on equity of publicly traded companies with business characteristics comparable with our reporting units, (3) the current after-tax market rate of return on debt of companies with business characteristics similar to our reporting units, each weighted by the relative market value percentages of our equity and debt, and (4) an appropriate size premium. In the market approach, we utilize market multiples derived from comparable guideline companies and comparable market transactions to the extent available. These valuations are based on estimates and assumptions, including projected future cash flows and the determination of appropriate market comparables and determination of whether a premium or discount should be applied to such comparables.

We determine whether to perform qualitative assessment first or to bypass the qualitative assessment and proceed with the quantitative goodwill impairment test for each of our reporting units based on the headroom from the most recent quantitative tests and other events or changes in circumstances that could impact the fair value of the reporting units.

The process of evaluating the potential impairment of goodwill is highly subjective and requires significant judgment and estimates. There can be no assurance that the estimates and assumptions used in our goodwill impairment testing will prove to be accurate predictions of the future. If our assumptions regarding forecasted cash flows are not achieved or market conditions significantly deteriorate, we may be required to record goodwill impairment charges in future periods, whether in connection with our next annual impairment test or prior to that, if a triggering event occurs outside of the quarter during which the annual goodwill impairment test is performed. It is not possible at this time to determine if any future impairment charge would result or, if it does, whether such charge would be material.

Intangible assets with finite lives are amortized over their estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. We amortize our acquired finite-lived intangible assets on a straight-line basis over periods ranging from five to 15 years.

Significant New Accounting Pronouncements

See Note 2, "New Accounting Standards" in Part II, Item 8 of this Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates, changes in the price of our common stock and changes in foreign exchange rates.

Interest Rate Risk

We are exposed to interest rate risk related to debt obligations outstanding. Interest rate changes expose our fixed rate long-term borrowings to changes in fair value and expose our variable rate borrowings to changes in our interest expense. From time to time, we use derivative instruments, primarily consisting of interest rate swap agreements, to manage our interest rate exposure by achieving a desired proportion of fixed rate vs. variable rate borrowings. All of our derivative transactions are entered into for non-trading purposes.

The following table presents principal cash flows and related interest rates by year of maturity for our 2023 Convertible Notes and the fair value of the debt as of December 31, 2018. The fair value has been determined based on the last actively traded prices for our 2023 Convertible Notes. As of December 31, 2018, there were no variable rate debt instruments outstanding as there were no borrowings under our Credit Facility. Future interest rate risk may be affected by revolving line of credit borrowings subsequent to December 31, 2018 and prior to the November 30, 2023 maturity date of our Credit Facility.

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Long-Term Debt	2019	2020	2021	2022	2023	Thereafter	December 31, 2018 Total	Fair Value
				(dollars in thousands)				
Fixed rate	$ —	$ —	$ —	$ —	$316,250	$ —	$316,250	$291,837
Average interest rate	—	—	—	—	5.4%	—	5.4%	—

Foreign Currency Exchange Rate Risk

Exchange Rate Risk

Our foreign currency exposure primarily relates to intercompany receivables and payables and third-party receivables and payables that are denominated in currencies other than the functional currency of our legal entities. Our largest foreign currency exposure is unsettled intercompany payables and receivables, which are reviewed on a regular basis. In cases where settlement of intercompany balances is not practical, we may use cash to create offsetting currency positions to reduce exposure. Gains and losses from foreign currency transactions are included in interest income and other on our Consolidated Statements of Comprehensive Income and to date have not had a material impact on our consolidated financial statements. See Note 6, "Interest Income and Other" in Part II, Item 8 of this Annual Report for information.

Translation of Financial Results

Most of our foreign subsidiaries operate in a currency other than USD; therefore, increases or decreases in the value of USD against other major currencies will affect our operating results and the value of our balance sheet items denominated in foreign currencies. Our most significant exposures to translation risk currently relate to functional currency assets and liabilities that are denominated in the British pound, euro, Australian dollar and Canadian dollar. The following table details the unrealized changes in the net investments of foreign subsidiaries whose currencies are denominated in currencies other than USD for the years ended December 31, 2018, 2017 and 2016. These translation adjustments are reflected in "Other comprehensive income (loss)" on our Consolidated Statements of Comprehensive Income.

Changes in Net Investment of Foreign Subsidiaries	Year Ended December 31, 2018	2017	2016
		(in thousands)	
British pound	$ (15,590)	$ 20,394	$ (34,329)
Euro	(2,753)	6,595	(1,274)
Australian dollar	(6,077)	4,058	922
Canadian dollar	(1,639)	1,439	328
All other	(1,543)	(1,822)	(7,531)
Total	$ (27,602)	$ 30,664	$ (41,884)

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

FTI Consulting, Inc. and Subsidiaries

Consolidated Financial Statements

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Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2018. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that our receipts and expenditures are being made only in accordance with the authorization of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the framework in the 2013 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2018.

KPMG LLP, the independent registered public accounting firm that audited our financial statements, has issued an audit report on their assessment of internal control over financial reporting, which is included elsewhere in this Annual Report.

Date: February 26, 2019

/s/ STEVEN H. GUNBY

Steven H. Gunby
President and Chief Executive Officer
(principal executive officer)

/s/ AJAY SABHERWAL

Ajay Sabherwal
Chief Financial Officer and Interim
Chief Accounting Officer
(principal financial officer)

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
FTI Consulting, Inc.

Opinion on Internal Control Over Financial Reporting

We have audited FTI Consulting, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement Schedule II, Valuation and Qualifying Accounts (collectively, the consolidated financial statements), and our report dated February 27, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

McLean, Virginia
February 27, 2019

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
FTI Consulting, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of FTI Consulting, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and financial statement Schedule II, Valuation and Qualifying Accounts (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 27, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 and 2 to the consolidated financial statements, effective January 1, 2018, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. This change was adopted using the modified retrospective method.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2006.

McLean, Virginia
February 27, 2019

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FTI Consulting, Inc. and Subsidiaries

Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 312,069	$ 189,961
Accounts receivable:		
Billed receivables	437,797	390,996
Unbilled receivables	319,205	312,569
Allowance for doubtful accounts and unbilled services	(202,394)	(180,687)
Accounts receivable, net	554,608	522,878
Current portion of notes receivable	29,228	25,691
Prepaid expenses and other current assets	69,448	55,649
Total current assets	965,353	794,179
Property and equipment, net	84,577	75,075
Goodwill	1,172,316	1,204,803
Other intangible assets, net	34,633	44,150
Notes receivable, net	84,471	98,105
Other assets	37,771	40,929
Total assets	$ 2,379,121	$ 2,257,241
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable, accrued expenses and other	$ 104,600	$ 94,873
Accrued compensation	333,536	268,513
Billings in excess of services provided	44,434	46,942
Total current liabilities	482,570	410,328
Long-term debt, net	265,571	396,284
Deferred income taxes	155,088	124,471
Other liabilities	127,067	134,187
Total liabilities	1,030,296	1,065,270
Commitments and contingent liabilities (Note 14)		
Stockholders' equity		
Preferred stock, $0.01 par value; shares authorized — 5,000; none outstanding	—	—
Common stock, $0.01 par value; shares authorized — 75,000; shares issued and outstanding — 38,147 (2018) and 37,729 (2017)	381	377
Additional paid-in capital	299,534	266,035
Retained earnings	1,196,727	1,045,774
Accumulated other comprehensive loss	(147,817)	(120,215)
Total stockholders' equity	1,348,825	1,191,971
Total liabilities and stockholders' equity	$ 2,379,121	$ 2,257,241

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Comprehensive Income
(in thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenues	$ 2,027,877	$ 1,807,732	$ 1,810,394
Operating expenses			
Direct cost of revenues	1,328,074	1,215,560	1,210,771
Selling, general and administrative expenses	465,636	432,013	436,716
Special charges	—	40,885	10,445
Amortization of other intangible assets	8,162	10,563	10,306
	1,801,872	1,699,021	1,668,238
Operating income	226,005	108,711	142,156
Other income (expense)			
Interest income and other	4,977	3,752	10,466
Interest expense	(27,149)	(25,358)	(24,819)
Gain on sale of business	13,031	—	—
Loss on early extinguishment of debt	(9,072)	—	—
	(18,213)	(21,606)	(14,353)
Income before income tax provision (benefit)	207,792	87,105	127,803
Income tax provision (benefit)	57,181	(20,857)	42,283
Net income	$ 150,611	$ 107,962	$ 85,520
Earnings per common share — basic	$ 4.06	$ 2.79	$ 2.09
Earnings per common share — diluted	$ 3.93	$ 2.75	$ 2.05
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments, net of tax expense of $373, $— and $—	$ (27,602)	$ 30,664	$ (41,884)
Other comprehensive income (loss), net of tax	(27,602)	30,664	(41,884)
Comprehensive income	$ 123,009	$ 138,626	$ 43,636

See accompanying notes to consolidated financial statements.

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FTI Consulting, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
Balance at December 31, 2015	41,234	$ 412	$ 400,705	$ 855,481	$ (108,995)	$1,147,603
Net income	—	$ —	$ —	$ 85,520	$ —	$ 85,520
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	(41,884)	(41,884)
Issuance of common stock in connection with:						
Exercise of options, net of income tax benefit from share-based awards of $2,051	820	8	25,234	—	—	25,242
Restricted share grants, less net settled shares of 137	520	5	(5,541)	—	—	(5,536)
Stock units issued under incentive compensation plan	—	—	1,842	—	—	1,842
Purchase and retirement of common stock	(537)	(5)	(21,484)	—	—	(21,489)
Share-based compensation	—	—	16,060	—	—	16,060
Balance at December 31, 2016	42,037	$ 420	$ 416,816	$ 941,001	$ (150,879)	$1,207,358
Net income	—	$ —	$ —	$ 107,962	$ —	$ 107,962
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	30,664	30,664
Issuance of common stock in connection with:						
Exercise of options	123	1	4,132	—	—	4,133
Restricted share grants, less net settled shares of 92	243	2	(4,442)	—	—	(4,440)
Stock units issued under incentive compensation plan	—	—	1,547	—	—	1,547
Purchase and retirement of common stock	(4,674)	(46)	(168,048)	—	—	(168,094)
Cumulative effect due to adoption of new accounting standard	—	—	—	(3,189)	—	(3,189)
Share-based compensation	—	—	16,030	—	—	16,030
Balance at December 31, 2017	37,729	$ 377	$ 266,035	$1,045,774	$ (120,215)	$1,191,971
Net income	—	$ —	$ —	$ 150,611	$ —	$ 150,611
Other comprehensive income (loss):						
Cumulative translation adjustment	—	—	—	—	(27,602)	(27,602)
Issuance of common stock in connection with:						
Exercise of options	1,051	11	41,557	—	—	41,568
Restricted share grants, less net settled shares of 58	319	3	(3,097)	—	—	(3,094)
Stock units issued under incentive compensation plan	—	—	1,059	—	—	1,059
Purchase and retirement of common stock	(952)	(10)	(55,728)	—	—	(55,738)
Cumulative effect due to adoption of new accounting standard	—	—	—	342	—	342
Conversion feature of convertible senior notes due 2023, net	—	—	34,131	—	—	34,131
Share-based compensation	—	—	15,577	—	—	15,577
Balance at December 31, 2018	38,147	$ 381	$ 299,534	$1,196,727	$ (147,817)	$1,348,825

See accompanying notes to consolidated financial statements.

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FTI Consulting, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating activities			
Net income	$ 150,611	$ 107,962	$ 85,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	31,536	31,177	38,700
Amortization and impairment of other intangible assets	8,162	10,563	10,306
Acquisition-related contingent consideration	479	2,291	2,164
Provision for doubtful accounts	17,872	15,386	8,912
Non-cash share-based compensation	15,577	16,030	16,920
Amortization of debt discount and issuance costs	5,456	1,984	1,985
Loss on early extinguishment of debt	9,072	—	—
Gain on sale of business	(13,031)	—	—
Other	769	611	(1,204)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, billed and unbilled	(72,034)	(50,831)	3,471
Notes receivable	8,987	14,928	3,145
Prepaid expenses and other assets	(2,258)	629	(2,840)
Accounts payable, accrued expenses and other	8,908	4,421	3,268
Income taxes	11,941	(25,768)	22,012
Accrued compensation	52,510	1,795	40,350
Billings in excess of services provided	(3,885)	16,447	779
Net cash provided by operating activities	230,672	147,625	233,488
Investing activities			
Proceeds from sale of business	50,283	—	—
Payments for acquisition of businesses, net of cash received	—	(8,929)	(1,251)
Purchases of property and equipment	(32,270)	(32,004)	(28,935)
Other	731	295	54
Net cash provided by (used in) investing activities	18,744	(40,638)	(30,132)
Financing activities			
Borrowings (repayments) under revolving line of credit, net	(100,000)	30,000	(130,000)
Proceeds from issuance of convertible notes	316,250	—	—
Payments of long-term debt	(300,000)	—	—
Payments of debt issue and debt prepayment costs	(16,149)	—	—
Purchase and retirement of common stock	(55,738)	(168,094)	(21,489)
Net issuance of common stock under equity compensation plans	38,475	(504)	21,708
Payments for acquisition-related contingent consideration	(3,029)	(5,161)	(866)
Deposits and other	2,672	2,825	5,337
Net cash used in financing activities	(117,519)	(140,934)	(125,310)
Effect of exchange rate changes on cash and cash equivalents	(9,789)	7,750	(11,648)
Net increase (decrease) in cash and cash equivalents	122,108	(26,197)	66,398
Cash and cash equivalents, beginning of period	189,961	216,158	149,760
Cash and cash equivalents, end of period	$ 312,069	$ 189,961	$ 216,158
Supplemental cash flow disclosures			
Cash paid for interest	$ 21,687	$ 23,285	$ 23,154
Cash paid for income taxes, net of refunds	$ 45,568	$ 4,929	$ 20,270
Non-cash investing and financing activities:			
Issuance of stock units under incentive compensation plans	$ 1,059	$ 1,547	$ 1,842
Acquisition-related contingent liability	$ —	$ 3,426	$ —

See accompanying notes to consolidated financial statements.

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1. Description of Business and Summary of Significant Accounting Policies

Description of Business

FTI Consulting, Inc. including its consolidated subsidiaries (collectively, the "Company," "we," "our" or "FTI Consulting"), is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political and regulatory, reputational and transactional. Individually, each of our segments and practices is staffed with experts recognized for the depth of their knowledge and a track record of making an impact. Collectively, FTI Consulting offers a comprehensive suite of services designed to assist clients across the business cycle, from proactive risk management to rapid response to unexpected events and dynamic environments. We operate through five reportable segments: Corporate Finance & Restructuring, Forensic and Litigation Consulting, Economic Consulting, Technology and Strategic Communications.

Accounting Principles

Our financial statements are prepared in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP"). The consolidated financial statements include the accounts of FTI Consulting and all of our subsidiaries. All intercompany transactions and balances have been eliminated. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

Foreign Currency

Results of operations for our non-U.S. subsidiaries are translated from the designated functional currency to the reporting currency of the U.S. dollar ("USD"). Revenues and expenses are translated at average exchange rates for each month, while assets and liabilities are translated at balance sheet date exchange rates. Resulting net translation adjustments are recorded as a component of stockholders' equity in "Accumulated other comprehensive income (loss)."

Transaction gains and losses arising from currency exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in "Interest income and other" on the Consolidated Statements of Comprehensive Income. Such transaction gains and losses may be realized or unrealized depending upon whether the transaction settled during the period or remains outstanding at the balance sheet date.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Due to the inherent uncertainty involved in making those assumptions, actual results could differ from those estimates. The most significant estimates made and assumptions used are the determination of the allowance for doubtful accounts and unbilled services, the assessment of the recoverability of goodwill, other intangible assets and realization of deferred tax assets, the valuation of share-based compensation and the fair value of acquisition-related contingent consideration. Management bases its estimates on historical trends, current experience and other assumptions that it believes are reasonable.

Concentrations of Risk

We do not have a single customer that represents 10% or more of our consolidated revenues. We derive the majority of our revenues from providing professional services to clients in the U.S. For the year ended December 31, 2018, we derived approximately 32% of our consolidated revenues from the work of professionals who are assigned to locations outside of the U.S. We believe that the geographic and industry diversity of our customer base throughout the U.S. and internationally minimizes the risk of incurring material losses due to concentrations of credit risk.

Revenue Recognition

Revenues are recognized when we satisfy a performance obligation by transferring goods or services promised in a contract to a customer, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Performance obligations in our contracts represent distinct or separate service streams that we provide to our customers.

We evaluate our revenue contracts with customers based on the five-step model under *Revenue from Contracts with Customers* ("ASC 606"): (1) identify the contract with the customer; (2) identify the performance obligations in the contract;

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(3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied. If, at the outset of an arrangement, we determine that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

We generate the majority of our revenues by providing consulting services to our clients. Most of our consulting service contracts are based on one of the following types of arrangements:

- *Time and expense arrangements* require the client to pay us based on the number of hours worked at contractually agreed-upon rates. We recognize revenues for these arrangements based on hours incurred and contracted rates utilizing a right-to-invoice practical expedient because we have a right to consideration for services completed to date. When a time and expense arrangement has a not-to-exceed or "cap" amount and we expect to perform work in excess of the cap, we recognize revenues up to the cap amount specified by the client, based on the efforts or hours incurred as a percentage of total efforts or hours expected to be incurred (i.e., proportional performance method). Certain time and materials arrangements may be subject to third-party approval, e.g., a court or other regulatory institution, with interim billing and payments made and received based upon preliminarily agreed-upon rates. In such cases, we record revenues for the portion of our services based on our assessment of the expected probability of amounts ultimately to be agreed upon by the court or regulator. These assessments are made on a case-by-case basis depending on the nature of the engagement, client economics, historical experience and other appropriate factors.

- *Fixed fee arrangements* require the client to pay a pre-established fee in exchange for a predetermined set of professional services. We recognize revenues for these arrangements based on the proportional performance related to individual performance obligations within each arrangement; however, these arrangements generally have one performance obligation.

- *Performance-based or contingent arrangements* represent forms of variable consideration. In these arrangements, our fees are based on the attainment of contractually defined objectives with our client, such as completing a business transaction or assisting the client in achieving a specific business objective. When our performance obligation(s) are satisfied over time, we determine the transaction price based on the expected probability of achieving the agreed-upon outcome and recognize revenues earned to date by applying the proportional performance method. These arrangements include conditional payments, commonly referred to as success fees, which were previously recognized when the cash was collected.

In addition, we generate certain revenues from our Technology segment that are based on units of data stored or processed. Unit-based revenues are recognized as services are provided, based on either the amount of data stored or processed, the number of concurrent users accessing the information or the number of pages or images processed for a client, and agreed-upon per unit rates. We also generate revenues from our on-premise software licenses. Software license revenues are generally recognized at a point in time when the customer acceptance occurs, in accordance with the provision of the arrangements.

Certain of our time and expense and fixed fee billing arrangements may include client incentives in the form of volume-based discounts, where if certain fee levels are reached, the client can receive future services at a discounted hourly rate. Contracts with customers that have a prospective discounted pricing option based on predetermined volume thresholds are evaluated to determine whether they include a material right, which is an option that provides a customer the right to acquire free or discounted goods or services in the future. If the option provides a material right to the customer, we allocate a portion of the transaction price to the material right and defer revenues during the pre-discount period, compared with our previous practice of recognizing the reduction in revenues when customers became eligible to receive the volume discount.

Reimbursable expenses, including those relating to travel, out-of-pocket expenses, outside consultants and other outside service costs, are generally included in revenues, and an equivalent amount of reimbursable expenses is included in costs of services in the period in which the expense is incurred.

Direct Cost of Revenues

Direct cost of revenues consists primarily of billable employee compensation and related payroll benefits, the cost of contractors assigned to revenue-generating activities and direct expenses billable to clients. Direct cost of revenues also includes depreciation expense on the equipment of our Technology segment that is used to host and process client information, as well as amortization of software. Direct cost of revenues does not include an allocation of corporate overhead and non-billable segment costs.

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Share-Based Compensation

Share-based compensation cost is estimated at the grant date based on the fair value of the award and is recognized as expense over the requisite service period or performance period of the award. The amount of share-based compensation expense recognized at any date must at least equal the portion of grant date value of the award that is vested at that date.

We use the Black-Scholes pricing model to determine the fair value of stock options on the date of grant. The Black-Scholes pricing model requires the development of assumptions, including volatility and expected term, which are based on our historical experience. The risk-free interest rate is based on the term of U.S. Treasury interest rates that is consistent with the expected term of the share-based award.

The fair value of restricted share awards and restricted stock units is measured based on the closing price of the underlying stock on the date of grant. The fair value of performance share units that contain market-based vesting conditions is measured using a Monte Carlo pricing model. The compensation cost of performance stock units is based on the grant date fair value and is not subsequently reversed if it is later determined that the market condition is unlikely to be met or is expected to be lower than originally expected.

For all our share-based awards, we recognize forfeiture expense as forfeitures occur.

Research and Development

Research and development costs related to software development are expensed as incurred. When we have determined that technological feasibility for our software products is reached, development costs related to the project are capitalized until such products are available for general release to customers as discussed in "Capitalized Software to Be Sold, Leased or Otherwise Marketed." Research and development expenses related to software development totaled $8.7 million, $14.9 million and $17.5 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income.

Advertising Costs

Advertising costs consist of marketing, advertising through print and other media, professional event sponsorship and public relations. These costs are expensed as incurred. Advertising costs totaled $15.5 million, $14.8 million and $15.9 million for the years ended December 31, 2018, 2017 and 2016, respectively, and are included in "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income.

Acquisition-Related Contingent Consideration

The fair value of acquisition-related contingent consideration is estimated at the acquisition date utilizing a probability weighted estimate of future cash flow adjusted for the expected timing of each payment. Subsequent to the acquisition date, on a quarterly basis, the contingent consideration liability is remeasured at current fair value with any changes recorded in earnings. Accretion expense is recorded to adjust the discounted value of acquisition-related contingent consideration liabilities to their present value. Remeasurement gains or losses and accretion expense are included in "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income.

Income Taxes

Our income tax provision (benefit) consists principally of U.S. federal, state and international income taxes. We generate income in a significant number of states located throughout the U.S., as well as foreign countries in which we conduct business. Our effective income tax rate may fluctuate due to a change in the mix of earnings between higher and lower state or country tax jurisdictions and the impact of non-deductible expenses. Additionally, we record deferred tax assets and liabilities using the asset and liability method of accounting, which requires us to measure these assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence, including scheduled reversals of temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

Cash Equivalents

Cash equivalents consist of money market funds, commercial paper and certificates of deposit with maturities of three months or less at the time of purchase.

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Allowance for Doubtful Accounts and Unbilled Services

We maintain an allowance for doubtful accounts and unbilled services for estimated losses resulting from potential fee reductions negotiated by clients or imposed by bankruptcy courts or other regulatory agencies and the inability of clients to pay our fees, as well as from disputes that affect our ability to fully collect our billed accounts receivable. Even if a bankruptcy court approves our services, the court has the discretion to require us to refund all or a portion of our fees due to the outcome of the case or a variety of other factors. We estimate the allowance for all receivable risks by reviewing the status of each matter and recording reserves based on our experience and knowledge of the particular client and historical collection patterns. However, our actual experience may vary significantly from our estimates. If the financial condition of our clients were to deteriorate, resulting in their inability or unwillingness to pay our fees, or bankruptcy courts require us to refund certain fees, we may need to record additional allowances or write-offs in future periods. This risk related to a client's non-payment may be mitigated to the extent that we receive a retainer from some of our clients prior to performing services.

We record adjustments to the allowance for doubtful accounts and unbilled services as a reduction in revenues when there are changes in estimates of fee reductions that may be imposed by bankruptcy courts and other regulatory institutions for both billed and unbilled receivables. The allowance for doubtful accounts and unbilled services is also adjusted after the related work has been billed to the client and we discover that collectability is not reasonably assured. These adjustments are recorded to "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income and totaled $17.9 million, $15.4 million and $8.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Property and Equipment

We record property and equipment, including improvements that extend useful lives, at cost, while maintenance and repairs are expensed as incurred. We calculate depreciation using the straight-line method based on estimated useful lives ranging from three to seven years for furniture, equipment and software. We amortize leasehold improvements over the shorter of the estimated useful life of the asset or the lease term. We capitalize costs incurred during the application development stage of computer software developed or obtained for internal use. Capitalized software developed for internal use is classified within furniture, equipment and software and is amortized over the estimated useful life of the software, which is generally three years. Purchased software licenses to be sold to customers are capitalized and amortized over the license term.

Notes Receivable from Employees

Notes receivable from employees principally include unsecured general recourse forgivable loans and retention payments, which are provided to attract and retain certain of our senior employees and other professionals. Generally, all of the principal amount and accrued interest of the forgivable loans we make to employees and other professionals will be forgiven according to the stated terms of the loan agreement, provided that the professional is providing services to the Company on the forgiveness date and upon other specified events, such as death or disability. Professionals who terminate their employment or services with us prior to the end of the forgiveness period are required to repay the outstanding, unforgiven loan balance and any accrued but unforgiven interest. If the termination was by the Company without cause or by the employee with good reason, or, subject to certain conditions, if the employee terminates his or her employment due to retirement or non-renewal of his or her employment agreement, the loan may be forgiven or continue to be forgivable, in whole or in part. We amortize forgivable loans ratably over the requisite service period, which ranges from a period of two to 10 years. The amount of expense recognized at any date must at least equal to the portion of the principal forgiven on the forgiveness date.

Goodwill and Other Intangible Assets

Goodwill represents the purchase price of acquired businesses in excess of the fair market value of net assets acquired at the date of acquisition. Other intangible assets may include trade names, customer relationships, non-competition agreements and software.

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We test our goodwill and other indefinite-lived intangible assets for impairment annually as of the first day of the fourth quarter or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. On a quarterly basis, we monitor the key drivers of fair value to detect events or other changes that would warrant an interim impairment test. Important factors we consider that could trigger an interim impairment review include, but are not limited to, the following:

- significant underperformance relative to expected historical or projected future operating results;
- a significant change in the manner of our use of the acquired asset or the strategy for our overall business;
- a significant market decline related to negative industry or economic trends; and/or
- our market capitalization relative to net carrying value.

We assess our goodwill for impairment at the reporting unit level. A reporting unit is an operating segment or a business one level below that operating segment if discrete financial information is available and regularly reviewed by the chief operating decision makers. Entities have an option, under certain circumstances, to perform a qualitative assessment regarding the reporting unit's fair value to determine whether it is necessary to perform the quantitative impairment test.

In the qualitative assessment, we consider various factors, events or circumstances, including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance and other relevant reporting unit specific events. If, based on the qualitative assessment, an entity determines that it is not "more likely than not" that the fair value of a reporting unit is less than its carrying value, we do not prepare a quantitative impairment test. If we determine otherwise, we will prepare a quantitative assessment for potential goodwill impairment.

In the quantitative assessment, we compare the estimated fair value of the reporting unit with the carrying amount of that reporting unit. We estimate fair value using a combination of an income approach (based on discounted cash flows) and market approaches, using appropriate weighting factors. If the fair value exceeds the carrying amount, goodwill is not impaired. However, if the carrying value exceeds the fair value of the reporting unit, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

We determine whether to perform a qualitative assessment first or to bypass the qualitative assessment and proceed with the quantitative goodwill impairment test for each of our reporting units based on the excess of fair value over carrying value from the most recent quantitative tests and other events or changes in circumstances that could impact the fair value of the reporting units.

Intangible assets with finite lives are amortized over their estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate an asset's carrying value may not be recoverable. We amortize our acquired finite-lived intangible assets on a straight-line basis over periods ranging from five to 15 years.

Impairment of Long-Lived Assets

We review long-lived assets such as property and equipment and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. These events or changes in circumstances may include a significant deterioration of operating results, changes in business plans or changes in anticipated future cash flows. If an impairment indicator is present, we evaluate recoverability of assets to be held and used by a comparison of the carrying value of the assets with future undiscounted net cash flows expected to be generated by the assets. We group assets at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows generated by other asset groups. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset group, we estimate the fair value of the asset group to determine whether an impairment loss should be recognized.

Capitalized Software to Be Sold, Leased or Otherwise Marketed

We expense costs for software products that will be sold, leased or otherwise marketed until technological feasibility has been established. Thereafter, eligible software development costs are capitalized and subsequently reported at the lower of unamortized cost or net realizable value. Capitalized costs are amortized based on current and future revenues for each product with an annual minimum equal to the straight-line amortization over the remaining estimated economic life of the product. We classify software products to be sold, leased or otherwise marketed as noncurrent "Other assets" on the Consolidated Balance Sheets. Unamortized capitalized software costs were $0.2 million and $14.8 million as of December 31, 2018 and 2017, respectively. Amortization expense for capitalized software costs was $5.3 million, $6.7 million and $12.0 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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Leases

We lease office space and equipment under non-cancelable operating leases. The leases normally provide for the payment of minimum annual rentals and may include scheduled rent increases. Some leases include provisions for renewal options of up to five years. Some of our leases for office space contain provisions whereby the future rental payments may be adjusted for increases in operating expenses above specified amounts.

We recognize rent expense under operating leases on a straight-line basis over the non-cancelable lease term. For leases with scheduled rent increases, this treatment results in a deferred rent liability, which is classified within “Other liabilities” on the Consolidated Balance Sheets. Lease inducements, such as tenant improvement allowances, cash inducements and rent abatements, are amortized on a straight-line basis over the life of the lease. Unamortized lease inducements are also included in deferred rent. Deferred rent totaled $45.1 million and $43.9 million for the years ended December 31, 2018 and 2017, respectively.

Billings in Excess of Services Provided

Billings in excess of services provided represent amounts billed to clients, such as retainers, in advance of work being performed. Clients may make advance payments, which are held on deposit until completion of work or are applied at predetermined amounts or times. Excess payments are either applied to final billings or refunded to clients upon completion of work. Payments in excess of related accounts receivable and unbilled receivables are recorded as billings in excess of services provided within the liabilities section of the Consolidated Balance Sheets.

Convertible Notes

On August 20, 2018, we issued 2.0% convertible senior notes due 2023 ("2023 Convertible Notes") with an aggregate principal amount of $316.3 million, payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2019. The 2023 Convertible Notes will mature on August 15, 2023, unless earlier converted or repurchased. Upon conversion, the 2023 Convertible Notes may be settled, at our election in cash, shares of our common stock, or a combination of cash and shares of our common stock.

We separately recorded the liability and equity components of the 2023 Convertible Notes. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was determined by deducting the fair value of the liability component from the par value of the 2023 Convertible Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount ("debt discount") is amortized to interest expense over the term of the 2023 Convertible Notes using the effective interest rate method.

We record debt issuance costs as an adjustment to the carrying amount of the related liability and equity components of our 2023 Convertible Notes. We amortize the debt discount and debt issuance costs on the liability component using the effective interest rate method over the expected life of the debt instrument.

2. New Accounting Standards

Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. On January 1, 2018, we adopted ASC 606 using the modified retrospective method and recorded an immaterial cumulative effect adjustment to the beginning balance of retained earnings for revenue contracts that existed at the adoption date. Under the modified retrospective method, prior year information has not been adjusted and continues to be reported under the accounting standards in effect for periods prior to the adoption date. We have not retroactively restated the existing contracts for modifications that occurred before January 1, 2018.

See Note 1, "Description of Business and Summary of Significant Accounting Policies" for a description of the significant accounting policies and methods used in preparation of the Consolidated Financial Statements. See Note 4, “Revenues” for the disclosures required under ASC 606. The adoption of ASC 606 had an immaterial impact on our Consolidated Statements of Comprehensive Income and Consolidated Balance Sheets and had no impact on our Consolidated Statements of Cash Flows.

In March 2018, the FASB issued ASU 2018-05, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (SEC Update), Income Taxes* (*Topic 740*). ASU 2018-05 provides guidance regarding the recording of tax impacts where uncertainty exists, in the period of adoption of the 2017 U.S. Tax Cuts and Jobs Act (the “2017 Tax Act”), which

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allowed companies to reflect provisional amounts for those specific income tax effects of the 2017 Tax Act for which the accounting under ASC Topic 740 is incomplete but for which a reasonable estimate could be determined. The Company recognized the income tax effects of the adoption of the 2017 Tax Act in its financial statements in accordance with ASU 2018-05. The Company finalized its accounting for the income tax effects of the adoption of the 2017 Tax Act in the fourth quarter of 2018 with the filing of its tax returns. There were no material changes to the provisional amounts recorded in the 2017 financial statements in connection with the 2017 Tax Act.

Accounting Standards Not yet Adopted

In February 2016, the FASB issued ASU 2016-02, amended in some respects by subsequent ASUs (collectively "ASC 842"), which supersedes existing lease guidance. Under ASC 842, we will be required to record right-of-use assets and corresponding lease liabilities on the balance sheet, as well as to disclose key quantitative and qualitative information about leasing arrangements. This guidance is effective on a modified retrospective basis for reporting periods beginning after December 15, 2018, with early adoption permitted. We elected to adopt ASC 842 using a modified transition approach, effective January 1, 2019. As permitted by the guidance, prior comparative periods will not be adjusted under this method. In addition, we elected the package of practical expedients available under the guidance that allows us not to reassess whether a contract contains a lease, lease classification or initial direct costs.

In preparation for adoption of the standard, the Company implemented internal controls and business process changes to enable the preparation of financial information in accordance with the standard. The standard will have a material impact on our Consolidated Balance Sheet. The most significant impact will be the recognition of right-of-use assets and lease liabilities for operating leases. The Company estimates that adoption of this standard will result in recognition of additional right-of-use assets in the range of $145.0 million and $155.0 million and additional lease liabilities in the range of $210.0 million and $220.0 million on the adoption date for operating leases. We do not currently expect that the adoption of ASC 842 will have a material impact on our results of operations or cash flow presentation.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements. The guidance promotes a framework to help improve the effectiveness of disclosures in the notes and is effective for annual and interim periods beginning after December 15, 2019, although early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, *Internal Use Software (Subtopic 350-40): Customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract*, which requires the Company to capitalize implementation costs of a hosting arrangement that is a service contract and expense those costs over the term of the hosting arrangement. The guidance is effective for annual and interim periods beginning after December 15, 2019 although early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

3. Earnings per Common Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per common share adjusts basic earnings per common share for the effects of potentially dilutive common shares. Potentially dilutive common shares include the dilutive effects of shares issuable under our equity compensation plans, including stock options and restricted shares, each using the treasury stock method.

Because we expect to settle the principal amount of the outstanding 2023 Convertible Notes in cash, we use the treasury stock method for calculating the potential dilutive effect of the conversion feature on earnings per common share, if applicable. The conversion feature will have a dilutive impact on earnings per common share when the average market price of our common stock for a given period exceeds the conversion price of $101.38 per share. As we did not meet this threshold during the year ended December 31, 2018, any shares of common stock potentially issuable upon conversion of the 2023 Convertible Notes are excluded from the calculation of diluted earnings per share.

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	Year Ended December 31,		
	2018	2017	2016
Numerator — basic and diluted			
Net income	$ 150,611	$ 107,962	$ 85,520
Denominator			
Weighted average number of common shares outstanding — basic	37,098	38,697	40,943
Effect of dilutive stock options	491	117	281
Effect of dilutive restricted shares	729	378	485
Weighted average number of common shares outstanding — diluted	38,318	39,192	41,709
Earnings per common share — basic	$ 4.06	$ 2.79	$ 2.09
Earnings per common share — diluted	$ 3.93	$ 2.75	$ 2.05
Antidilutive stock options and restricted shares	175	1,561	1,404

4. Revenues

Revenues recognized during the current period may include revenues recognized from performance obligations satisfied or partially satisfied in previous periods. This primarily occurs when the estimated transaction price has changed based on a re-assessment of the expected probability of achieving the agreed-upon outcome for our performance-based and contingent arrangements, resulting in a catch-up adjustment for service provided in previous periods. The aggregate amount of revenues recognized related to the catch-up adjustment due to a change in the transaction price during the year ended December 31, 2018 was $16.1 million.

Unfulfilled performance obligations represent the remaining contract transaction prices allocated to the performance obligations that are unsatisfied, or partially unsatisfied, and therefore revenues have not yet been recorded. Unfulfilled performance obligations primarily consist of the remaining fees not yet recognized under our proportional performance method for both our fixed fee arrangements and the portion of performance-based and contingent arrangements that we have deemed probable. As of December 31, 2018, the aggregate amount of the transaction price allocated to unfulfilled performance obligations was $8.8 million, and we expect to recognize the majority of the related revenues over the next 24 months. We elected to utilize the optional exemption to exclude from this disclosure fixed fee and performance-based and contingent arrangements with an original expected duration of one year or less and to exclude our time and expense arrangements for which revenues are recognized using the right-to-invoice practical expedient.

Contract assets are defined as assets for which we have recorded revenue because we determined that it is probable that we will earn a performance-based or contingent fee, but we are not yet entitled to receive our fees because certain events, such as completion of the measurement period or client approval, must occur. The contract asset balance was $2.4 million as of December 31, 2018 and immaterial as of December 31, 2017.

Contract liabilities are defined as liabilities incurred when we have received consideration from a client but have not yet performed the agreed-upon services. This may occur when we receive advance billings before delivery and acceptance of software licenses in our Technology segment and when clients pay us upfront fees before we begin work for them. The contract liability balance was immaterial as of December 31, 2018 and December 31, 2017.

5. Special Charges

There were no special charges recorded during the year ended December 31, 2018.

During the year ended December 31, 2017, we recorded special charges of $40.9 million. The charges related to certain targeted reductions in areas of each segment where we needed to realign our workforce with then-current business demand. In addition, cost-cutting actions were taken in certain corporate departments where we were able to streamline support activities and reduce our real estate costs. The special charge included the following components:

- $23.5 million of employee severance and other employee-related costs;
- $14.4 million of exit costs associated with the curtailment of our lease on our executive office in Washington, D.C.; and
- $3.0 million of other expenses, including costs related to disposing or closing several small international offices.

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During the year ended December 31, 2016, we recorded special charges of $10.4 million. The charges related to employee terminations in our Technology segment, health solutions practice of our Forensic and Litigation Consulting segment, and corporate infrastructure group. The charges consisted of salary continuance and other contractual employee-related costs.

The following table details the special charges by segment and corporate.

	Year Ended December 31,	
Special Charges by Segment	2017	2016
Corporate Finance & Restructuring	$ 5,440	$ —
Forensic and Litigation Consulting	12,334	2,304
Economic Consulting	6,624	—
Technology	5,057	7,529
Strategic Communications	7,752	—
	37,207	9,833
Unallocated Corporate	3,678	612
Total	$ 40,885	$ 10,445

6. Interest Income and Other

The table below presents the components of "Interest income and other" as shown on the Consolidated Statements of Comprehensive Income.

	Year Ended December 31,		
Interest Income and Other	2018	2017	2016
Interest income	$ 5,448	$ 3,968	$ 4,420
Foreign exchange transaction gains (losses), net	261	(77)	4,937
Other	(732)	(139)	1,109
Total	$ 4,977	$ 3,752	$ 10,466

7. Share-Based Compensation

Share-Based Incentive Compensation Plans

Under the Company's 2017 Omnibus Incentive Compensation Plan, effective as of June 7, 2017, there were 1,746,500 shares of common stock available for grant as of December 31, 2018.

Share-Based Compensation Expense

The table below reflects the total share-based compensation expense recognized in our Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016.

	2018		2017		2016	
Income Statement Classification	Options [1]	Restricted Shares [2]	Options [1]	Restricted Shares [2]	Options [1]	Restricted Shares [2]
Direct cost of revenues	$ 780	$ 9,804	$ 370	$ 9,691	$ 2,815	$ 7,530
Selling, general and administrative expenses	2,027	8,191	1,207	4,870	1,085	8,998
Special charges	—	—	—	269	56	49
Total	$ 2,807	$ 17,995	$ 1,577	$ 14,830	$ 3,956	$ 16,577

(1) Includes options and cash-settled stock appreciation rights.

(2) Includes restricted share awards, restricted stock units, performance stock units and cash-settled restricted stock units.

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Stock Options

We did not grant any options during the year ended December 31, 2018. We used the Black-Scholes option-pricing model to determine the fair value of our option grants during the years ended December 31, 2017 and 2016 using the assumptions in the following table.

	Year Ended December 31,	
Assumptions	2017	2016
Risk-free interest rate	1.60%	0.98%
Dividend yield	—%	—%
Expected term	3 years	3 years
Stock price volatility	31.94%	34.33%

A summary of our stock option activity during the year ended December 31, 2018 is presented below. The aggregate intrinsic value of stock options outstanding and exercisable, or fully vested, at December 31, 2018 in the table below represents the total pre-tax intrinsic value, which is calculated as the difference between the closing price of our common stock on the last trading day of 2018 and the exercise price, multiplied by the number of in-the-money options that would have been received by the option holders had all option holders exercised their options on December 31, 2018. The aggregate intrinsic value changes based on fluctuations in the fair market value per share of our common stock.

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Stock options outstanding at December 31, 2017	2,258	$ 40.63		
Stock options granted	—	N/A		
Stock options exercised	(1,051)	$ 39.55		
Stock options forfeited	(272)	$ 58.93		
Stock options outstanding at December 31, 2018	935	$ 36.50	5.0	$ 28,181
Stock options exercisable at December 31, 2018	679	$ 36.59	4.5	$ 20,401

Cash received from option exercises for the years ended December 31, 2018, 2017 and 2016 was $41.6 million, $4.1 million and $27.3 million, respectively. The tax benefit realized from stock options exercised totaled $4.0 million, $1.1 million and $4.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The intrinsic value of stock options exercised is the amount by which the market value of our common stock on the exercise date exceeds the exercise price. The total intrinsic value of stock options exercised for the years ended December 31, 2018, 2017 and 2016 was $26.4 million, $0.9 million and $6.9 million, respectively.

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The following is a summary of stock options outstanding and exercisable as of December 31, 2018.

	Options Outstanding			Options Exercisable	
Exercise Price Range	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Shares	Weighted Average Exercise Price
$26.68-$33.95	200	$ 31.39	4.7	124	$ 31.38
$34.33-$36.04	193	$ 34.74	5.4	152	$ 34.85
$36.43-$36.89	222	$ 36.79	5.7	179	$ 36.81
$37.09-$40.36	245	$ 39.27	5.3	158	$ 38.67
$41.69-$55.99	75	$ 44.62	1.4	66	$ 44.88
	935			679	

As of December 31, 2018, there was $0.8 million of unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized ratably over a weighted average period of 1.0 year.

Restricted Share Awards

A summary of our unvested restricted share activity during the year ended December 31, 2018 is presented below.

	Shares	Weighted Average Grant Date Fair Value
Unvested restricted share awards outstanding at December 31, 2017	933	$ 38.58
Restricted share awards granted	263	$ 56.97
Restricted share awards vested	(188)	$ 37.11
Restricted share awards forfeited	(16)	$ 36.74
Unvested restricted share awards outstanding at December 31, 2018	992	$ 43.76

As of December 31, 2018, there was $22.9 million of unrecognized compensation cost related to unvested restricted share awards. That cost is expected to be recognized ratably over a weighted average period of 4.1 years. The total fair value of restricted share awards that vested during the years ended December 31, 2018, 2017 and 2016 was $10.4 million, $9.9 million and $10.4 million, respectively.

Restricted Stock Units

A summary of our restricted stock units activity during the year ended December 31, 2018 is presented below. The aggregate intrinsic value represents the total pre-tax intrinsic value based on the closing price of our common stock on the last trading day of 2018.

	Shares	Weighted Average Grant Date Fair Value	Intrinsic Value
Restricted stock units outstanding at December 31, 2017	402	$ 37.49	
Restricted stock units granted	32	$ 52.67	
Restricted stock units released	(99)	$ 34.90	
Restricted stock units forfeited	—	N/A	
Restricted stock units outstanding at December 31, 2018	335	$ 39.72	$ 22,329

The intrinsic value of restricted stock units released reflects the market value of our common stock on the date of release. The total intrinsic value of restricted stock units released for the years ended December 31, 2018, 2017 and 2016 was $5.4 million, $4.1 million and $9.3 million, respectively.

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As of December 31, 2018, there was $0.2 million of unrecognized compensation cost related to unvested restricted stock units. That cost is expected to be recognized ratably over a weighted average period of 0.6 years. The total fair value of restricted stock units that vested during the years ended December 31, 2018, 2017 and 2016 was $1.7 million, $1.9 million and $2.4 million, respectively.

Performance Stock Units

A summary of our performance stock units activity during the year ended December 31, 2018 is presented below. The performance stock units are subject to market conditions based on the total shareholder return of the Company as compared with the total shareholder return of the Standard & Poor's 500. The aggregate intrinsic value represents the total pre-tax intrinsic value based on the closing price of our common stock on the last trading day of 2018.

	Shares	Weighted Average Grant Date Fair Value	Intrinsic Value
Performance stock units outstanding at December 31, 2017	252	$ 25.71	
Performance stock units granted	91	$ 36.34	
Performance stock units released	(29)	$ 29.11	
Performance stock units forfeited	(39)	$ 29.11	
Performance stock units outstanding at December 31, 2018	275	$ 28.40	$ 18,348

As of December 31, 2018, there was $2.1 million of unrecognized compensation cost related to unvested performance stock units. That cost is expected to be recognized ratably over a weighted average period of 0.8 years. The total fair value of performance stock units that vested during the year ended December 31, 2018 was $1.4 million. There were no performance stock units that vested during the years ended December 31, 2017 and 2016.

The table below reflects the weighted average grant date fair value per share of stock options, restricted share awards, restricted stock units and performance stock units awarded during the years ended December 31, 2018, 2017 and 2016. The fair value of our stock options is calculated using the Black-Scholes option-pricing model. The fair value of our restricted stock awards and restricted stock units is determined based on the closing market price per share of our common stock on the grant date. The fair value of the performance stock units reflects the market conditions as of the grant date using a Monte Carlo simulation.

	Year Ended December 31,		
	2018	2017	2016
Weighted average fair value of grants			
Stock options	$ —	$ 9.56	$ 8.41
Restricted share awards, restricted stock units and performance stock units	$ 51.73	$ 38.88	$ 37.64

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8. Balance Sheet Details

	December 31, 2018	December 31, 2017
Prepaid expenses and other current assets		
Prepaid expenses	$ 35,762	$ 35,667
Income tax receivable	18,947	7,194
Other current assets	14,739	12,788
Total	$ 69,448	$ 55,649
Accounts payable, accrued expenses and other		
Accounts payable	$ 17,728	$ 14,078
Accrued expenses	52,461	45,676
Accrued interest payable	2,358	2,354
Accrued taxes payable	13,119	12,075
Other current liabilities	18,934	20,690
Total	$ 104,600	$ 94,873

9. Financial Instruments

The following table presents the carrying amounts and estimated fair values of our other financial instruments by hierarchy level as of December 31, 2018 and 2017.

	December 31, 2018			
		Hierarchy Level		
	Carrying Amount	Level 1	Level 2	Level 3
Liabilities				
Acquisition-related contingent consideration, including current portion [1]	$ 2,960	$ —	$ —	$ 2,960
Long-term debt	316,250	—	291,837	—
Total	$ 319,210	$ —	$ 291,837	$ 2,960

	December 31, 2017			
		Hierarchy Level		
	Carrying Amount	Level 1	Level 2	Level 3
Liabilities				
Acquisition-related contingent consideration, including current portion [1]	$ 3,750	$ —	$ —	$ 3,750
Long-term debt	400,000	—	409,000	—
Total	$ 403,750	$ —	$ 409,000	$ 3,750

(1) The short-term portion is included in "Accounts payable, accrued expenses and other," and the long-term portion is included in "Other liabilities" on the Consolidated Balance Sheets.

The fair values of financial instruments not included in this table are estimated to be equal to their carrying values as of December 31, 2018 and 2017.

We estimate the fair value of our 2023 Convertible Notes based on their last actively traded prices. The fair value of our debt is classified within Level 2 of the fair value hierarchy because it is traded in less active markets.

We estimate the fair value of acquisition-related contingent consideration using a probability-weighted discounted cash flow model. This fair value estimate represents a Level 3 measurement as it is based on significant inputs not observed in the

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market and reflect our own assumptions. The significant unobservable inputs used in the fair value measurements of our acquisition-related contingent consideration are our measures of the future profitability and related cash flows and discount rates. The fair value of the contingent consideration is reassessed at each reporting period by the Company based on additional information as it becomes available.

Any change in the fair value of an acquisition's contingent consideration liability results in a remeasurement gain or loss that is recorded in "Selling, general and administrative expenses" on the Consolidated Statements of Comprehensive Income. During the year ended December 31, 2018, there was no change in the estimated fair value of future expected contingent consideration payments. During the years ended December 31, 2017 and 2016, we recorded $0.7 million and $1.4 million in expense related to increases in the fair value of future expected contingent consideration payments, respectively.

10. Property and Equipment

Property and equipment consist of the following.

	December 31,	
	2018	2017
Leasehold improvements	$ 88,623	$ 77,921
Construction in progress	2,754	806
Furniture and equipment	34,865	33,827
Computer equipment and software	106,318	100,186
	232,560	212,740
Accumulated depreciation	(147,983)	(137,665)
Property and equipment, net	$ 84,577	$ 75,075

Depreciation expense for property and equipment totaled $26.2 million, $24.4 million and $26.7 million during the years ended December 31, 2018, 2017 and 2016, respectively.

11. Goodwill and Other Intangible Assets

Goodwill

The table below summarizes the changes in the carrying amount of goodwill by reportable segment.

	Corporate Finance & Restructuring	Forensic and Litigation Consulting	Economic Consulting	Technology	Strategic Communications	Total
Balance at December 31, 2016						
Goodwill	$ 440,666	$ 230,544	$ 268,209	$ 117,607	$ 317,114	$ 1,374,140
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2016	440,666	230,544	268,209	117,607	122,975	1,180,001
Acquisitions [1]	11,900	—	—	—	—	11,900
Foreign currency translation adjustment and other	2,250	3,175	786	133	6,558	12,902
Balance at December 31, 2017						
Goodwill	454,816	233,719	268,995	117,740	323,672	1,398,942
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2017	454,816	233,719	268,995	117,740	129,533	1,204,803
Sale of business [2]	—	—	—	(20,928)	—	(20,928)
Foreign currency translation adjustment and other	(3,819)	(2,182)	(448)	(89)	(5,021)	(11,559)
Balance at December 31, 2018						
Goodwill	450,997	231,537	268,547	96,723	318,651	1,366,455
Accumulated goodwill impairment	—	—	—	—	(194,139)	(194,139)
Goodwill, net at December 31, 2018	$ 450,997	$ 231,537	$ 268,547	$ 96,723	$ 124,512	$ 1,172,316

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(1) During the year ended December 31, 2017, we made an initial payment of $8.9 million at closing to acquire a restructuring business within our Corporate Finance & Restructuring segment. We recorded $11.9 million in goodwill as a result of the acquisition. We have included the results of the acquired business' operations in the Corporate Finance & Restructuring segment since the acquisition date.

(2) During the year ended December 31, 2018, we sold a business within our Technology segment for proceeds of $50.3 million. We wrote off $20.9 million in goodwill as a result of the sale.

Other Intangible Assets

Other intangible assets were as follows:

	Weighted Average Useful Life in Years	December 31, 2018			December 31, 2017		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortizing intangible assets							
Customer relationships [1]	14.3	$ 99,080	$ 71,036	$ 28,044	$117,192	$ 80,523	$ 36,669
Acquired software	9.8	3,107	1,618	1,489	3,264	1,383	1,881
	14.2	102,187	72,654	29,533	120,456	81,906	38,550
Non-amortizing intangible assets							
Trade names [1]	Indefinite	5,100	—	5,100	5,600	—	5,600
Total		$ 107,287	$ 72,654	$ 34,633	$126,056	$ 81,906	$ 44,150

(1) During the year ended December 31, 2018, we sold a business and related intangible assets within our Technology segment.

Other intangible assets with finite lives are amortized over their estimated useful lives. We recorded amortization expense of $8.2 million, $10.6 million and $10.3 million during the years ended December 31, 2018, 2017 and 2016, respectively.

We estimate our future amortization expense for our intangible assets with a finite life to be as follows:

Year	As of December 31, 2018 [1]
2019	$ 7,291
2020	7,176
2021	6,657
2022	4,913
2023	1,693
Thereafter	1,803
	$ 29,533

(1) Actual amortization expense to be reported in future periods could differ from these estimates as a result of new intangible asset acquisitions, changes in useful lives, or other relevant factors or changes.

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12. Notes Receivable from Employees

The table below summarizes the changes in the carrying amount of our notes receivable from employees.

	December 31,	
	2018	2017
Notes receivable from employees — beginning	$ 123,796	$ 136,388
Notes granted	32,937	18,247
Repayments	(5,405)	(7,394)
Amortization expense	(36,418)	(26,821)
Cumulative translation adjustment and other	(1,211)	3,376
Notes receivable from employees — ending	113,699	123,796
Less: current portion	(29,228)	(25,691)
Notes receivable from employees, net of current portion	$ 84,471	$ 98,105

As of December 31, 2018 and 2017, there were 294 and 270 notes outstanding, respectively. Total amortization expense for the years ended December 31, 2018, 2017 and 2016 was $36.4 million, $26.8 million and $25.6 million, respectively.

13. Long-Term Debt

The table below summarizes the components of the Company's long-term debt.

	December 31,	
	2018	2017
2023 Convertible Notes	$ 316,250	$ —
2022 Notes	—	300,000
Credit Facility	—	100,000
Total debt	316,250	400,000
Less: deferred debt discount	(43,998)	—
Less: deferred debt issue costs	(6,681)	(3,716)
Long-term debt, net [(1)]	$ 265,571	$ 396,284
Additional paid-in capital	$ 35,306	$ —
Discount attribution to equity	(1,175)	—
Equity component, net	$ 34,131	$ —

(1) There were no current portions of long-term debt as of December 31, 2018 and 2017.

2023 Convertible Notes

On August 20, 2018, we issued $316.3 million aggregate principal amount of the 2023 Convertible Notes, which includes the notes issued pursuant to an option granted to the initial purchasers of the 2023 Convertible Notes to purchase additional notes. The 2023 Convertible Notes bear interest at a fixed rate of 2.0% per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2019. The 2023 Convertible Notes will mature on August 15, 2023, unless earlier converted or repurchased.

The 2023 Convertible Notes are senior unsecured obligations of the Company and will rank senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the 2023 Convertible Notes; equal in right of payment to any of our unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness (including all amounts outstanding, from time to time, under the Credit Facility) to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries.

The 2023 Convertible Notes are convertible at an initial conversion rate of 9.8643 shares of our common stock per $1,000 principal amount of the 2023 Convertible Notes (equivalent to an initial conversion price of approximately $101.38 per

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share of common stock). Holders may convert their 2023 Convertible Notes at any time prior to the close of business on the business day immediately preceding May 15, 2023. The 2023 Convertible Notes may be converted only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on September 30, 2018 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any five consecutive trading day period (the "Measurement Period") in which the trading price (as defined in the indenture governing the 2023 Convertible Notes) per $1,000 principal amount of the 2023 Convertible Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate in effect on each such trading day; or (3) upon the occurrence of specified corporate events. On or after May 15, 2023, until the close of business on the business day immediately preceding the maturity date of August 15, 2023, holders may convert their 2023 Convertible Notes at any time, regardless of the foregoing circumstances. The circumstances required to allow the holders to convert their 2023 Convertible Notes were not met as of December 31, 2018.

If we undergo a fundamental change (as defined in the indenture governing the 2023 Convertible Notes), subject to certain conditions, holders may require us to repurchase for cash all or part of their 2023 Convertible Notes.

Debt issuance costs of $8.4 million related to the 2023 Convertible Notes were comprised primarily of discounts and commissions payable to the initial purchasers. We allocated the total amount incurred to the liability and equity components of the 2023 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were $7.2 million and will be amortized to interest expense using the effective interest rate method over the expected life of the 2023 Convertible Notes. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity.

For the year ended December 31, 2018, we recognized contractual interest expense of $2.3 million and amortization of the debt discount and issuance costs of $3.0 million for the 2023 Convertible Notes. The effective interest rate of the liability component was 5.45%.

2022 Notes

On November 15, 2018, we redeemed the $300.0 million outstanding principal amount of our 6.0% senior notes due 2022 ("2022 Notes"), pursuant to the terms of the indenture governing the 2022 Notes. We recognized a loss on early extinguishment of debt of $9.1 million, consisting primarily of a redemption premium of $6.0 million and a $3.1 million non-cash write-off of unamortized deferred financing costs. This loss has been recorded in "Loss on early extinguishment of debt" within the Consolidated Statements of Comprehensive Income.

Credit Facility

On June 26, 2015, we entered into a credit agreement, which provides for a $550.0 million senior secured revolving line of credit maturing on June 26, 2020. In November 2018, we amended and restated the credit agreement to extend the maturity to November 30, 2023 and incurred $1.7 million of debt issuance costs (the "2018 Credit Agreement"). At the Company's option, borrowings under the 2018 Credit Agreement in USD, euro and British pound will bear interest at either one-, two- or three-month London Interbank Offered Rate ("LIBOR") or an alternative base rate, in each case plus the applicable margin. The applicable margin will fluctuate between 1.25% per annum and 2.00% per annum, in the case of LIBOR borrowings, or between 0.25% per annum and 1.00% per annum, in the case of base rate borrowings, in each case, based upon the Company's Consolidated Total Net Leverage Ratio (as defined in the 2018 Credit Agreement) at such time. The lenders have a security interest in substantially all of the assets of the Company and substantially all of its domestic subsidiaries.

Under the 2018 Credit Agreement, we are required to pay a commitment fee rate that fluctuates between 0.20% and 0.35% per annum and the letter of credit fee rate that fluctuates between 1.25% and 2.00% per annum, in each case, based upon the Company's Consolidated Total Net Leverage Ratio.

There were no borrowings outstanding under the 2018 Credit Agreement as of December 31, 2018. The Company classified the borrowings outstanding as of December 31, 2017 as long-term debt in the accompanying Consolidated Balance Sheets as the amounts due were not contractually required or expected to be liquidated for more than one year from the applicable balance sheet date. Additionally, $1.0 million of the borrowing limit was used (and, therefore, unavailable) as of December 31, 2018 for letters of credit.

There were $3.6 million and $3.1 million of unamortized debt issue costs related to the Credit Facility as of December 31, 2018 and 2017, respectively. These amounts were included in "Other assets" on our Consolidated Balance Sheets.

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14. Commitments and Contingencies

Operating Lease Commitments

Rental expense, net of rental income was $55.3 million, $56.0 million and $54.8 million during the years ended December 31, 2018, 2017 and 2016, respectively. For years subsequent to December 31, 2018, future minimum payments for all operating lease obligations that have initial non-cancelable lease terms exceeding one year, net of rental income from subleases are as follows.

	Operating Leases	Sublease Rental Income
2019	$ 49,757	$ 4,760
2020	47,084	3,944
2021	44,480	3,864
2022	24,471	707
2023	20,309	614
Thereafter	75,190	939
Total	$ 261,291	$ 14,828

Contingencies

We are subject to legal actions arising in the ordinary course of business. In management's opinion, we believe we have adequate legal defenses and/or insurance coverage with respect to the eventuality of such actions. We do not believe any settlement or judgment relating to any pending legal action would materially affect our financial position or results of operations.

15. Income Taxes

On December 22, 2017, the 2017 Tax Act was signed into law. The 2017 Tax Act included a number of changes to the U.S. Internal Revenue Code, including a reduction of the U.S. corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017, and a one-time transition tax on certain unrepatriated foreign earnings (the "Transition Tax"). Prospective changes from the 2017 Tax Act that began in 2018 include imposed limitations on the deductibility of executive compensation and interest, a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries, and a new provision designed to tax global intangible low-taxed income ("GILTI"). The Company has made an accounting policy election to account for the tax effects of the GILTI provision as a period cost.

The Company recognized the income tax effects of the 2017 Tax Act in its financial statements for the year ended December 31, 2017, in accordance with Staff Accounting Bulletin No. 118, which provides SEC staff guidance for the application of ASC Topic 740, Income Taxes. The Company finalized its accounting for the income tax effects of the 2017 Tax Act in the fourth quarter of 2018 and there was no material change.

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The table below summarizes significant components of deferred tax assets and liabilities.

	Year Ended December 31,	
	2018	2017
Deferred tax assets		
Allowance for doubtful accounts	$ 11,792	$ 11,279
Accrued vacation and bonus	23,545	23,896
Deferred rent	9,016	8,491
Share-based compensation	11,837	15,108
Notes receivable from employees	12,993	12,879
State net operating loss carryforward	3,510	3,586
Foreign net operating loss carryforward	9,857	12,075
Federal tax credit and capital loss carryforward	9,470	7,403
Deferred compensation	1,801	2,688
Other, net	1,129	7,159
Total deferred tax assets	94,950	104,564
Deferred tax liabilities		
Revenue recognition	(5,087)	(7,227)
Property, equipment and capitalized software	(6,652)	(2,308)
Equity debt discount	(11,014)	—
Goodwill and other intangible asset amortization	(199,964)	(190,638)
Total deferred tax liabilities	(222,717)	(200,173)
Foreign withholding tax	(413)	(1,035)
Valuation allowance	(21,929)	(21,621)
Net deferred tax liabilities	$ (150,109)	$ (118,265)

As of December 31, 2018 and 2017, the Company believes certain deferred tax assets principally associated with foreign tax credit, capital loss and foreign net operating loss carryforwards, which can be carried forward for periods ranging from 5 years to indefinite, will expire based on updated forward-looking financial information. Therefore, valuation allowances of $21.9 million and $21.6 million are recorded against the Company's net deferred tax assets as of December 31, 2018 and 2017, respectively.

Prior to the passage of the 2017 Tax Act, the Company asserted that substantially all of the undistributed earnings of our foreign subsidiaries were considered indefinitely reinvested and accordingly, no deferred taxes were recognized. Pursuant to the provisions of the U.S. Tax Act, these earnings were subjected to U.S. federal taxation as a result of the one-time Transition Tax; however, these earnings may still be subject to foreign withholding taxes upon distribution. We have re-evaluated our historical assertion as a result of the 2017 Tax Act and determined that we no longer consider a majority of the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested. As of December 31, 2018, the Company has recognized a deferred tax liability of $0.4 million for foreign withholding tax on undistributed earnings of our foreign subsidiaries that are not indefinitely reinvested.

As of December 31, 2018, the Company has not recorded a $17.8 million deferred tax liability related to the basis difference in the investment in our foreign subsidiaries, as the investment is considered permanent in nature.

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The table below summarizes the components of income before income tax provision (benefit) from continuing operations.

	Year Ended December 31,		
	2018	2017	2016
Domestic	$ 96,543	$ 30,013	$ 66,202
Foreign	111,249	57,092	61,601
Total	$ 207,792	$ 87,105	$ 127,803

The table below summarizes the components of income tax provision (benefit) from continuing operations.

	Year Ended December 31,		
	2018	2017	2016
Current			
Federal	$ 10,847	$ 15,164	$ (3,326)
State	4,447	742	1,686
Foreign	21,056	14,816	13,864
	36,350	30,722	12,224
Deferred			
Federal	14,538	(47,820)	23,182
State	503	(152)	8,284
Foreign	5,790	(3,607)	(1,407)
	20,831	(51,579)	30,059
Income tax provision (benefit)	$ 57,181	$ (20,857)	$ 42,283

Our income tax provision (benefit) from continuing operations resulted in effective tax rates that varied from the statutory federal income tax rate as summarized below.

	Year Ended December 31,		
	2018	2017	2016
Income tax expense at federal statutory rate	$ 43,636	$ 30,487	$ 44,731
State income taxes, net of federal benefit	4,950	781	6,075
Detriment (benefit) from lower foreign tax rates	3,655	(8,500)	(7,827)
Valuation allowance on foreign net operating loss carryforward	(450)	253	254
Other expenses not deductible for tax purposes	3,543	2,466	3,082
Adjustment to reserve for uncertain tax positions	(132)	456	(3,547)
Impact of 2017 U.S. tax reform — deferred tax	(706)	(63,525)	—
Impact of 2017 U.S. tax reform — Transition Tax	50	18,655	—
Sale of Ringtail business	3,798	—	—
Other adjustments, net	(1,163)	(1,930)	(485)
Income tax provision (benefit)	$ 57,181	$ (20,857)	$ 42,283

The income tax expense for 2018 was $57.2 million, as compared with an income tax benefit of $20.9 million in 2017. The increase in expense is primarily attributable to higher pre-tax income in 2018 as compared with 2017 and the impact of the discrete income tax benefit of $44.9 million recorded in 2017 in connection with accounting for tax effects related to the 2017 Tax Act.

We file numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and in many city, state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examinations for years prior to 2014. We are also no longer subject to state and local or foreign tax examinations by tax authorities for years prior to 2012.

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Our liability for uncertain tax positions was $3.7 million and $2.7 million as of December 31, 2018 and 2017, respectively. The Company does not expect any of the uncertain tax positions to settle within the next 12 months. As of December 31, 2018, our accrual for the payment of tax-related interest and penalties was not significant.

16. Stockholders' Equity

2016 Stock Repurchase Program

On June 2, 2016, our Board of Directors authorized a stock repurchase program of up to $100.0 million (the "Repurchase Program"). On May 18, 2017 and December 1, 2017, our Board of Directors authorized an additional $100.0 million, respectively, increasing the Repurchase Program to an aggregate authorization of $300.0 million. No time limit has been established for the completion of the program, and the program may be suspended, discontinued or replaced by the Board of Directors at any time without prior notice. As of December 31, 2018, we have $72.6 million available under this program to repurchase additional shares.

The following table details our stock repurchases under the Repurchase Program:

	Year Ended December 31,		
	2018	2017	2016
Shares of common stock repurchased and retired	756	4,674	452
Average price per share	$ 53.88	$ 35.94	$ 41.06
Total cost	$ 40,722	$ 168,001	$ 18,577

2018 Repurchase Transaction

On August 13, 2018, our Board of Directors authorized the use of a portion of the proceeds from the issuance of the 2023 Convertible Notes to repurchase up to $25.0 million of common stock. On August 16, 2018, 196,050 shares of our common stock were repurchased at $76.51 per share for a total cost of $15.0 million. This is a separate repurchase transaction outside of the Repurchase Program.

2015 Stock Repurchase Program

On November 5, 2015, our Board of Directors authorized a six-month stock repurchase program of up to $50.0 million (the "2015 Repurchase Program"). During the year ended December 31, 2016, we repurchased and retired 85,100 shares of our common stock for an average per share price of $34.16, at a total cost of $2.9 million, which was paid in full in 2016. The 2015 Repurchase Program expired on May 5, 2016.

17. Employee Benefit Plans

We maintain a qualified defined contribution 401(k) plan, which covers substantially all of our U.S. employees. Under the plan, participants are entitled to make pre-tax and/or Roth post-tax contributions up to the annual maximums established by the Internal Revenue Service. We match a certain percentage of participant contributions pursuant to the terms of the plan, which contributions are limited to a percentage of the participant's eligible compensation. Effective in 2018, we increased our matching percentage. We made contributions related to the plan of $15.2 million, $11.6 million and $11.4 million during the years ended December 31, 2018, 2017 and 2016, respectively.

We also maintain several defined contribution pension plans for our employees in the United Kingdom and other foreign countries. We contributed to these plans $7.7 million, $6.4 million and $6.3 million during the years ended December 31, 2018, 2017 and 2016, respectively.

18. Segment Reporting

We manage our business in five reportable segments: Corporate Finance & Restructuring ("Corporate Finance"), Forensic and Litigation Consulting ("FLC"), Economic Consulting, Technology and Strategic Communications.

Our Corporate Finance segment focuses on the strategic, operational, financial and capital needs of our clients around the world and delivers a wide range of service offerings related to restructuring, business transformation and transaction support. Our restructuring practice includes corporate restructuring, including bankruptcy and interim management services. Our business transformation and transaction support practices include financings, mergers and acquisitions ("M&A"), M&A integration, valuations and tax advice, as well as financial, operational and performance improvement services.

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Our FLC segment provides law firms, companies, government clients and other interested parties with multidisciplinary, independent dispute advisory, investigations, data analytics, forensic accounting, business intelligence and risk mitigation services, as well as interim management and performance improvement services for our health solutions practice clients.

Our Economic Consulting segment provides law firms, companies, government entities and other interested parties with analysis of complex economic issues for use in legal, regulatory and international arbitration proceedings, strategic decision making and public policy debates in the U.S. and around the world.

Our Technology segment provides corporations and law firms with a comprehensive and global portfolio of consulting and services for information governance, privacy and security, electronic discovery and insight analytics. Our consulting expertise enables clients to more confidently govern, secure, find, analyze and rapidly understand their data in the context of compliance and risk.

Our Strategic Communications segment designs and executes communications strategies for management teams and boards of directors to help them seize opportunities, manage financial, regulatory and reputational challenges, navigate market disruptions, articulate their brand, stake a competitive position, and preserve and grow their operations.

We evaluate the performance of our operating segments based on Adjusted Segment EBITDA, a GAAP financial measure. We define Adjusted Segment EBITDA as a segment's share of consolidated operating income before depreciation, amortization of intangible assets, remeasurement of acquisition-related contingent consideration, special charges and goodwill impairment charges. We define Total Adjusted Segment EBITDA, a non-GAAP financial measure, as the total of Adjusted Segment EBITDA for all segments, which excludes unallocated corporate expenses. We use Adjusted Segment EBITDA to internally evaluate the financial performance of our segments because we believe it reflects current core operating performance and provides an indicator of the segment's ability to generate cash.

The table below presents revenues and Adjusted Segment EBITDA for our reportable segments for the years ended December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	2017	2016
Revenues			
Corporate Finance	$ 564,479	$ 482,041	$ 483,269
FLC	520,333	462,324	457,734
Economic Consulting	533,979	496,029	500,487
Technology	185,755	174,850	177,720
Strategic Communications	223,331	192,488	191,184
Total revenues	$ 2,027,877	$ 1,807,732	$ 1,810,394
Adjusted Segment EBITDA			
Corporate Finance	$ 121,660	$ 82,863	$ 97,688
FLC	96,821	72,705	57,882
Economic Consulting	69,955	61,964	74,102
Technology	27,387	22,171	25,814
Strategic Communications	42,918	27,732	30,458
Total Adjusted Segment EBITDA	$ 358,741	$ 267,435	$ 285,944

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The table below reconciles net income to Total Adjusted Segment EBITDA. Unallocated corporate expenses primarily include indirect costs related to centrally managed administrative functions that have not been allocated to the segments. These administrative costs include costs related to executive management, legal, corporate office support costs, information technology, accounting, marketing, human resources and company-wide business development and strategy functions.

	Year Ended December 31,		
	2018	2017	2016
Net income	$ 150,611	$ 107,962	$ 85,520
Add back:			
Income tax provision (benefit)	57,181	(20,857)	42,283
Interest income and other	(4,977)	(3,752)	(10,466)
Interest expense	27,149	25,358	24,819
Gain on sale of business	(13,031)	—	—
Loss on early extinguishment of debt	9,072	—	—
Unallocated corporate expenses	96,595	83,140	88,182
Segment depreciation expense	27,979	27,112	34,064
Amortization of other intangible assets	8,162	10,563	10,306
Segment special charges	—	37,207	9,833
Remeasurement of acquisition-related contingent consideration	—	702	1,403
Total Adjusted Segment EBITDA	$ 358,741	$ 267,435	$ 285,944

The table below presents assets by segment. Segment assets primarily include accounts and notes receivable, fixed assets purchased specifically for the segment, goodwill and other intangible assets.

	December 31,	
	2018	2017
Corporate Finance	$ 707,924	$ 726,176
FLC	412,667	401,905
Economic Consulting	516,123	501,471
Technology	171,002	195,399
Strategic Communications	212,147	215,083
Total segment assets	2,019,863	2,040,034
Unallocated corporate assets	359,258	217,207
Total assets	$ 2,379,121	$ 2,257,241

The table below details information on our revenues for the years ended December 31, 2018, 2017 and 2016. Revenues have been attributed to locations based on the location of the legal entity generating the revenues.

	Year Ended December 31,		
	2018	2017	2016
United States	$ 1,372,116	$ 1,262,682	$ 1,298,492
United Kingdom	302,576	251,843	246,236
All other foreign countries	353,185	293,207	265,666
Total revenues	$ 2,027,877	$ 1,807,732	$ 1,810,394

We do not have a single customer that represents 10% or more of our consolidated revenues.

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The table below details information on our long-lived assets and net assets by geographic location, which is based on the location of the legal entity holding the assets. We define net assets as total assets less total liabilities.

	December 31, 2018			December 31, 2017		
	United States	United Kingdom	All Other Foreign Countries	United States	United Kingdom	All Other Foreign Countries
Property and equipment, net	$ 59,611	$ 14,023	$ 10,943	$ 52,709	$ 14,761	$ 7,605
Net assets	$ 867,321	$ 160,894	$ 320,610	$ 654,010	$ 207,885	$ 330,076

19. Quarterly Financial Data (unaudited)

	Quarter Ended			
	March 31	June 30	September 30	December 31
2018				
Revenues	$ 497,774	$ 512,098	$ 513,012	$ 504,993
Operating expenses				
Direct cost of revenues	321,117	330,318	336,477	340,162
Selling, general and administrative expenses	112,128	117,897	117,448	118,163
Amortization of other intangible assets	2,270	2,052	1,975	1,865
	435,515	450,267	455,900	460,190
Operating income	62,259	61,831	57,112	44,803
Interest income and other	(1,800)	2,474	1,400	2,903
Interest expense	(6,244)	(6,583)	(7,246)	(7,076)
Gain on sale of business	—	—	13,031	—
Loss on early extinguishment of debt	—	—	—	(9,072)
Income before income tax provision	54,215	57,722	64,297	31,558
Income tax provision	15,270	14,113	19,964	7,834
Net income	$ 38,945	$ 43,609	$ 44,333	$ 23,724
Earnings per common share — basic [(1)]	$ 1.06	$ 1.18	$ 1.19	$ 0.63
Earnings per common share — diluted [(1)]	$ 1.04	$ 1.14	$ 1.14	$ 0.61
Weighted average common shares outstanding				
Basic	36,700	37,001	37,318	37,368
Diluted	37,612	38,271	38,756	38,628

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	Quarter Ended			
	March 31	June 30	September 30	December 31
2017				
Revenues	$ 446,344	$ 444,715	$ 448,962	$ 467,711
Operating expenses				
Direct cost of revenues	309,072	304,071	294,851	307,566
Selling, general and administrative expenses	107,690	108,119	104,161	112,043
Special charges	—	30,074	—	10,811
Amortization of other intangible assets	2,493	2,422	2,882	2,766
	419,255	444,686	401,894	433,186
Operating income	27,089	29	47,068	34,525
Interest income and other	605	1,592	1,103	452
Interest expense	(5,801)	(6,250)	(6,760)	(6,547)
Income before income tax provision (benefit)	21,893	(4,629)	41,411	28,430
Income tax provision (benefit)	7,877	527	9,197	(38,458)
Net income	$ 14,016	$ (5,156)	$ 32,214	$ 66,888
Earnings per common share — basic [(1)]	$ 0.35	$ (0.13)	$ 0.86	$ 1.81
Earnings per common share — diluted [(1)]	$ 0.34	$ (0.13)	$ 0.85	$ 1.78
Weighted average common shares outstanding				
Basic	40,527	39,555	37,431	36,906
Diluted	41,245	39,555	37,746	37,643

(1) The sum of the quarterly earnings per share amounts may not equal the annual amounts due to changes in the weighted average number of common shares outstanding during each quarterly period.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (a) were effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported, and (b) included, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management's report on internal control over financial reporting is included in Part II, Item 8, "Financial Statements and Supplementary Data."

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

Certain information required in Part III is omitted from this report but is incorporated herein by reference from our definitive proxy statement for the 2019 Annual Meeting of Stockholders to be filed within 120 days after the end of our fiscal year ended December 31, 2018, pursuant to Regulation 14A with the U.S. Securities and Exchange Commission ("SEC").

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained in our proxy statement under the captions “Information about the Board of Directors and Committees,” “Corporate Governance,” “Executive Officers and Compensation” and “Section 16(a) Beneficial Ownership Reporting Compliance” is incorporated herein by reference.

We have adopted the FTI Consulting, Inc. Code of Ethics and Business Conduct (“Code of Ethics”), which applies to our Chairman of the Board, President, Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller, and our other financial professionals, as well as all our other executive officers, including chief strategy and transformation officer, chief human resources officer, general counsel, and chief risk officer, and our other officers, directors, employees and independent contractors. The Code of Ethics is publicly available on our website at *http://www.fticonsulting.com/~/media/Files/us-files/our-firm/guidelines/fti-code-of-conduct.pdf*. If we make any substantive amendments to the Code of Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Ethics to our President, Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Controller or persons performing similar functions, other executive officers or directors, we will disclose the nature of such amendment or waiver on our website or in a Current Report on Form 8-K filed with the SEC. We will provide a copy of our Code of Ethics without charge upon request to our Corporate Secretary, FTI Consulting, Inc., 6300 Blair Hill Lane, Suite 303, Baltimore, Maryland 21209.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in our proxy statement under the caption “Executive Officers and Compensation” is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in our proxy statement under the captions “Security Ownership of Certain Beneficial Owners and Management” and this Annual Report under the caption Part II, Item 5, “Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Securities Authorized for Issuance under Equity Compensation Plans” is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information contained in our proxy statement under the captions “Certain Relationships and Related Party Transactions,” “Information about the Board of Directors and Committees,” and “Corporate Governance” is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information contained in our proxy statement under the caption “Principal Accountant Fees and Services” is incorporated herein by reference.

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USPS-20-1215-A-009502

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) (1) The following financial statements are included in this Annual Report:

Management's Report on Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm — Internal Control over Financial Reporting

Report of Independent Registered Public Accounting Firm — Consolidated Financial Statements

Consolidated Balance Sheets — December 31, 2018 and 2017

Consolidated Statements of Comprehensive Income — Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Stockholders' Equity — Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows — Years Ended December 31, 2018, 2017 and 2016

Notes to Consolidated Financial Statements

(2) The following financial statement schedule is included in this Annual Report:

Schedule II — Valuation and Qualifying Accounts

All schedules, other than the schedule listed above, are omitted as the information is not required or is otherwise provided.

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FTI Consulting, Inc. and Subsidiaries
Schedule II — Valuation and Qualifying Accounts
(in thousands)

Description	Balance at Beginning of Period	Additions: Charged to Expense	Additions: Charged to Other Accounts*	Deductions**	Balance at End of Period
Year Ended December 31, 2018					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts and unbilled services	$ 180,687	$ 17,872	$ 25,300	$ 21,465	$ 202,394
Valuation allowance for deferred tax asset	$ 21,621	$ 308	$ —	$ —	$ 21,929
Year Ended December 31, 2017					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts and unbilled services	$ 178,819	$ 15,386	$ 9,656	$ 23,174	$ 180,687
Valuation allowance for deferred tax asset	$ 18,900	$ 2,721	$ —	$ —	$ 21,621
Year Ended December 31, 2016					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts and unbilled services	$ 185,754	$ 8,912	$ 9,501	$ 25,348	$ 178,819
Valuation allowance for deferred tax asset	$ 13,167	$ 5,733	$ —	$ —	$ 18,900

* Includes estimated provision for unbilled services recorded as a reduction to revenues (i.e., fee, rate and other adjustments).
** Includes estimated direct write-offs of uncollectible and unrealizable accounts receivable.

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Exhibit Number	Description of Exhibits
3.1	Articles of Incorporation of FTI Consulting, Inc., as Amended and Restated. (Filed with the Securities and Exchange Commission on May 23, 2003 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 21, 2003 and incorporated herein by reference.)
3.2	Articles of Amendment dated June 1, 2011 to Charter of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
3.3	Bylaws of FTI Consulting, Inc., as Amended and Restated on June 1, 2011. (Filed with the Securities and Exchange Commission on June 2, 2011 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 1, 2011 and incorporated herein by reference.)
3.4	Amendment No. 1 to Bylaws of FTI Consulting, Inc. (Filed with the Securities and Exchange Commission on December 16, 2013 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 13, 2013 and incorporated herein by reference.)
3.5	Amendment No. 2 to Amended and Restated Bylaws of FTI Consulting, Inc. (Filed with the SEC on September 22, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated September 17, 2014 and incorporated herein by reference.)
4.1	Indenture, dated as of August 20, 2018, between FTI Consulting, Inc. and U.S. Bank National Association, as Trustee. (Filed with the Securities and Exchange Commission on August 20, 2018 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated August 20, 2018 and incorporated herein by reference.)
4.2	Form of 2.0% Convertible Senior Notes due 2023 (included in Exhibit 4.1). (Filed with the Securities and Exchange Commission on August 20, 2018 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated August 14, 2018 and incorporated herein by reference.)
10.1 *	FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as Amended and Restated as of April 27, 2005. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)
10.2 *	Form of Incentive Stock Option Agreement used with 2004 Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on November 9, 2004 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference.)
10.3 *	Form of Restricted Stock Agreement used with 2004 Long-Term Incentive Plan, as amended. (Filed with the Securities and Exchange Commission on November 9, 2004 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 and incorporated herein by reference.)
10.4 *	FTI Consulting, Inc. Non-Employee Director Compensation Plan established effective April 27, 2005. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)
10.5 *	Form of FTI Consulting, Inc. Non-Employee Director Compensation Plan Stock Option Agreement. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)
10.6 *	Form of FTI Consulting, Inc. Non-Employee Director Compensation Plan Restricted Stock Agreement. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)

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Exhibit Number	Description of Exhibits
10.7 *	Form of FTI Consulting, Inc. Non-Employee Director Compensation Plan Stock Unit Agreement. (Filed with the Securities and Exchange Commission on May 24, 2005 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated May 18, 2005 and incorporated herein by reference.)
10.8 *	Form of Nonqualified Stock Option Agreement used with 2004 Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on January 13, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-4/A and incorporated herein by reference.)
10.9 *	Amendment to FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as Amended and Restated Effective April 27, 2005. (Filed with the Securities and Exchange Commission on March 31, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 29, 2006 and incorporated herein by reference.)
10.10 *	Amendment dated as of June 6, 2006 to the FTI Consulting, Inc. Non-Employee Director Compensation Plan. (Filed with the Securities and Exchange Commission on June 7, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 6, 2006 and incorporated herein by reference.)
10.11 *	Amendment dated as of June 6, 2006 to the FTI Consulting, Inc. 2004 Long-Term Incentive Plan, as Amended and Restated Effective as of April 27, 2005, as further amended. (Filed with the Securities and Exchange Commission on June 7, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 6, 2006 and incorporated herein by reference.)
10.12 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on June 6, 2006 as exhibit 4.3 to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134789) and incorporated herein by reference.)
10.13 *	Form of FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Incentive Stock Option Agreement. (Filed with the Securities and Exchange Commission on June 6, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134789) and incorporated herein by reference.)
10.14 *	Form of FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Restricted Stock Agreement. (Filed with the Securities and Exchange Commission on June 6, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134789) and incorporated herein by reference.)
10.15 *	FTI Consulting, Inc. Deferred Compensation Plan for Key Employees and Non-Employee Directors. (Filed with the Securities and Exchange Commission on April 28, 2006 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A and incorporated herein by reference.)
10.16 *	Form of FTI Consulting, Inc. Deferred Compensation Plan For Key Employees and Non-Employee Directors Restricted Stock Unit Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 6, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134790) and incorporated herein by reference.)
10.17 *	Form of FTI Consulting, Inc. Deferred Compensation Plan For Key Employees and Non-Employee Directors Stock Unit Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 6, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (333-134790) and incorporated herein by reference.)
10.18 *	FTI Consulting, Inc. 2007 Employee Stock Purchase Plan. (Filed with the Securities and Exchange Commission on April 28, 2006 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A and incorporated herein by reference.)
10.19 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan, Amended and Restated Effective October 25, 2006. (Filed with the Securities and Exchange Commission on October 26, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated October 25, 2006 and incorporated herein by reference.)
10.20 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan/Appendix II: Australian Sub-Plan. (Filed with the Securities and Exchange Commission on December 15, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-4 (File No. 333-139407) and incorporated herein by reference.)

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Exhibit Number	Description of Exhibits
10.21 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan/Appendix III: Ireland Sub-Plan. (Filed with the Securities and Exchange Commission on December 15, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-4 (File No. 333-139407) and incorporated herein by reference.)
10.22 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan/Appendix IV: United Kingdom Sub-Plan. (Filed with the Securities and Exchange Commission on December 15, 2006 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-4 (File No. 333-139407) and incorporated herein by reference.)
10.23 *	FTI Consulting, Inc. Non-Employee Director Compensation Plan Stock Option Agreement under FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on December 13, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 11, 2006 and incorporated herein by reference.)
10.24 *	FTI Consulting, Inc. Non-Employee Director Compensation Plan Restricted Stock Agreement under FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on December 13, 2006 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 11, 2006 and incorporated herein by reference.)
10.25 *	FTI Consulting, Inc. Non-Qualified Stock Option Agreement under FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan. (Filed with the Securities and Exchange Commission on May 9, 2007 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 and incorporated herein by reference.)
10.27 *	FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on May 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference.)
10.28 *	FTI Consulting, Inc. Deferred Compensation Plan For Key Employees and Non-Employee Directors Restricted Stock Unit Agreement for Non-Employee Directors Under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on May 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference.)
10.29 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Restricted Stock Agreement Under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on May 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 and incorporated herein by reference.)
10.30 *	Form of Restricted Stock Unit Agreement for Non-Employee Directors under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10.31 *	Form of Stock Unit Agreement for Non-Employee Directors under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10.32 *	Form of FTI Consulting, Inc. 2004 Long-Term Incentive Plan Incentive Stock Option Agreement. (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10.33 *	FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan (Amended and Restated Effective as of May 14, 2008). (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)

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Exhibit Number	Description of Exhibits
10.34 *	Form of FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan Restricted Stock Agreement under the Non-Employee Director Compensation Plan, as Amended and Restated Effective as of February 20, 2008. (Filed with the Securities and Exchange Commission on August 7, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 and incorporated herein by reference.)
10.36 *	Form of Incentive Stock Option Agreement under the FTI Consulting, Inc. 2006 Global Long-Term Incentive Plan, as Amended and Restated. (Filed with the Securities and Exchange Commission on November 6, 2008 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and incorporated herein by reference.)
10.37 *	FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission on April 23, 2009 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement and incorporated herein by reference.)
10.38 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Incentive Stock Option Agreement. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.39 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Restricted Stock Agreement. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.40 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Restricted Stock Unit Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference).
10.41 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Stock Unit Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.42 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Restricted Stock Agreement for Non-Employee Directors. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.43 *	Form of FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Nonstatutory Stock Option Agreement. (Filed with the Securities and Exchange Commission on June 3, 2009 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 3, 2009 and incorporated herein by reference.)
10.44 *	FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan Cash-Based Performance Award Agreement. (Filed with the Securities and Exchange Commission on March 29, 2010 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 25, 2010 and incorporated herein by reference.)
10.45 *	FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan as Amended and Restated Effective as of June 2, 2010. (Filed with the Securities and Exchange Commission on April 23, 2010 as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement dated April 23, 2010 and incorporated herein by reference.)
10.46 *	FTI Consulting, Inc. Incentive Compensation Plan. (Filed with the Securities and Exchange Commission on April 18, 2011 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A and incorporated herein by reference.)
10.47 *	Employment Agreement dated as of December 13, 2013, by and between FTI Consulting, Inc. and Steven Gunby. (Filed with the Securities and Exchange Commission on December 16, 2013 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 13, 2013 and incorporated herein by reference.)

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Exhibit Number	Description of Exhibits
10.48 *	Form of Cash-Based Stock Appreciation Right Award Agreement. (Filed with the Securities and Exchange Commission on March 27, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 26, 2014 and incorporated herein by reference.)
10.49 *	Form of Cash Unit Award Agreement. (Filed with the Securities and Exchange Commission on March 27, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 26, 2014 and incorporated herein by reference.)
10.50 *	Form of Cash-Based Performance Award Agreement. (Filed with the Securities and Exchange Commission on March 27, 2014 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 26, 2014 and incorporated herein by reference.)
10.51 *	Form of FTI Consulting, Inc. Restricted Stock Agreement for Employment Inducement Awards to Chief Financial Officer and Chief Strategy and Transformation Officer. (Filed with the Securities and Exchange Commission on August 22, 2014 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (File No.: 333-198311) and incorporated herein by reference.)
10.52 *	Form of FTI Consulting, Inc. Non-Statutory Stock Option Agreement for Employment Inducement Award to Chief Financial Officer and Chief Strategy and Transformation Officer. (Filed with the Securities and Exchange Commission on August 22, 2014 as an exhibit to FTI Consulting, Inc.'s Registration Statement on Form S-8 (File No.: 333-198311) and incorporated herein by reference.)
10.53 *	Offer of Employment Letter dated July 15, 2014, by and between FTI Consulting, Inc. and Paul Linton. (Filed with the Securities and Exchange Commission on October 30, 2014 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference.)
10.54 *	Offer of Employment Letter dated July 2, 2014, by and between FTI Consulting, Inc. and Holly Paul. (Filed with the Securities and Exchange Commission on October 30, 2014 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference.)
10.55 *	Amendment No. 1 to Offer of Employment Letter dated July 27, 2014, by and between FTI Consulting, Inc. and Holly Paul. (Filed with the Securities and Exchange Commission on October 30, 2014 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 and incorporated herein by reference.)
10.56 *	The FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan (Amended and Restated Effective as of June 3, 2015). (Filed as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A filed with the SEC on April 21, 2015.)
10.57 *	Form of Non-Statutory Stock Option Award Agreement under FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan (Amended and Restated Effective as of June 3, 2015). (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.58 *	Form of Incentive Stock Option Award Agreement under FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan (Amended and Restated Effective as of June 3, 2015). (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.59 *	Form of Restricted Stock Award [or Restricted Stock Unit] Agreement under FTI Consulting, Inc. 2009 Omnibus Incentive Compensation Plan (Amended and Restated Effective as of June 3, 2015). (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.60 **	Security Agreement dated as of June 26, 2015, by and among FTI Consulting, Inc., the other grantors party thereto and Bank of America, N.A., as administrative agent. (Filed as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 26, 2015 filed with the SEC on June 30, 2015 and incorporated herein by reference.)

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Exhibit Number	Description of Exhibits
10.61 **	Pledge Agreement, dated as of June 26, 2015, by and among FTI Consulting, Inc., the other pledgors party thereto and Bank of America, N.A., as administrative agent. (Filed as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated June 26, 2015 filed with the SEC on June 30, 2015 and incorporated herein by reference.)
10.62 *	Employment Letter dated May 14, 2015 between FTI Consulting, Inc. and Curtis Lu. (Filed as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 filed with the Securities and Exchange Commission on July 30, 2015 and incorporated by reference herein.)
10.63	FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated as of January 1, 2016. (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.64	Form of Deferred Restricted Stock Unit Award Agreement for Non-Employee Directors Pursuant to the FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated as of January 1, 2016. (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.65	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors Pursuant to the FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated as of January 1, 2016. (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.66	Form of Restricted Stock [or Restricted Stock Unit] Award Agreement for Non-Employee Directors Pursuant to the FTI Consulting, Inc. Non-Employee Director Compensation Plan Amended and Restated as of January 1, 2016. (Filed with the Securities and Exchange Commission on February 25, 2016 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference.)
10.67 *	FTI Consulting, Inc. Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A dated April 20, 2016 filed with the SEC on April 20, 2016 and incorporated herein by reference.)
10.68 *	Offer of Employment Letter dated as of July 5, 2016, by and between FTI Consulting, Inc. and Ajay Sabherwal. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated July 14, 2016 filed with the SEC on July 18, 2016 and incorporated herein by reference.)
10.69 *	Amendment No. 1 dated as of December 5, 2016 to Employment Agreement made and entered into as of December 13, 2013, by and between FTI Consulting, Inc. and Steven Gunby. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated December 5, 2016 filed with the SEC on December 5, 2016 and incorporated herein by reference.)
10.70 *	Amendment No. 2 effective as of March 21, 2017 to Employment Agreement dated as of December 13, 2013, as amended, by and between FTI Consulting, Inc. and Steven Gunby. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)
10.71 *	Amendment No. 1 effective as of March 21, 2017 to Offer of Employment Letter dated as of July 5, 2016, by and between FTI Consulting, Inc. and Ajay Sabherwal. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)
10.72 *	Amendment No. 1 effective as of March 21, 2017 to Offer of Employment Letter dated July 15, 2014, by and between FTI Consulting, Inc. and Paul Linton. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)

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USPS-20-1215-A-009510

Exhibit Number	Description of Exhibits
10.73 *	Amendment No. 1 effective as of March 21, 2017 to Employment Letter dated May 14, 2015, by and between FTI Consulting, Inc. and Curtis Lu. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)
10.74 *	Amendment No. 2 effective as of March 21, 2017 to Offer of Employment Letter dated July 15, 2014, by and between FTI Consulting, Inc. and Holly Paul. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated March 21, 2017, filed with the SEC on March 23, 2017 and incorporated herein by reference.)
10.75 *	FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan (Effective as of June 7, 2017). (Included as Appendix A to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A filed on April 25, 2017 and incorporated herein by reference.)
10.76 *	Form of Executive Long-Term Incentive Pay Restricted Stock Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.77 *	Form of Executive Long-Term Incentive Pay Incentive Stock Option Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.78 *	Form of Executive Long-Term Incentive Pay Performance-Based Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.79 *	Form of General Restricted Stock Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.80 *	Form of General Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.81 *	Form of General Incentive Stock Option Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.82 *	Form of General Nonstatutory Stock Option Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.83 *	Form of General Performance-Based Restricted Stock Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.84 *	Form of General Cash Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)

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Exhibit Number	Description of Exhibits
10.85 *	Form of General Cash-Based Stock Appreciation Right Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.86 *	Form of General Cash-Based Performance Unit Award Agreement under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.87 *	Form of Restricted Stock Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.88 *	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.89 *	Form of Deferred Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.90 *	Form of Deferred Restricted Stock Unit Award Agreement for Non-Employee Directors under the FTI Consulting, Inc. 2017 Omnibus Incentive Compensation Plan. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, filed with the SEC on July 27, 2017 and incorporated herein by reference.)
10.91 *	Amendment No. 3 dated March 16, 2018 to that Employment Agreement dated as of December 13, 2013, by and between FTI Consulting, Inc. and Steven H. Gunby. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, filed with the SEC on April 26, 2018 and incorporated herein by reference.)
10.92 **	Amendment and Restatement Agreement, dated as of November 30, 2018, among FTI Consulting, Inc., a Maryland corporation, the Subsidiaries of the Company party thereto, as Guarantors, the Lenders and L/C Issuers party thereto and Bank of America, N.A., as administrative agent (including Annex C-Amended and Restated Credit Agreement dated as of November 30, 2018), by and among FTI Consulting, Inc., the designated borrowers party thereto, the guarantors party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent. (Filed with the Securities and Exchange Commission on December 3, 2018 as an exhibit to FTI Consulting, Inc.'s Current Report on Form 8-K dated November 30, 2018 and incorporated herein by reference.)
11.1 †	Computation of Earnings per Share (included in Note 3 to the Consolidated Financial Statements included in Part II, Item 8 herein).
14.0 †	FTI Consulting, Inc. Code of Ethics and Business Conduct, as Amended and Restated effective February 21, 2018.
21.1 †	Subsidiaries of FTI Consulting, Inc.
23.0 †	Consent of KPMG LLP.
31.1 †	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).
31.2 †	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (Section 302 of the Sarbanes-Oxley Act of 2002).

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Exhibit Number	Description of Exhibits
32.1 †	Certification of Principal Executive Officer Pursuant to 18 USC. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
32.2 †	Certification of Principal Financial Officer Pursuant to 18 USC. Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).
99.1	Policy on Disclosure Controls, as Amended and Restated Effective as of January 1, 2016. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 28, 2017 and incorporated herein by reference.)
99.2	Policy on Inside Information and Insider Trading, as Amended and Restated Effective January 1, 2016. (Filed with the Securities and Exchange Commission as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 28, 2017 and incorporated herein by reference.)
99.3 †	Corporate Governance Guidelines, as last Amended and Restated Effective as of September 20, 2018.
99.4	Categorical Standards of Director Independence, as last Amended and Restated Effective as of February 25, 2009. (Filed with the Securities and Exchange Commission on February 28, 2013 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 and incorporated herein by reference.)
99.5	Charter of Audit Committee of the Board of Directors, as last Amended and Restated Effective as of February 23, 2011. (Filed with the Securities and Exchange Commission on April 18, 2011 as an exhibit to FTI Consulting, Inc.'s Definitive Proxy Statement on Schedule 14A and incorporated herein by reference.)
99.6	Charter of the Compensation Committee of the Board of Directors, as last Amended and Restated Effective as of February 27, 2013. (Filed with the Securities and Exchange Commission on May 9, 2013 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and incorporated herein by reference.)
99.7	Charter of the Nominating and Corporate Governance Committee, as last Amended and Restated Effective as of December 16, 2009. (Filed with the Securities and Exchange Commission on February 26, 2010 as an exhibit to FTI Consulting, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.)
99.8	Anti-Corruption Policy, as Amended and Restated Effective February 19, 2014. (Filed with the Securities and Exchange Commission on May 2, 2014 as an exhibit to FTI Consulting, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and incorporated herein by reference.)
101	The following financial information from the Annual Report on Form 10-K of FTI Consulting, Inc. for the year ended December 31, 2018, filed herewith, and formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Statements of Stockholders' Equity; (iv) Consolidated Statements of Cash Flows; and (v) Notes to the Consolidated Financial Statements, tagged as blocks of text.

* Management contract or compensatory plan or arrangement.

† Filed herewith.

** With certain exceptions, annexes, exhibits and schedules (or similar attachments) to the Amendment and Restatement Agreement and exhibits and Schedules to the Amended and Restated Credit Agreement are not filed. FTI Consulting, Inc. will furnish supplementally a copy of any omitted annex, exhibit or schedule to the Securities and Exchange Commission upon request.

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized this 26th day of February 2019.

FTI CONSULTING, INC.

By: /s/ STEVEN H. GUNBY
Name: **Steven H. Gunby**
Title: **President and Chief Executive Officer**

SIGNATURE	CAPACITY IN WHICH SIGNED	DATE
/s/ STEVEN H. GUNBY **Steven H. Gunby**	President, Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2019
/s/ AJAY SABHERWAL **Ajay Sabherwal**	Chief Financial Officer and Interim Chief Accounting Officer (Principal Financial and Accounting Officer)	February 26, 2019
/s/ GERARD E. HOLTHAUS **Gerard E. Holthaus**	Director and Chairman of the Board	February 26, 2019
/s/ BRENDA J. BACON **Brenda J. Bacon**	Director	February 26, 2019
/s/ MARK S. BARTLETT **Mark S. Bartlett**	Director	February 26, 2019
/s/ CLAUDIO COSTAMAGNA **Claudio Costamagna**	Director	February 26, 2019
Vernon Ellis	Director	February , 2019
/s/ NICHOLAS C. FANANDAKIS **Nicholas C. Fanandakis**	Director	February 26, 2019
/s/ LAUREEN E. SEEGER **Laureen E. Seeger**	Director	February 26, 2019

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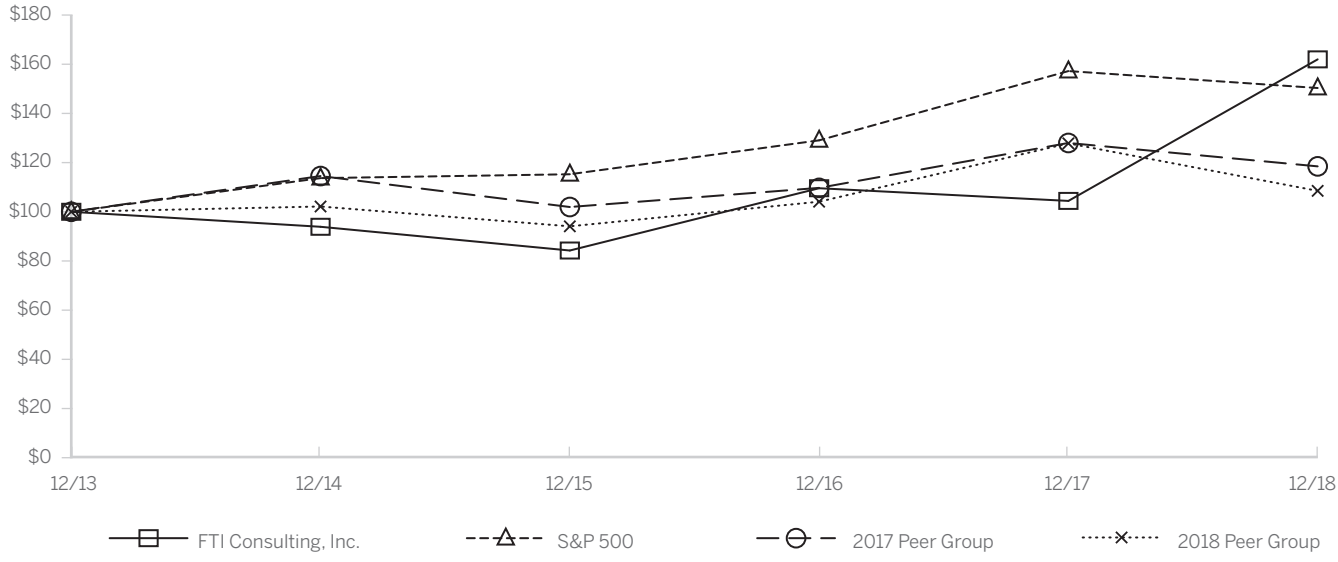
Performance Graph

The graph below compares the cumulative total shareholder return on our common stock from December 31, 2013 through December 31, 2018 with the cumulative total return of the S&P 500 Index and two customized peer groups. For 2018, the Company has changed its peer group as compared to 2017. The new peer group of six companies includes CRA International, Inc., Houlihan Lokey, Inc., Huron Consulting Group, Inc., Moelis & Co., Navigant Consulting, Inc., and PJT Partners, Inc. (collectively, the "2018 Peer Group"). The old peer group of seven companies included Evercore, Inc., Greenhill & Co, Inc., Huron Consulting Group, Inc., Lazard Limited, Navigant Consulting, Inc., Resources Connection, Inc., and Robert Half International, Inc. (collectively, the "2017 Peer Group"). The changes made from the 2017 Peer Group to the 2018 Peer Group were driven by several factors. In September 2018, the Company selected a peer group for executive compensation purposes, and all of the members of the 2018 Peer Group are also members of that compensation peer group. We also determined that the companies in the 2018 Peer Group are more comparable to the Company than some of the companies in the 2017 Peer Group in terms of one or more of the types of services offered to clients, including with respect to restructuring or mergers and acquisitions, size of market capitalization, or professional employee demographics.

Comparison of 5-Year Cumulative Total Return*

Among FTI Consulting, Inc., the S&P 500 Index, 2017 Peer Group and 2018 Peer Group



*$100 invested on 12/31/13 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

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	12/13	12/14	12/15	12/16	12/17	12/18
FTI Consulting, Inc.	100.00	93.90	84.25	109.58	104.42	161.98
S&P 500	100.00	113.69	115.26	129.05	157.22	150.33
2017 Peer Group	100.00	114.53	101.94	109.72	127.98	118.47
2018 Peer Group	100.00	102.15	94.09	104.10	127.82	108.51

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Corporate Leadership

Steven H. Gunby
President and Chief Executive Officer

Ajay Sabherwal
Chief Financial Officer

Jeffrey S. Amling
Chief Marketing Officer and Head of Business Development

Brendan J. Keating
Chief Accounting Officer and Controller

John Klick
Senior Vice President

Paul Linton
Chief Strategy and Transformation Officer

Curtis Lu
General Counsel

Matthew Pachman
Vice President–Chief Risk and Compliance Officer

Holly Paul
Chief Human Resources Officer

Business Leadership

Michael C. Eisenband
Global Segment Co-Leader
Corporate Finance & Restructuring

Carlyn R. Taylor
Global Segment Co-Leader
Corporate Finance & Restructuring and FTI Consulting Industry Initiative Leader

Paul S. Ficca
Global Segment Leader
Forensic and Litigation Consulting

Charles D. Overstreet
Global Practice Leader
Health Solutions

Sophie Ross
Global Segment Leader
Technology

Mark McCall
Global Segment Leader
Strategic Communications

Leslie H. Moeller
Chairman of North and South America

Kevin Hewitt
Chairman of Europe, Middle East & Africa

Board of Directors

Gerard E. Holthaus
Non-Executive Chairman of the Board of FTI Consulting, Inc. and Non-Executive Chairman of the Board of WillScot Corporation

Steven H. Gunby
President and Chief Executive Officer of FTI Consulting, Inc.

Brenda J. Bacon
President and Chief Executive Officer of Brandywine Senior Living LLC

Mark S. Bartlett
Former Partner at Ernst & Young LLP

Claudio Costamagna
Chairman of CC e Soci S.r.l.

Sir Vernon Ellis
Former Chair of the Board of Trustees of the British Council

Nicholas C. Fanandakis
Executive Vice President of DowDuPont, Inc.

Laureen E. Seeger
Chief Legal Officer of the American Express Company

Corporate Information

Executive Office
555 12th Street NW
Washington, D.C. 20004
+1.202.312.9100

Principal Maryland Place of Business
16701 Melford Blvd.
Bowie, MD 20715
+1.800.334.5701

Annual Stockholders' Meeting
The 2019 Annual Meeting of Stockholders will be held on June 5, 2019, at 9:30 a.m. at our offices at 555 12th Street NW, Washington, D.C. 20004

Independent Registered Public Accounting Firm
KPMG LLP
Baltimore, MD

Transfer Agent
American Stock Transfer & Trust Company
New York, NY

Stock
FTI Consulting's common stock trades on the New York Stock Exchange (NYSE) under the symbol FCN

Investor Relations
Mollie Hawkes
200 State Street, 8th Floor
Boston, MA 02109
+ 1.617.747.1791

Our website is www.fticonsulting.com. We make available, free of charge on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports, and proxy statements, as soon as reasonably practicable after we electronically file with, or furnish such materials to, the Securities and Exchange Commission. We also make available on our website our Corporate Governance Guidelines, Categorical Standards of Director Independence, Code of Ethics and Business Conduct, Anti-Corruption Policy, Charters of the Audit, Compensation and Nominating and Corporate Governance Committees of our Board of Directors, other corporate governance documents, and any amendments to those documents.

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NYSE: FCN

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USPS-20-1215-A-009519

UNITED STATES POSTAL SERVICE

Update on COVID-19 Financial Impact

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Weekly mail and package volume trends through April 4

- **Information available when initial projections were developed was extremely limited.**
- **The economic shut-down was in early stages and trends were not yet fully evident.**

Delivery Week	Entered Commercial Letters	Entered Commercial Flats	Presort First-Class	Marketing Mail	DPS 2nd Pass	Flats Incoming Secondary & FSS	Total Delivered Mail Volume	Delivered Domestic Packages	International and Military Packages
Total Week (3/16 - 3/21)	-6.80%	-22.70%	9.00%	-21.60%	-2.00%	-16.60%	-5.30%	-1.00%	-24.20%
Total Week (3/22 - 3/28)	-21.00%	-23.70%	5.10%	-35.50%	-6.00%	-13.20%	-7.50%	5.00%	-34.80%
Total Week (3/29 - 4/4)	-28.90%	-35.20%	-15.70%	-38.90%	-22.70%	-32.20%	-24.20%	11.70%	-43.20%

*Percentages represent change from the same time frame of the previous year

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Previous Short-Term Outlook – Volume

	Index value – Pre-COVID				Index value – Post-COVID (compared to pre-Covid)								Integrated Financial Plan (IFP)	
					Depth of Impact		Duration of Impact				Level of Return			
Volume Index	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2	Q1 2022	Q2 2022
First Class	100	100	100	100	70	60	72	84	80	82	83	83	90	88
Marketing Mail	100	100	100	100	30	30	50	63	68	68	68	68	90	91
Periodicals	100	100	100	100	50	40	50	63	69	69	67	67	90	87
Shipping & Packages	100	100	100	100	95	70	80	89	89	89	100	105	100	106
International	100	100	100	100	30	30	40	50	50	50	70	70	75	79
Other	100	100	100	100	88	88	88	88	76	76	76	76	82	91
Total	100	100	100	100	49	43	60	72	74	74	75	75	**90**	**90**

Volume:	2019Q3 Actual	2019Q4 Actual	2020Q1 Actual	2020Q2 Projected	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4	2022Q1	2022Q2
First Class	13,101	12,712	14,318	14,050	9,171	7,627	10,309	11,732	10,481	10,360	11,813	11,591
Marketing Mail	17,673	18,293	20,302	17,581	5,302	5,488	10,151	10,988	12,017	12,439	13,805	11,955
Periodicals	1,183	1,091	1,109	1,082	591	436	555	676	816	753	738	719
Shipping & Packages	1,420	1,451	1,737	1,430	1,349	1,016	1,390	1,273	1,264	1,291	1,737	1,501
International	202	180	240	187	61	54	96	94	101	90	168	131
Other	85	72	94	65	75	64	83	58	65	55	71	50
Total	***33,664***	***33,799***	***37,801***	***34,395***	***16,549***	***14,685***	***22,584***	***24,820***	***24,744***	***24,988***	***28,333***	***25,948***
4 Quarter Rolling Total:				***139,659***	***122,544***	***103,430***	***88,212***	***78,637***	***86,832***	***97,136***	***102,885***	***104,013***

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UNITED STATES POSTAL SERVICE

Current Volume Trends

- **Most recent volume trends are showing strong growth in packages with First-Class Presort showing some initial resilience**

Week	Entered Presort First-Class Mail	Entered USPS Marketing Mail	Entered Periodicals	Delivered Mail Volume*	Delivered Packages
Total Week (3/16 - 3/21)	9.0%	-21.6%	1.3%	-5.3%	-1.0%
Total Week (3/22 - 3/28)	5.1%	-35.5%	-1.6%	-7.5%	5.0%
Total Week (3/29 - 4/4)	-15.7%	-38.9%	-26.7%	-24.2%	11.8%
Total Week (4/5 - 4/11)	-2.2%	-42.5%	-17.7%	-32.2%	20.7%
Total Week (4/12 - 4/18)	-8.1%	-50.1%	-7.4%	-29.7%	29.0%
Total Week (4/19 - 4/25)	-2.0%	-43.7%	-38.7%	-28.4%	50.0%

*Consists of all delivered letter and flat volume

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UNITED STATES POSTAL SERVICE

Comparison of Recent Trends with April 8 Scenario

Mail Class	Actual - Week of 4/25 index versus last year	Actual - Avg Previous 3 weeks index versus last year	April 8 Assumed Q3 Growth/Decline	April 8 Assumed Q4 Growth/Decline
First-Class Mail	94	91	70	60
Marketing Mail	56	55	30	30
Periodicals	61	79	50	40
Shipping & Packages	150	133	95	70
International	57	53	30	30
Total:	**75**	**73**	**49**	**43**

Original April 8 2020 quarterly projections versus current trends:

- First-Class Mail stronger than projection, census and a small impact from the initial mailing of stimulus checks have buttressed some of the declines
- Marketing Mail has reduced quickly and is expected to decline further as businesses fail
- Periodicals have declined but not as much as initial estimates
- Shipping & Packages have increased significantly, there is much uncertainty as to whether this trend will continue
- International volumes have slowed and are expected to decline further as international trade slows and self-declared rates begin

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Short-Term Improvement vs. Initial Assessment for Q3/Q4, But Risks Remain Significant

- Factors supporting First-Class Mail volume in FY 2020 are likely one-time
- Marketing Mail is highly dependent on the state of the economy
  - The length and depth of the recession will be critical to Marketing Mail volume
  - Past experience in the Great Recession indicates that lost volume is not likely to return
- Potential for stronger package growth in the short-term with significant risk in the longer-term
  - Current package growth is due to shift to online fulfilment, America stocking up and reliance on USPS to handle surge in volumes (for example, Amazon fulfillment centers have focused on essential items)
  - Risks still exist with the long-term
    - Customer concerns regarding our financial condition and stability have increased, which may encourage shift to other channels for advertising and package delivery.
    - Higher unemployment and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the advertising and package markets.
    - Package growth may be adversely impacted by supply chain (production and transportation) disruptions, not only in the U.S but internationally.
    - Recent package growth was fueled by consumers stockpiling household items and food via e-commerce channels. As this surge in spending subsides, repeat purchasing will decline. As society begins to reopen, many consumers will return to retail stores.
    - FedEx has publicly announced that they would be bringing up to 400 million packages back into their network by the end of this calendar year.

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Future Volume Scenarios

- **Short-term volume trends are becoming more evident, although much uncertainty remains about future course of economy and mail and package volumes.**
- **Index values shown below represent percentage of IFP volume forecasts retained in subsequent periods.**

April 8 Projections

Preliminary Projections:

	Depth of Impact		Duration of Impact			
Volume Index	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First Class	70	60	72	84	80	82
Marketing Mail	30	30	50	63	68	68
Periodicals	50	40	50	63	69	69
Shipping & Packages	95	70	80	89	89	89
International	30	30	40	50	50	50
Total	49	43	60	72	74	74

Package Increases with adjustments to FCM, Marketing and Periodicals

Alternative Scenario 1:

	Depth of Impact		Duration of Impact			
Volume Index	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First Class	90	82	80	78	78	85
Marketing Mail	50	50	65	60	60	60
Periodicals	70	65	60	60	65	65
Shipping & Packages	120	115	105	105	105	105
International	30	50	50	50	50	50
Total	69	65	72	69	69	72

Scenario 1 with lower packages in FY2020 And package declines into 2021

Alternative Scenario 2:

	Depth of Impact		Duration of Impact			
Volume Index	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First Class	90	82	80	78	78	85
Marketing Mail	50	50	65	60	60	60
Periodicals	70	65	60	60	65	65
Shipping & Packages	110	95	95	90	90	90
International	30	50	50	50	50	50
Total	69	65	72	69	68	71

Scenario 1 with slightly higher FCM, marketing and Periodicals in 2021

Alternative Scenario 3:

	Depth of Impact		Duration of Impact			
Volume Index	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
First Class	90	82	80	84	80	82
Marketing Mail	50	50	65	63	68	68
Periodicals	70	65	60	63	69	69
Shipping & Packages	120	115	105	105	105	105
International	30	50	50	50	50	50
Total	69	65	72	73	74	75

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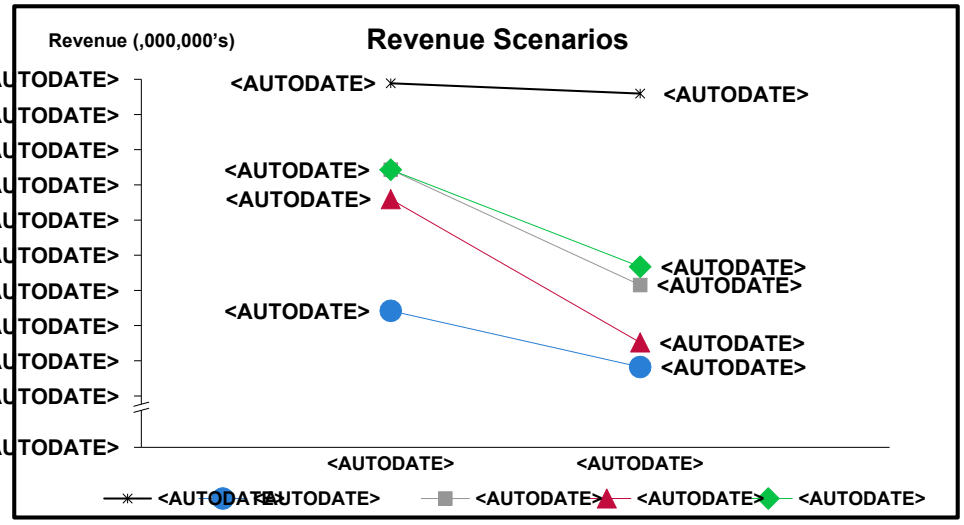
Additional Volume Scenarios

- Assessed higher volume assumptions in light of most recent data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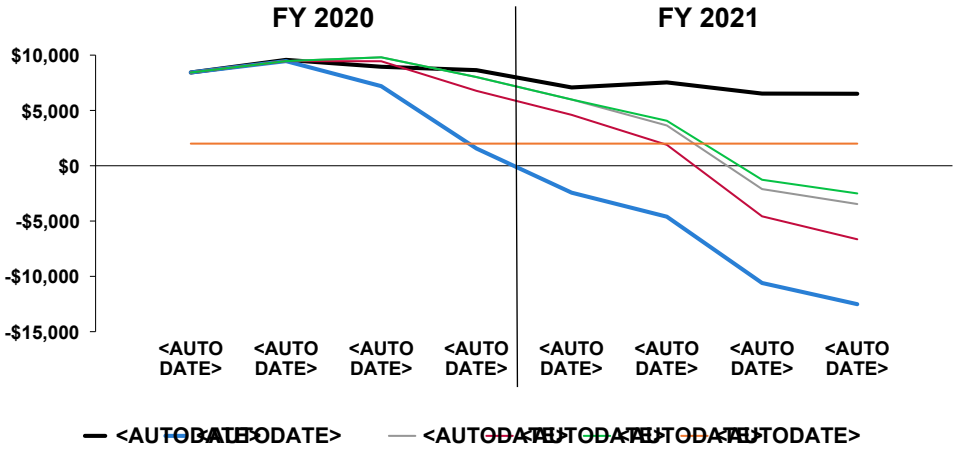
UNITED STATES POSTAL SERVICE

Cash Flow Impact

Without the $10B in additional borrowing, the Postal Service could be illiquid as early as Q4 2020 or as late as Q3 2021, based on updated projections



Note: Assumes continued default on year-end payments for RHB, FERS and CSRS
Assumes $3B short-term note will be repaid in Q3 FY2021 based on debt schedule

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

APPENDIX

AMERICAN OVERSIGHT

Revenue Comparison by Product

Base:
Revenue

	FY2020	FY2021
First Class	20,381	19,622
Marketing Mail	10,718	10,248
Periodicals	840	744
Shipping & Packages	21,267	20,571
International	1,600	1,177
Other	3,713	3,272
Total	*58,519*	*55,634*

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Revenue

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Other	3,713	3,272
Total	*58,519*	*55,634*

Scenario 1:

Revenue	FY2020	FY2021
First Class	22,911	19,884
Marketing Mail	12,152	10,038
Periodicals	955	727
Shipping & Packages	25,558	25,238
International	1,789	1,280
Other	3,495	3,138
Total	*66,860*	*60,305*

Scenario 2:

Revenue	FY2020	FY2021
First Class	22,911	19,884
Marketing Mail	12,152	10,038
Periodicals	955	727
Shipping & Packages	23,878	21,971
International	1,789	1,280
Other	3,495	3,138
Total	*65,180*	*57,038*

Scenario 3:

Revenue	FY2020	FY2021
First Class	22,911	20,152
Marketing Mail	12,152	10,781
Periodicals	955	758
Shipping & Packages	25,558	25,238
International	1,789	1,280
Other	3,495	3,138
Total	*66,860*	*61,346*

Difference from Base:
Scenario 1:

Revenue	FY2020	FY2021
First Class	2,530	263
Marketing Mail	1,434	(210)
Periodicals	114	(16)
Shipping & Packages	4,292	4,666
International	189	103
Other	(218)	(135)
Total	*8,341*	*4,670*

Scenario 2:

Revenue	FY2020	FY2021
First Class	2,530	263
Marketing Mail	1,434	(210)
Periodicals	114	(16)
Shipping & Packages	2,612	1,400
International	189	103
Other	(218)	(135)
Total	*6,661*	*1,404*

Scenario 3:

Revenue	FY2020	FY2021
First Class	2,530	530
Marketing Mail	1,434	533
Periodicals	114	14
Shipping & Packages	4,292	4,666
International	189	103
Other	(218)	(135)
Total	*8,341*	*5,712*

$ in Millions

AMERICAN OVERSIGHT

Outlook for 2020 and 2021 is for significant revenue declines and net losses. Network cannot contract sufficiently to offset declining volume.
Note: Board of Actuaries has revised assumptions underlying the CSRDF liability which has increased the amortization payments for FERS and CSRS

	IFP		Preliminary Projection		Scenario 1		Scenario 2		Scenario 3	
$ in millions	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Total Revenue	**71,774**	**71,189**	**58,839**	**55,644**	**66,860**	**60,305**	**65,180**	**57,038**	**66,860**	**61,346**
Total Salaries & Benefits	57,337	57,795	56,480	53,104	57,393	54,957	57,159	53,759	57,393	54,957
Transportation	8,466	8,432	7,763	7,478	8,124	7,659	7,933	7,549	8,124	7,659
Depreciation and Amortization	1,715	1,569	1,715	1,569	1,715	1,569	1,715	1,569	1,715	1,569
Supplies & Services*	2,711	2,699	2,887	2,693	2,987	2,704	2,984	2,699	2,987	2,731
Other Non-Personnel Expense	5,560	5,763	5,487	5,624	5,676	5,643	5,670	5,631	5,676	5,699
Total Controllable Expenses	**75,788**	**76,259**	**74,332**	**70,468**	**75,896**	**72,533**	**75,462**	**71,207**	**75,896**	**72,615**
Controllable Loss	**(4,014)**	**(5,069)**	**(15,494)**	**(14,824)**	**(9,036)**	**(12,228)**	**(10,282)**	**(14,169)**	**(9,036)**	**(11,269)**
Retiree Health Benefits Amortization	900	1,000	900	1,000	900	1,000	900	1,000	900	1,000
FERS Amortization	1,060	1,060	1,286	1,286	1,286	1,286	1,286	1,286	1,286	1,286
CSRS Amortization	1,617	1,617	1,798	1,798	1,798	1,798	1,798	1,798	1,798	1,798
Workers' Comp Fair Value Adjustment**	-	-	2,092	-	2,092	-	2,092	-	2,092	-
Total Noncontrollable Expenses	**3,577**	**3,677**	**6,076**	**4,084**	**6,076**	**4,084**	**6,076**	**4,084**	**6,076**	**4,084**
Net Loss	**(7,591)**	**(8,746)**	**(21,570)**	**(18,908)**	**(15,112)**	**(16,312)**	**(16,358)**	**(18,253)**	**(15,112)**	**(15,353)**

Post-COVID period requires significant workhour reductions due to declining volumes. There is a lag to achievement of significant work hour savings due to contractual obligations and the fixitiy of the mail processing and delivery infrastructure.

Baseline Forecast using preliminary volume projection: Reduction of 123M work hours, or approximately 70,000 Full Time Equivalent employees
Scenario 1: Reduction of 54M work hours, or approximately 30,000 Full Time Equivalent employees
Scenario 2: Reduction of 89M work hours, or approximately 50,000 Full Time Equivalent employees
Scenario 3: Reduction of 54M work hours, or approximately 30,000 Full Time Equivalent employees

* The increase in supplies and services is associated with additional purchases related to COVID including purchases of personal protective equipment such as sanitizer, masks, as well as increases related to contract cleaning of facilities due to COVID.
** The workers' compensation fair value adjustment is a non-cash expense that reflects the impact that changes in interest rates has on the liability. It fluctuates on a monthly basis.

AMERICAN OVERSIGHT

UNITED STATES POSTAL SERVICE

P&L Impact - Summary

	Previous base		Scenario 1		Scenario 2		Scenario 3	
	2020	2021	2020	2021	2020	2021	2020	2021
Volume	103,048	97,136	117,193	98,403	116,761	97,576	117,193	102,422
Revenues	58,839	55,644	66,860	60,305	65,180	57,038	66,860	61,346
Controllable expenses	74,332	70,468	75,896	72,533	75,462	71,207	75,896	72,615
Controllable loss	(15,494)	(14,824)	(9,036)	(12,228)	(10,282)	(14,169)	(9,036)	(11,269)
Non-controllable expenses	6,076	4,084	6,076	4,084	6,076	4,084	6,076	4,084
Net loss	(21,570)	(18,908)	(15,112)	(16,312)	(16,358)	(18,253)	(15,112)	(15,353)
Cash	1,560	(12,516)	8,018	(3,462)	6,772	(6,648)	8,018	(2,503)

Dollars and pieces in millions

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P&L Impact (Quarterly) – Previous Base

	Previous base							
	2020Q1	**2020Q2**	**2020Q3**	**2020Q4**	**2021Q1**	**2021Q2**	**2021Q3**	**2021Q4**
Volume	37,801	34,013	16,549	14,685	22,584	24,820	24,744	24,988
Revenues	19,395	17,876	11,890	9,677	13,632	14,145	13,984	13,883
Controllable expenses	19,783	18,668	17,859	18,023	18,749	17,702	16,934	17,083
Controllable loss	(387)	(792)	(5,969)	(8,345)	(5,116)	(3,557)	(2,951)	(3,200)
Non-controllable expenses	361	3,723	996	996	1,021	1,021	1,021	1,021
Net loss	(748)	(4,515)	(6,965)	(9,341)	(6,137)	(4,578)	(3,972)	(4,221)
Cash	8,430	9,459	7,195	1,560	(2,435)	(4,606)	(10,600)	(12,516)

Dollars and pieces in millions

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P&L Impact (Quarterly) – Scenario 1

	Scenario 1							
	2020Q1	**2020Q2**	**2020Q3**	**2020Q4**	**2021Q1**	**2021Q2**	**2021Q3**	**2021Q4**
Volume	37,801	34,013	23,277	22,101	27,344	23,634	23,258	24,167
Revenues	19,395	17,876	15,210	14,378	16,523	14,730	14,410	14,641
Controllable expenses	19,783	18,668	18,572	18,873	19,675	18,463	17,116	17,279
Controllable loss	(387)	(792)	(3,362)	(4,495)	(3,151)	(3,733)	(2,707)	(2,637)
Non-controllable expenses	361	3,723	996	996	1,021	1,021	1,021	1,021
Net loss	(748)	(4,515)	(4,358)	(5,491)	(4,172)	(4,754)	(3,728)	(3,658)
Cash	8,430	9,459	9,802	8,018	5,987	3,641	(2,109)	(3,462)

Dollars and pieces in millions

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P&L Impact (Quarterly) – Scenario 2

	Scenario 2							
	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
Volume	37,801	34,013	23,135	21,811	27,170	23,412	23,045	23,949
Revenues	19,395	17,876	14,654	13,254	15,846	13,857	13,557	13,779
Controllable expenses	19,783	18,668	18,372	18,639	19,140	17,952	16,977	17,139
Controllable loss	(387)	(792)	(3,718)	(5,385)	(3,294)	(4,094)	(3,420)	(3,360)
Non-controllable expenses	361	3,723	996	996	1,021	1,021	1,021	1,021
Net loss	(748)	(4,515)	(4,714)	(6,381)	(4,315)	(5,115)	(4,441)	(4,381)
Cash	8,430	9,459	9,447	6,772	4,599	1,891	(4,572)	(6,648)

Dollars and pieces in millions

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P&L Impact (Quarterly) – Scenario 3

	Scenario 3							
	2020Q1	2020Q2	2020Q3	2020Q4	2021Q1	2021Q2	2021Q3	2021Q4
Volume	37,801	34,013	23,277	22,101	27,344	24,867	24,982	25,229
Revenues	19,395	17,876	15,210	14,378	16,523	15,181	14,862	14,780
Controllable expenses	19,783	18,668	18,572	18,873	19,675	18,489	17,151	17,300
Controllable loss	(387)	(792)	(3,362)	(4,495)	(3,151)	(3,308)	(2,289)	(2,520)
Non-controllable expenses	361	3,723	996	996	1,021	1,021	1,021	1,021
Net loss	(748)	(4,515)	(4,358)	(5,491)	(4,172)	(4,329)	(3,310)	(3,541)
Cash	8,430	9,459	9,802	8,018	5,987	4,066	(1,267)	(2,503)

Dollars and pieces in millions

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Expense Update - Board of Actuary Change

On April 2, 2020, the Board of Actuaries of the Civil Service Retirement System recommended that OPM adopt new discount and inflation rates

Summary of Changes:

- Discount rate decreased from 4.25% to 4.00%
- Inflation assumption decreased from 2.50% to 2.40%
- General salary increase assumption decreased from 2.75% to 2.65%

Financial Impact:

- Estimated FERS amortization payment increased by $226M in FY2020
- Estimated CSRS amortization payment increased by $181M in FY2020
- Estimated workers' compensation (non-cash) increased by $901M in FY2020

- Note: FERS and CSRS amortization amounts are estimates and could change once OPM sends the final bill in September

AMERICAN OVERSIGHT

Wednesday, April 29, 2020

Contribution Defense Strategy and Scenarios

Section 0. Context & Table of Contents

Amazon is USPS' largest customer. It represented ~$3.9B revenue in FY19, driving **$1.6B in contribution and 24% of Air/Ground package delivery volume**. FY20 revenue is up 12.6% YTD[1] through February, and experiencing COVID-driven increase of **47% vs. SPLY**[2]. Over 50% of 1.5B packages shipped in FY19 were at non-discounted prices. Amazon may **grow from 50% of e-commerce market today to 70%+** of the market by 2022, with 8B+ packages.

Of total Amazon volume, 77% is overall Parcel Select (37% is PS Lightweight), representing ~80% of total contribution.[3]

The following pages articulate the following:

- **Section 1: Competitor Insourcing Capabilities.** *Explains why no Parcel Select volume should be considered "anyhow" volume*
- **Section 2: Framework for New Term with Consequences.** *Outlines path to leverage Amazon's recent ask for price certainty to* ***improve overall contracts and install economic consequences for volume insourcing.***
- **Section 3: Contribution Impact of a Declining Amazon.** *Articulates the relative contribution impact of both decline and growth scenarios with Amazon relationship*
- **Section 3 Addendum: Impact of 4x Price Increase in Parcel Select.** *Articulates the relative contribution impact of increasing published prices and terminating Parcel Select relationships.*
- **Appendix.** *Defines key assumptions outlines in Section 3 and Section 3 Addendum.*

[1] Direct revenue not including revenue through alternative carriers (e.g., UPS sent ~13M Amazon packages through USPS network in FY19)
[2] Since March 10th, 2020
[3] Based on March YTD volume profile. Source: BCI's March Amazon Dashboard. Parcel Select Contribution based on partner-adjusted costs, with remaining volume assumed to be national average based on the FY19 ACR, assuming a 2.5% cost increase to FY20.

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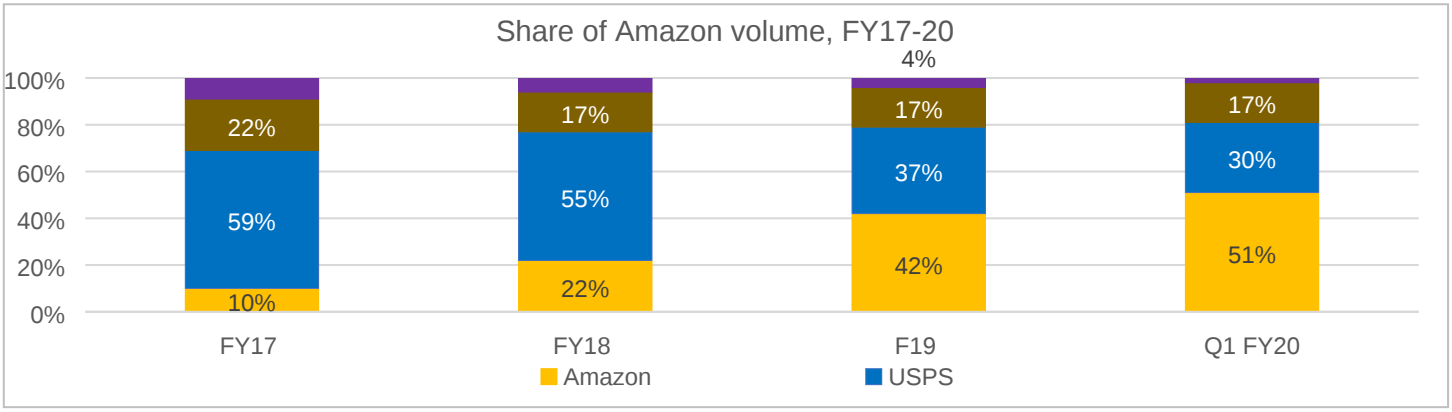
Section 1: Summary of Competitor Capabilities

Comparing Amazon to other major Parcel Select NSAs, we see that Amazon is not only our largest customer, but also one with strength and growth, not achieved through heavy discounting. Currently, USPS and Amazon are entering negotiations to expand partnership, introduce increased operational stability, and secure multi-year contribution.

Given the pressures of COVID-19 stressing Amazon's capacity, **we are at an inflection point** in the USPS-Amazon relationship. Increased eCommerce volume is pressuring Amazon to rely on USPS more than ever, which we can cement if we continue to actively partner with them in the long-term. Otherwise, USPS will cede ground to Amazon's insourcing and other competitors. **USPS has no guarantee to retain business** under current contractual arrangements.

Amazon has been aggressively insourcing volume with Amazon Logistics, sending 2B+ packages in FY19, which primarily cuts into USPS' share:



Major USPS last-mile competitors (UPS, FedEx and Amazon Logistics) are **all currently making investments** to increase capacity and network capabilities. While FedEx is not building out capabilities for <1lb parcels (or currently taking a large share of Amazon), UPS and AMZL have investments that suggest expanded capacity across both lightweight and heavyweight parcels.

UPS has the capability to absorb a majority of USPS-Amazon volume in the near future with limited incremental investment.

- **Major investments in new and expanded facilities will increase UPS daily capacity by ~3-5M pieces per day in 2020:**
  - 1 new regional super-hub in Harrisburg, PA with ability to process up to 100K packages per hour.
  - 2 new super-hubs in Tacoma, WA & Ontario, CA with ability to process ~50K packages per hour.
  - 3 new automated sortation & distribution centers with ability to process at least ~20K packages per hour.
  - Transition to ~100% sortation automation increases efficiency by 30%.
- **Ability to handle incremental volume in the last mile will require significant expansion of workforce** (+100K temporary workers employed during peak) and delivery fleet (+25%)

By end of 2020, UPS will **increase daily capacity to 33-40M** and be able to **absorb 100% of USPS Amazon volume.**

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Section 2: Potential terms to protect USPS interests

To secure contribution and prevent continued share-loss, recommend aggressively using Amazon's most-recent ask for price certainty to **modify entire Parcel Select contractual relationship and establish high-consequence commitments**.

Proposed terms would align closely to UPS agreement.

UPS "no-decline" requirement was a critical feature of the negotiation, and ensures that any volume loss triggers rate escalations. These escalations occur quickly enough to "harvest margin" in instances where customers choose to adjust long-term network plans.

Exhibit: Potential Terms to Improve Amazon NSA and Secure Contribution Certainty

Term	Opening Ask	Similar NSA Examples	Improvement on current Amazon NSA
Commitment length	5 years	-36 mo+ for UPS -36 mo+ for FedEx *Note: UPS has no black-out date for termination but requires 1 year notice.*	Secures **commitments for entire book of business.** **NO guaranteed commitments today.**
Decline Penalty (non-negotiable)	Move all Parcel Select volume to published pricing if growth falls below minimum commitments	UPS	Shift of NSA volume to published pricing would result in **44% revenue increase** per package. **This would capture significant contribution in event Amazon began to divert**
Geo-segments	Align price to relative competitive price required to win the business	UPS	**Maximizes contribution** by aligning to customer economics
Products	Parcel Select Lightweight / Parcel Select Heavyweight	Parcel Select Lightweight / Parcel Select Heavyweight commitments developed for FedEx	Secures **commitments for previously non-NSA** products *Example: shift all rates to non-discounted if Amazon begins to decline in net volume*
Volume Growth Tiers (Negotiable)	Volume growth calculated on rolling 4Q basis; Earned growth must also occur in non-Peak quarters Volume Baseline will factor in pre-COVID FY20 YTD growth, along with a COVID-growth assumption	-Volume tiers for FedEx -Growth tiers for UPS NSA	Ensures **revenue increase of up to $3B+ over 3 years**
Rapid volume reduction (Negotiable)	Reduction of more than 2 tiers in 3 quarters or fewer reverts all PS volume to published rates	FedEx (ZIP-level)	Adds volume certainty which **protects network cost structure**

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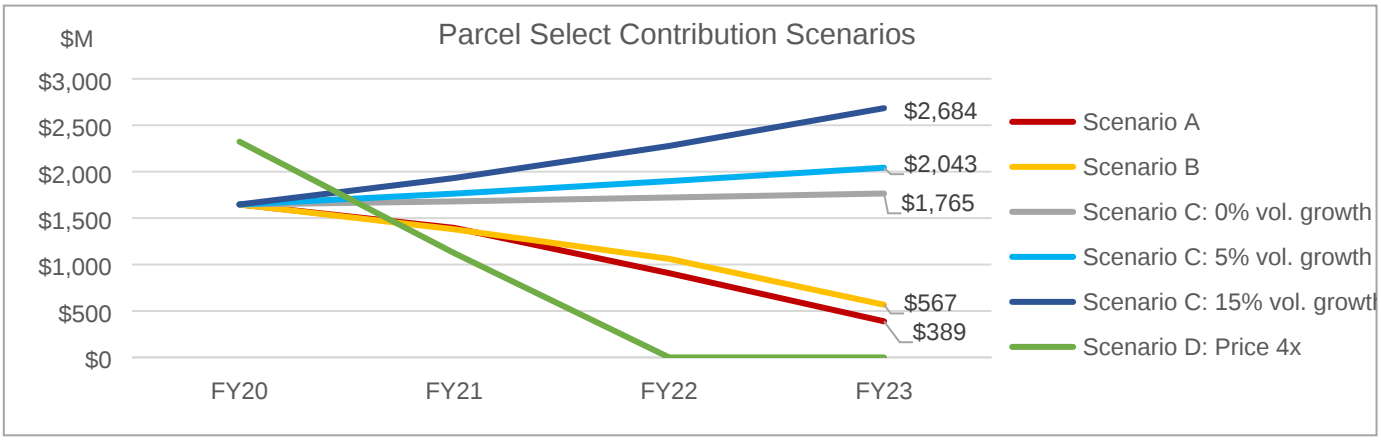
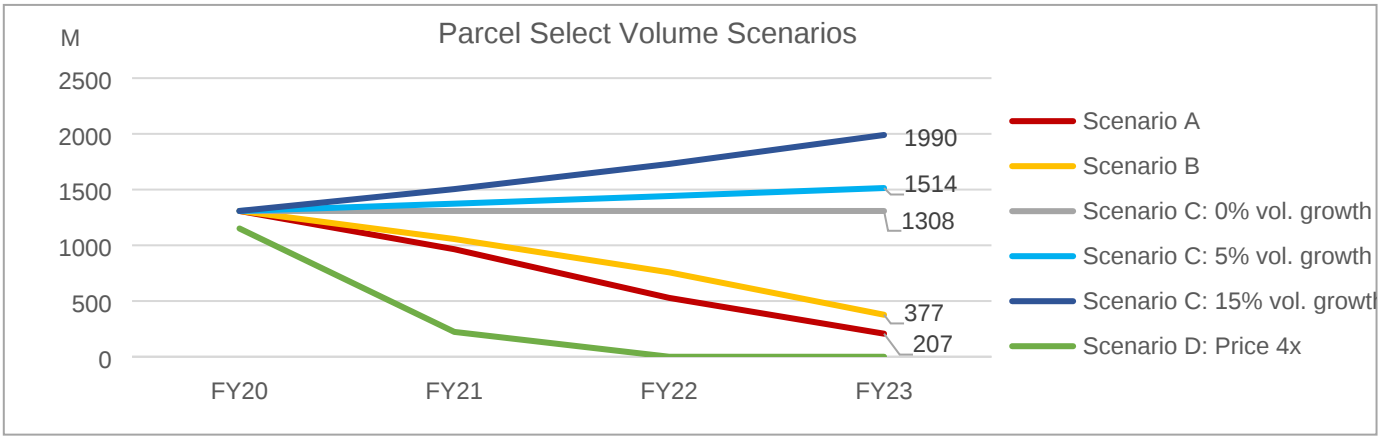
Section 3. Potential contribution outcomes[4]

USPS management has assessed the multi-year contribution impact based on the following go-forward Amazon scenarios:

a) Contribution harvest strategy through rate increases while maintaining NSA.
b) Steady-state contract status with steady contribution decline.
c) Contractually "locked-in" state to grow contribution.
   - C1: Maintain minimum 0% volume growth ("no decline") to keep NSA pricing
   - C2: Maintain low 5% volume growth to steal share from competitors
   - C3: Maintain strong 15% volume growth in line with Amazon's eCommerce growth
d) Increase published prices to 4X *(see Addendum)*
   - D1: Terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)
   - D2: Terminate all Parcel Select NSAs (*assessed in Addendum – not in below chart*)





Scenario A: Contribution harvest strategy.

*Example: **Raise published prices** by 50% in Parcel Select Lightweight, effectively increasing prices in all of Amazon's lightweight volume (37% of total volume).*

This strategy will lead Amazon to rapidly pull volume from USPS. Capability analysis indicates both Amazon and UPS are capable of absorbing USPS' entire share of existing Amazon volumes. Based on demonstrated in-sourcing capabilities of both carriers, predict >75%+ of all Amazon volume by 2024 will no longer be with USPS.

In parallel, if UPS takes share from USPS, it will: (1) improve their last-mile economics and increase UPS ability to self-deliver and pull last-mile volume from USPS, (2) create downward price pressure on USPS full-network products (Priority Mail, First Class Package Service).

[4] *Note: Section 2 Assumptions documented in APPENDIX*

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Scenario B: Steady-state contract.

*Example: Pursue **no significant changes to contractual agreements**. No contribution is guaranteed to USPS year-to-year.*

In mid-term, USPS expected to maintain volumes from COVID period. However, due to a lack of USPS pricing certainty, there is expectation that insourcing would continue, and volume would **shift steadily to UPS** while accelerating its internal capabilities and growing density. USPS would **lose 35%+ of current Amazon volume by FY23**, heavily reducing contribution.

Scenario C: Contractually lock-in contribution.

*Example: Use recent ask for "price certainty" to **modify relationship and install contribution certainty**.*

Pursue contribution certainty by locking in customer volume commitments. PS contribution could remain flat or increase by up to $1B+ by creating significant economic disincentive for volume declines.

Requires aggressive negotiation strategy that forces new levels of commitment in alignment with UPS negotiation outcomes.

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Section 3 ADDENDUM: Considering a 4x price increase on Parcel Select[5]

Context

This section analyzes the potential impact of a 4-5x price increase of USPS Parcel Select product (both heavyweight and lightweight).

Three scenarios are considered below:

- D1: Terminate Amazon NSA; volume shifts to Amazon insourcing and competitors but USPS does not win back significant volume through other Parcel Select customer (UPS)
- D2: Terminate all Parcel Select NSAs (*assessed in Addendum – not in below chart*)

In addition, the following key items can be found in the Appendix:

- Detailed articulation of assumptions explanations for Scenario D1
- Summary of impact of price increase to existing USPS price ladder
- Summary of current NSA termination clauses

Scenario D1: Raising published rates 4x, terminating Amazon NSA

Only Amazon is terminated *as an NSA using 365 day out clause, while also installing "defensive terms" for alternative customers (e.g., rate caps for DHL and Pitney Bowes' lightweight business).*

In mid-term, USPS would see a contribution uplift during FY21, but would see a rapid loss in contribution due to accelerated in-sourcing behaviors and Amazon partnership with UPS.

USPS would see contribution from Parcel Select with customer shift from ~$1.3B in FY19, surge to ~$2.3B in FY20, and then decline significantly to ~$1.1B in FY21 and ~$0M annually afterwards.

NOTE: this scenario assumes other customer relationships are held constant. UPS does not provide significant share of Amazon business back to USPS via SurePost or Mail Innovations (~13M pieces in FY19).

Even with additional network volumes, USPS is **unlikely to see any significant "volume return" via SurePost or Mail Innovations**:

- During **Peak season, UPS can nearly double daily package deliveries to 20 million/day on average** by hiring additional workers (100K in 2019) and establishing small annexes. To deliver USPS Amazon volume**, UPS would need to absorb only ~4M daily pieces on average, which is 20% of their reported peak operating ability.**[6]
- Furthermore, **SurePost and Mail Innovation will not be well-aligned to the current service standards** Amazon experiences at the DDU, making the products unlikely substitutes.

Terminating the Amazon NSA will have **implications for all Parcel Select customer relationships**. Despite favorable "defensive terms" added to their NSAs, shippers will have reason to believe that

Overall, this action sends the **message that USPS is not in control of its financeial position or customer strategy**, and that customers can presume no pricing certainty or trust even within NSA relationships. Beyond the largest Parcel Select customers, big box retailers (e.g., Walmart, Target) and pharmaceutical shippers (e.g., CVS) seeking a carrier partner for building out their delivery networks would question USPS' viability for that long-term role.

Scenario D2: Assuming all major Parcel Select/etc NSAs are terminated with either 365-day 30-day clause (see above):

Majority of USPS Parcel Select business would be lost under the scenario where USPS raises all published rates by 4x and terminates all customer relationships.

	Total Parcel Select impact after termination	FY19 PS Volume at risk[7]	FY19 PS Revenue at risk	FY19 PS Contribution at risk
Amazon	Accelerates insource drive to include absorbing volume from UPS, FedEx, other USPS customers	1,148M	$2.6B	$1.3B
UPS	Increases insourcing and uses new Teamster contract to solidify position	630M	$1.4B	$745M

[5] Note: Section 2 Assumptions documented in APPENDIX

[6] Source: UPS press release. https://pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=PressReleases&id=1568030066733-734. Assumes that UPS would be able to quickly ramp up to peak-like operations in response to the USPS' Amazon's termination notice in order to compete for and handle the excess volume.

[7] Source: Volume and revenue figures from Business Customer Intelligence. Contributions are estimated based costs provided by the Costing team, adjusting each partner's cost with its volume and inject profile.

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FedEx	Increases insourcing for larger packages; uses UPS/Amazon for small packages	463M	$1.1B	$584
DHL	Almost all volume absorbed by other carriers. Business line becomes non-viable given current capabilities.	247M	$483M	$226M
Pitney Bowes	Almost all volume absorbed by other carriers. Business line becomes non-viable given current capabilities.	69M	$158M	$83M

FOR INTERNAL USE ONLY – ASSUMPTION DOCUMENTATION FOR SECTION 2

Scenario A: Contribution harvest

	FY21	**FY22**	**FY23**
Competitor Response	Assumes Amazon grows at 18% annually due to long-term customer behavior change. In response to USPS' actions, will pursue network expansions and UPS partnership. They increase their planned 100K add'l last-mile vans by 2024 to 118K vans, with aggressive deployment (e.g. 50%+ by 2022) and improved package density. UPS partnership is accelerated, and UPS begins quickly investing in its network to handle volume. Decline is concentrated in PSLW, but also results in substantial PSHW decline		
Outsourced Volume	2.4B	2.2B	2.3B
UPS volume (annual growth)	1.3B (18%)	1.6B (25%)	2.0B (25%)
Remaining volume	1.1B	0.6B	0.3B
Implied Overall PS decline[8]	**-25%**	**-46%**	**-60%**
Implied PSLW annual decline[9]	-40%	-65%	-80%
Implied PSHW annual decline	-27%	-37%	-54%
Price increase	*PSHW price increase is 5% for all years except FY21 (assumed to be 2.1% due to their growth)* *PSLW price increase is 50% in FY21, and 5% in subsequent years*		

Outcome: USPS retains ~16% of current PS volumes, equivalent to the portions of volume in USPS Core and ~1/5 of the Battleground, as determined by previous geo-analysis.[10]

Scenario B: Maintain current agreements

	FY21	**FY22**	**FY23**
Competitor Response	Similar to above, Amazon grows at 18% annually. They increase their planned 100K add'l last-mile vans by 2024 only to 115K vans, but still with aggressive deployment (e.g. 50%+ by 2022) and improved package density. UPS begins significant network investments in 2021, which are complete by 2023. Decline is equivalent across PS.		
Outsourced Volume	2.5B	2.4B	2.4B

[8] Considers the relative decline compared to USPS' overall Amazon volume (~1.54B) and applies to PS.

[9] Assumes PSLW decline does not begin until Q2 FY21, when the pricing change would go into effect. Also assumes that ~65% of PSLW volume will be manifested at the 2lb DDU NSA rate, with 35% being subject to the full 50% price increase. This is in-line with the proportion of NSA/Non-NSA PSHW volumes, based on March YTD Data.

[10] Based on projected FY20 volumes, and Enterprise Analytics prior geo-segmentation analysis. Projected FY20 volumes assume 75% sustained COVID growth impacting Q3, with Q4 growth based on March YTD trends (with ~1-2% increase assumed for COVID impact. Source: BCI's March Amazon Dashboard

Note: Scenario A and B assume 2.5% annual inflation, along with a 2.1% PSHW price increase in FY21, followed by 5% price increases in FY22 and FY23. The 2.1% PSHW increase is in line with Amazon's current cap. In Scenario A, a 50% price increase is used for PSLW in 2021, with subsequent 5% price increases in 2021 and 2022. In Scenario B, the 2021 PSLW price increase is assumed to be 5% instead of 50%.

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UPS volume (annual growth)	1.3B (15%)	1.5B (20%)	2.0B (30%)
Remaining volume	1.2B	0.9B	0.4B
Implied Overall PS decline	**-20%**	**-28%**	**-50%**
Implied PSLW annual decline	-20%	-28%	-50%
Implied PSHW annual decline	-20%	-28%	-50%
Price increase	*Assume 5.5% price increase on both PSLW and PSHW.*		

Outcome: USPS retains ~30% of current PS volumes, equivalent to the portions of volume in USPS Core and ~1/2 of the Battleground.

Scenario C: Lock-in contribution

Scenarios rely on projected FY20 volumes as the baseline.

- FY20 Baseline assumes 75% sustained COVID growth impacting FY20Q3 volumes, with FY20Q4 growth based on March YTD trends (with a ~1-2% increase assumed for COVID impact).
- In Scenario C, 2.1% PSHW and 2.5% PSLW and PSHW price increases assumed for FY21. All subsequent years assume 2.5% price increase across all products.
- 2.5% cost inflation used.

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Scenario D1: Core Assumptions

Impact on USPS Amazon Volume by quarter involves the following assumptions:

	Volume Assumption	What you have to believe
Amazon	Amazon increases **annual capacity by 2.6B+** by Q4 FY21, 20% more aggressive than current public plans	• Amazon adds 44k last-mile vans by Q4 FY21 • 35k from standing Rivian order (100k by 2024) and 9K from new orders (Mercedes makes 450k+ vans/yr) • Each van can deliver 165 parcels/360 days a year • Continues fulfillment/middle mile investments on track
UPS	UPS will add 3-5M new packages/day by end of 2020, increasing capacity by **1B-1.5B packages annually**	• Continues current investment in 3 new super-hubs by end of 2020, totaling 200k hourly add'l capacity • 3 sortation/automation centers w/ 60k hourly capacity • Complete transition to 100% automated sortation

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FedEx	Run rate capacity for Amazon at **~200M** Amazon packages annually	• FedEx can reallocate all 200M of FY19 Amazon capacity back to Amazon by January 2021
PSLW	PSLW published rates increase 4X on 6/1/2020; NSA-eligible volume is manifested at lower HW NSA rates until contract termination goes into effect on 5/1/2021 and all LW is at 4X	
PSHW	Published rates increase 4X on 6/1/2020; NSA volume continues at NSA rates until NSA termination goes into effect on 6/1/2021	

	Q3 FY20	**Q4 FY20**	**Q1 FY21**	**Q2 FY21**	**Q3 FY21**	**Q4 FY21**
Volume Shift Summary	*Sudden price shift leaves majority of volume intact*	*Volume loss minimized by SurePost; FedEx capacity unlocked*	*Decrease in contribution despite peak; UPS/FedEx boost new capacity*	*UPS/FedEx hit go-forward capacity as Amazon begins major insource drive*	*Rate increase makes no contribution boost as UPS builds last-mile*	*USPS only gets rural and other high-cost volume; Big 3 build density*
Amazon	**6k** new vans	**13k** new vans	**22k** new vans	29k new vans	37k new vans	44k new vans
UPS	UPS completes **3 new sortation** centers	UPS completes **2 new superhubs**	UPS finishes **full automation**, all hubs	UPS has **completed 2020 investments**	**1-1.5B** new annual capacity	**1-1.5B** new annual capacity
FedEx	Amazon enters talks to reengage FedEx	FedEx opens 60M annual capacity	150M/yr capacity	200M/yr capacity	200M/yr capacity	200M/yr capacity
PSLW NSA	*6/1* - use 1lb HW NSA rate	1 lb HW NSA rate	1 lb HW NSA rate	1 lb HW NSA rate	*5/1* - 4X published	4X published
PSLW	*6/1* – raised to 4X published	4X published	4X published	4X published	4X published	4X published
PSHW NSA	NSA pricing	NSA pricing	NSA pricing	NSA pricing	*5/1* - 4X published	4X published
PSHW Pub	*6/1* - 4X published	4X current published	4X current published	4X current published	4X current published	4X published
Volume AMZN	261M	186M	176M	38M	9M	0M
Contribution	$0.6B	$878M	$834B	$211M	$78M	$0M

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Wednesday, April 29, 2020

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Product price ladder impact of major price increase

	PS Heavyweight (Published)	PS Heavyweight (Amazon)	Priority Mail Z1	PS Heavyweight 4x (Published)	PS Heavyweight 4x (Amazon)
2lb	$3.29	$2.44	$7.64	$13.16	$9.76

	Parcel Select Lightweight (Published)	First Class Z1	Parcel Select Heavyweight 4x (Lightweight)
8oz	$1.82	$3.21	$7.28

Summary of rate caps by NSA customers

	Rate Caps? (max rate cap)	**Termination Term (assume term activated end of April)**	**NSA Voidable?**
Amazon	*PSHW (~5%)*	*1-year termination notice.*	*See term below.*
UPS	*PSLW (~4.5%) and PSHW (lesser of 5% or published rate increase - 1%)*	*1-year termination notice.*	
FedEx	*N/A*	*Termination active in Sept.*	
DHL	*PSHW (~3%)*	*30-day termination notice.*	
Pitney Bowes	*PSHW (~3%)*	*30-day termination notice.*	

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Back-up document of source and ranged ADV capacities

SUMMARY PAGE (Proceeding pages have source data).

Assuming 260(ish) working days:

- UPS = ~18M ADV IN US, 21M WW
- FedEx = ~13M ADV IN US / Canada, ~17M WW
- AMZN = ~8.4M AVD IN US

During Peak

- UPS = ~32-40M delivered (WW)
- FedEx = ~38M moved (WW)
- AMZN = Unknown.

Fleet rentals: North American Fleet Rental fleets are robust and likely struggling
Overall, 490,000 commercial vans were sold domestically in the United States in 2019, a 13% increase from the previous year. Similar sales figures were projected for 2020 (https://www.goodcarbadcar.net/2019-us-commercial-van-sales-figures-by-model/)

- Budget has 27k (https://www.budgettruck.com/resources/factsheet)
- U-Haul has 167k trucks (https://www.amerco.com/history.aspx)
- Penske had 50k+ in North America (https://www.pensketruckrental.com/commercial-truck-rental/commercial-trucks/)
- Etc.

UPS: Peak Capacity of 32-40M parcels DELIVERED per day (assumes 6 days), versus ~20M average daily volume. 125k global trucks, but rentals are available.

- Would need to hire new employees, but they have interviewed 100k in ONE DAY in the US previously.
- They continue to invest in automation, increasing automated capacity by 400k pieces / hour in 2019, and have plans to continue to invest.

FedEx: 38M parcels moved on Cyber Monday (WW). ADV in the US / Canada of 13M (~10M ground and ~3M Express).

- Less information available, but they are investing less in their ground operations than UPS.
- However, they clearly can scale volume when needed. FedEx hired 55k temporary workers in peak 2019.

Amazon: ~6M parcels delivered per day on average. 30K domestic last-mile vans, with 100K additional vans expected to be on the road by 2024.

- Have continually demonstrated ability to accelerate ramp-up, such as through hiring 100K additional warehouse and delivery workers during COVID-19.
- Current investments could quickly be bolstered through additional purchases and leasing.

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UPS: Peak Capacity of 32-40M parcels DELIVERED per day (assumes 6 days), versus ~20M average daily volume. 125k global trucks, but rentals are available. Would need to hire new employees, but they have interviewed 100k in ONE DAY in the US previously. They continue to invest in automation, increasing automated capacity by 400k pieces / hour in 2019, and have plans to continue to invest.

- 32M low end: >32M parcels / day during peak (https://postandparcel.info/117540/news/parcel/ups-expects-to-deliver-around-32-million-packages-a-day-during-peak/)
- 40M High end: Their COO estimated it as even higher at "nearly double" the ~20M deliveries a day they handle now (https://pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=PressReleases&id=1568030066733-734)
    - US deliveries are ~18.7M a day as of last year. (https://pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=FactSheets&id=1426321563187-193)
- They've hired 100k temps before (https://www.supplychaindive.com/news/ups-prepares-to-hire-100k-temporary-employees-for-peak-season/562548/)
    - They brought through 100k people in ONE DAY for interviews last peak (https://postandparcel.info/117540/news/parcel/ups-expects-to-deliver-around-32-million-packages-a-day-during-peak/)
- They have 125k global vehicles (168 parcels / day delivered based on 21M total deliveries GLOBALLY)
    - They would need an additional ~25k vehicles to handle this capacity
- They are making investments in additional capacity:
    - From 2019: https://www.supplychaindive.com/news/ups-automation-investment-2019/553562/,
    - From 2020 (https://finance.yahoo.com/news/ups-investing-in-pennsylvania-and-automated-sorting-facilities-210603144.html)
- Earnings call:
    - *George Willis (Prez, US Ops): We delivered over 32 million packages, 16 of the 18 delivery days between Thanksgiving and Christmas. The majority of our volume, as you heard us talk about investments and handle that growth was -- year-over-year, was done in our automated facilities*
    - *Juan Perez (Chief Information / Engineering Office): The first one that I think it's important for you guys to know is that at the end of 2019, 75% of our U.S. eligible ground volume was actually sorted through automation. In addition to that, we had completed the rollout of UPS ORION navigation.*

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FedEx: 38M parcels moved on Cyber Monday (WW). ADV in the US / Canada of 13M (~10M ground and ~3M Express). Less information available, but they are investing less in their ground operations than UPS. However, they clearly can scale volume when needed. FedEx hired 55k temporary workers in peak 2019.

- FedEx continuing to invest in package capacity, primarily in heavyweight, while making sure that they can do LW profitably. From Fred Smith:
    - *Now the changes. As we announced last summer, FedEx is aggressively expanding North American packages -- package services for the rapidly growing e-commerce market to include year-round seven-day delivery, in sourcing most SmartPost volumes formally given to the postal service, standing up more dedicated ground large package facilities, given the remarkable growth in demand for the delivery of oversize items and new unique short-haul services.*
    - *While these are the most visible changes, numerous other new technologies and operating processes are being deployed to ensure we can profitably deliver increasing numbers of lighter weight residential packages. These strategies are being well received in the marketplace with record peak volume -- package volumes which are substantially above last year and well over forecast with excellent service levels and high overall customer satisfaction. In the fourth fiscal quarter, we forecast FedEx Ground margins will again be in the teens. ()*
- NOTE: FedEx doesn't break out domestic versus international

Sources (by bullet)

- CYBER MONDAY: https://www.fool.com/earnings/call-transcripts/2019/12/17/fedex-corp-fdx-q2-2020-earnings-call-transcript.aspx
- VOLUME BASELINE: http://s1.q4cdn.com/714383399/files/doc_financials/quarterly/2020/q3/FedEx-Q3-FY20-Stat-Book.pdf
- QUARTERLY CALL: *https://www.fool.com/earnings/call-transcripts/2019/12/17/fedex-corp-fdx-q2-2020-earnings-call-transcript.aspx*

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Amazon: ~6M parcels delivered per day on average. 30K domestic last-mile vans, with 100K additional vans expected to be on the road by 2024. Have continually demonstrated ability to accelerate ramp-up, such as through hiring 100K additional warehouse and delivery workers during COVID-19. Current investments could quickly be bolstered through additional purchases and leasing.

- Assumes 365 days / year.
- At 300 days = 7.3M / day
- At 260 days = 8.4M / day
- At the end of 2019, Amazon's current last-mile fleet size was 30,000 vans across 800 Delivery Service Providers
- While bulk of their vans have come from Mercedes Sprinter vans, they have used a variety of vendors
    - Ordered 2,200+ vans from Spartan in July 2019, and have also been seen with RAM models
- Their biggest source of additional capacity will be their purchase of 100,000 electric vans from Rivian
    - Pilots are expected to be on the road by 2020, with Bezos expecting all 100K deployed by 2024
    - This was part of a $700M+ investment made by Amazon in Rivian
- With their current fleet size and operating model (365 days/year), assuming ~175 packages/day/van, Amazon's internal capacity for 2019 was ~1.9B. However, they also deploy Flex for about ~15% of deliveries, bringing total to ~2.3B. This enables Amazon to deliver ~40-50% of their own volume, in-line with many industry reports and confirmed by Amazon representatives.
- The additional 100,000 vans can bring 6.4B of additional capacity to Amazon's network

Sources (by bullet)

- https://www.bloomberg.com/news/articles/2019-12-19/amazon-van-buying-supports-banner-year-for-auto-fleet-business
- # of DSPs - https://www.bizjournals.com/seattle/news/2020/02/20/amazon-ends-delivery-firm-contracts.html
- https://www.businessinsider.com/amazon-van-order-worry-usps-ups-2019-7
- "Amazon will order 100,000 electric delivery vans from EV startup Rivian, Jeff Bezos says" The Verge. https://www.theverge.com/2019/9/19/20873947/amazon-electric-delivery-van-rivian-jeff-bezos-order
- Flex usage: https://www.businessinsider.com/amazon-drivers-say-flex-delivery-jobs-are-disappearing-2019-1

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Talking Points for Call with Congressman Connolly

- Congressman Connolly, I am calling to discuss what I believe is a misunderstanding of some comments I made during yesterday's open Board meeting, about the Postal Service's ability to provide an essential service to the country during the COVID-19 crisis.

- First, let me extend my appreciation for your efforts on behalf of the Postal Service during negotiations of the CARES Act, and for your continued advocacy.

- You are responsible for making the Postal Service a central part of the national debate on emergency funding during this crisis.

- Chairman Duncan and I agreed before yesterday's meeting that he would address the Postal Service's critical liquidity challenges, and I would discuss the operations of Postal Service as part of America's critical infrastructure, with an unrivaled ability to deliver an essential service during this crisis, as well as what we are doing to protect the health and safety of our employees .

- We wanted to balance a sense of urgency about addressing our worsening financial condition, with a clear statement about why addressing the Postal Service's liquidity challenges was so important to the country.

- We also wanted our employees, to hear that we are still up and running, even though things are getting tough, and that their well-being remains our number one concern. They are showing tremendous courage every day in the face of significant personal risk to themselves and their families. They needed to hear that their jobs are not going away.

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- We also wanted to alleviate any immediate concerns of our customers that our ability to address their current needs was at risk.

- We knew that trying to balance both messages would be difficult. But we felt that since this was the first time the Board would be publically discussing the COVID crisis, it was important to address multiple audiences and their varying concerns.

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Introduction

Let me start by taking this opportunity to thank the men and women of the United States Postal Service

At least six days per week, and in some instances seven, Postal Service employees accept, process, transport, and deliver vital mail and packages like medicine, products that sustain us, benefits checks, and important information, all with their usual resolve and quiet efficiency.

Postal employees provide an essential public service to all Americans as a part of the country's critical infrastructure. They go to work every day to serve their communities. We all owe them our sincere gratitude and thanks.

As Americans are urged to stay home, the importance of the mail will only grow as people will need access to communications, essential packages and other necessities.

That said, we are at a critical juncture in the life of the Postal Service. At a time when America needs us more than ever, the reason we are so needed is having a devastating effect on our business.

Because of the significant impacts to our volume and revenues that we project as a direct result of the COVID-19 pandemic, we are in serious danger of running out of cash this fiscal year.

Furthermore, even if we get access to the borrowing authority provided by the CARES Act as we expect, we project that we will run out of cash next fiscal year absent significant additional assistance from Congress.

I would like to provide more details about these and other subjects in our discussion today.

Let me start with our employees. Our number one priority is to protect the health and safety of our employees.

A. How are we protecting our employees?

- <u>We are following the guidance of the Centers for Disease Control and Prevention and other public health authorities</u>

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- We are coordinating our policies to protect our employees with all four of our union presidents

- We have established a dedicated COVID-19 Command Response leadership team

- We share CDC guidance with all of our employees on ways to avoid contracting and spreading the virus.

- Based on CDC's April 3 guidance recommending that cloth face coverings be worn in public settings, we are strongly encouraging all employees to follow this recommendation. We have sufficient inventory to provide non-medical masks to employees upon request or they may bring their own personal cloth face coverings to work for use while on duty.

- We have distributed gloves and hand sanitizers in our facilities. However, the increased demand for gloves and sanitizer depleted supplies of those items in some locations, but we are replenishing our stock.

- **Expanded employee leave provisions, including adding temporary additional paid leave for Non-Career Employees and ability to use sick leave dependent care to include child care.**

- We have instituted a liberal leave policy to encourage employees who think they might be sick or are developing symptoms potentially related to COVID-19 to stay at home and take leave. Pursuant to the Families First Coronavirus Response Act, all employees will also receive 80 hours of emergency sick leave in addition to what they otherwise have accrued.

- We closely keep track of individuals that test positive for COVID-19 and work with local, state or municipal Health Departments in those situations.

- Social distancing is now being applied to every Postal Service function and facility.

- We are installing sneeze guards in our retail facilities.

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To practice social distancing in our retail lobbies, we placed social distancing notices on the outer and inner lobby doors, and place floor tape in the queue line six feet apart

- To protect our employees and customers, we eliminated the requirement that customers sign our Mobile Delivery Devices for delivery

- Updated our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance to prevent the spread of coronavirus

- Expanded the use of telework for employees who are able to perform their jobs remotely, Enabled almost 17,000 employees with telework capability, including over 2,000 bargaining unit employees

- In the case of senior centers we have designated several alternative means by which the Postal Service can accommodate delivery.

B. Shift to **Volume Decline**

- **Here's what we are seeing right now - the mail has been declining significantly over the past three weeks.**

Week	Delivered Mail Volume	Delivered Packages	Entered Presort First-Class	Entered USPS Marketing	Entered Periodicals
Total Week (3/16 - 3/21)	-5.3%	-1.0%	9.0%	-21.6%	1.3%
Total Week (3/22 - 3/28)	-7.5%	5.0%	5.1%	-35.5%	-1.6%
Total Week (3/29 - 4/4)	-24.2%	11.8%	-15.7%	-38.9%	-26.7%
Week to Date (4/5 - 4/7)	-30.4%	19.9%	-1.0%	-44.5%	-51.4%

- **The week of March 16, the total delivered mail (which is a lagging indicator) declined 5.3%; the week of March 22 the total delivered mail declined 7.5%; and last week it declined 24.3%**

- **This week through Tuesday the mail has declined 30.4%**

- **For the past two weeks packages have increased, primarily Priority and First Class**

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- **The week of March 22 packages increased 5%; the week of March 30 packages increased 11.7%**

- **This week through Tuesday packages have increased 20%**

    - **Although package growth has accelerated, we believe that trend is likely to reverse for several reasons.**
    - **First, some of our customers are already expressing concerns about what they are reading about our financial condition, and are pursuing alternatives to move their products.**
    - **Second, the impact of the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.**
    - Finally, package growth will also be likely be impacted by supply chain disruptions across the system, as manufactured goods that go into the boxes decrease, thus reducing package volume.

Volume Impact Estimates:

- There are three components to the COVID impact, that make the effects of the pandemic difficult to quantify:
    - **Depth** of the short-term impact during Calendar Q2 and Q3
    - **Duration** of the economic impact which will influence FY2021
    - **Volume Levels** to which mail returns after the pandemic is concluded, which will influence the out-years
        - After the 2008-2009 recession, some volume never returned (permanent 20% decline from FY2007 levels)

- <u>Current projections suggest the following</u>
- Again recognizing there are a number of unknowns:
    - How bad is it going to get?
    - How long will the economy stay shuttered?
    - Do we permanently lose volume to digital alternatives?

    - **Short term impact - Postal Q3 & Q4 (April – September)**
        - Significant short-term impact for the remainder of FY2020 due to economic impact of COVID

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- § USPS projects impact of up to a 50% decline in volumes in Q3 and 57% decline in Q4 based on the speed at which volume has already declined and information communicated by mailers.

- **Medium-term impact Fiscal Year 2021 (October 2020 – September 2021)**
  - § As time moves forward and the economic lock-down begins to lessen, USPS projects a gradual return of volumes beginning in Q1, to about 60% of the corresponding Pre-COVID levels in Q1.

  - § The rest of the Fiscal year it is assumed volumes will gradually return to about 74% of Pre-COVID volume levels (it is expected this will be worse than the great recession when USPS lost approximately 20% of volumes by the end due to the overall economic impact the lock-down is having)

- Long-term impact Fiscal Year 2022 and beyond
  - § The longer-term projection suggests a return to a "new normal" of about 74% of Pre-COVID volume levels where the long-term more gradual secular volume trends will resume for the next 10 years.

  - § The longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return will be less.

C. Revenue Decline

- The week of March 22 national revenue declined 12.2% v. Plan
- Last week national revenue declined 13.9% v. Plan

- **Revenue Trend:**

(millions)	Actual	Plan	Difference	% Difference
Week of 3/21	$ 1,343	$ 1,419	$ (76)	-5.36%
Week of 3/28	$ 1,245	$ 1,418	$ (173)	-12.23%
Week of 4/4	$ 1,274	$ 1,480	$ (206)	-13.94%

D. <u>Cash Impacts in the short-term:</u>

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- **Project $13B revenue loss for the remainder of this fiscal year directly due to COVID-19**
    - Revenue is currently running about $40-50M below plan each day

- Depending on the severity and length of the economic lock-down, current projections indicate the Postal Service would run out of cash by the end of this Fiscal Year if additional cash is not obtained (either through the additional possible Treasury loan, or additional funding mechanisms)
    - We will be illiquid in September with less than 1 payroll of cash remaining (Payroll is ~$2B bi-weekly) with a negative cash balance in October
        - The previous estimate was June.

        - With the stimulus we can defer employer Social Security taxes (~$1.1B thru September 2020) and Treasury agreed to lend us an additional $3.4B which has extended our runway by approximately 3 months.

    - Even with the additional $10B loan, USPS is projected to run out of cash in April 2021 as the $3B in short-term lending comes due to Treasury

- Over the next 18 months (to the end of the next fiscal year) we project our net loss will increase by $22.8B versus previous projections directly due to COVID
    - The previous baseline FY2020/FY2021 net loss projection was -$16.3B
    - The COVID FY2020/FY2021 net loss projection is -$39.1B

- Over the longer term (10 years) we project our net loss will increase by $54.3B versus previous projections directly due to COVID
    - The previous ten year net loss projection was -$146.1B
    - The COVID ten year net loss projection is -$200.6B

- We will do what we can to reduce expenses through overtime and non-career hour reductions, and curtailing of discretionary spending, but due to the impact of COVID on availability, and the costs associated with the leave provisions of HR6201, our ability to significantly reduce expenses in the short-run is diminished.
-
    - These volume reductions require us to reduce workhours over the next 18 months by 123M which is approximately 69,000 FTEs.

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- Cost of HR6201 is approximately $600-$900M depending on how many of our workforce suffer a qualifying condition related to COVID and how many have children and dependents out of school/daycare

E. Discussions with Treasury concerning the $10B

- We have started discussions with Treasury concerning the additional borrowing authority and we look forward to a quick resolution so that we can have ready access to this necessary borrowing

What we Need Now – Short-Term ASK

As you know our Board of Governors is comprised of both Republicans and Democrats. They operate in a very bipartisan manner. The Postal Service's recommendations for both short term and medium term relief that I will discuss were adopted unanimously by the Board of Governors. We understand there is a need to focus on short relief to get us through the immediate COVID-19 crisis, and for that reason our immediate ask will be only for relief to help us recover from the direct effects that the COVID-19 pandemic has had and will have on our business.

However, in an effort to be fully transparent, I want to be clear that while this relief will help us to whether the storm caused to our business by the pandemic, it will not resolve our fundamental business model problems or restore the Postal Service to longer term financial health.

For that reason, I will lay out what the Board agrees is needed now to deal with the direct impacts of the COVID-19 pandemic. I will also briefly outline the additional financial relief which the Board believes will be necessary in future legislation to fix the business model problems of the Postal Service and to restore us to longer term financial health.

With regard to our immediate needs to deal with the threat to the Postal Service posed by the impacts to our business directly related to the COVID-19 pandemic, we seek the following four items from Congress:

- $25B grant to cover COVID losses over the next two year period

- $25B modernization grant to help the Postal Service whether the longer term economic impacts to our business resulting from the pandemic, which will ensure that the USPS can maintain and modernize our critical infrastructure to support the nation

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- Debt forgiveness of the $14.4B in outstanding debt

- Unrestricted borrowing authority up to $25B

- The impact of COVID on our expected cash flows over the next 18 months was a decrease of approximately $25B, and in the longer term is almost $55B.

- The Postal Service was severely undercapitalized and this situation is exacerbated by COVID, and as a result we have requested that our $14.4B debt be forgiven to improve our financial condition and provide added flexibility.

- Additionally the severe impact on Postal Service cash flows caused by the pandemic over the longer term as a result of the permanent shift in volumes will require further unsustainable deferment of infrastructure maintenance, and too little investment in new vehicles and automation.

- Providing this $25B grant to enable the Postal Service to modernize our infrastructure has an additional benefit as a stimulus to the economy as the country returns to a new normal.

- Additionally, our projections are not the worst case—In fact, we are not sure where the bottom is. As a result, we need some cushion to help ensure we remain liquid.

- This short-term relief, which is only intended to address the direct impact of the COVID-19 pandemic on our infrastructure, will only allow us to maintain operations.
    - until 2023 (with defaults 2027);
    - If we do not receive the modernization grant this will provide relief until 2021 (with defaults 2025)

F. What we will eventually need medium-term (Within 18 months) to fix our business model and make us sustainable long-term

- We still need additional financial relief that will provide relief for the long-term (10 year horizon):
    - Prospective Medicare Integration with vested liability.
    - Pension relief
    - Pricing & product freedom and flexibility

AMERICAN OVERSIGHT

- The financial relief provided from these items (which we are not seeking now), along with the relief that we are requesting now that is directly related to the pandemic, will provide positive cash flow over the 10 year period.

- To be clear, we will eventually need both the COVID-19 relief we are seeking now, as well as the additional financial relief which we will seek later, in order to fix our business model problems and to be financially sustainable.

- If we can't achieve this result relatively soon, we will be required to pursue more significant structural reforms to lower our costs in order to ensure that we can continue to pay our bills.

G. Other issues

- Note Purchase Agreement-The Note Purchase Agreement expired pursuant to its terms when we were not able to reach a consensus to extend it. To be clear, the NPA was primarily an administrative document that streamlined our ability to borrow from Treasury. Its expiration did not eliminate our ability to borrow from Treasury. Some lines of credit survived the expiration of the NPA, and in fact we exercised one last week to borrow an additional $3.4B from Treasury.

- With regard to the $10B in additional borrowing authority provided by the CARES Act, our anticipation is that we will be able to borrow that money, and in fact our CFO has had preliminary discussions with the FFB concerning that matter.

- Our request today concerning the borrowing authority provision is merely to further streamline the borrowing process, and to ensure that we have ready access to cash expeditiously, since we will need it to weather the COVID-19 storm.

OTHER
<u>Volume decline – context we deliver roughly 3B pieces of mail a week; currently delivering 2.3B – losing roughly 700M pieces per week</u>

Payroll ~$4B per month

COVID-19 pandemic will increase our net operating losses by more than $22B over the next 18 months and by more than $54B over the next 10 years – threatening our ability to operate.

AMERICAN OVERSIGHT

Introduction

~~I am so proud of courage displayed by our employees, and their outstanding work in processing, transporting and delivering mail, and packages in the midst of this national public health crisis. Every day they come to work, risking their health, in order to deliver much needed medications, Social Security and stimulus check, and other necessities to the American public. The Postal Service's role as an essential service, and an important part of our country's critical infrastructure was never more important than it is today.~~

Let me start by taking this opportunity to thank the men and women of the United States Postal Service for all they do every day to bind our nation together, and to emphasize the essential public service that they provide to all Americans as a part of the country's critical infrastructure. At least six days per week, and in some instances seven, Postal Service employees accept, process, transport, and deliver vital mail and packages like medicine, products that sustain us, benefits checks, and important information, all with their usual resolve and quiet efficiency. As Americans are urged to stay home, the importance of the mail will only grow as people will need access to communications, essential packages and other necessities.

Given the fundamental role that they play as a part of the fabric of this nation, particularly in the difficult times we now face, I wanted to say how proud I am of the tremendous commitment of our employees. They put their anxiety and fear aside and go to work every day to provide a critical service to their communities. We all owe them our sincere gratitude and tremendous thanks.

That said, we are at a critical juncture in the life of the Postal Service. At a time when America needs us more than ever, the reason we are so needed is having a devastating effect on our business. Because of the significant impacts to our volume and revenues that we project as a direct result of the COVID-19 pandemic, we are in serious danger of running out of cash this fiscal year. Furthermore, even if we get access to the borrowing authority provided by the CARES Act as we expect, we project that we will run out of cash next fiscal year absent significant additional assistance from Congress. I would like to provide more details about these and other subjects in our discussion today.

Let me start with our employees. Our number one priority is to protect the health and safety of our employees.

A. How are we protecting our employees?

Commented [MTJ-WD1]: Just in case you want the equivalent of opening remarks

AMERICAN OVERSIGHT

- We are following the guidance of the Centers for Disease Control and Prevention and other public health authorities

- We are coordinating our policies to protect our employees with all four of our union presidents

- We have established a dedicated COVID-19 Command Response leadership team

- We share CDC guidance with all of our employees on ways to avoid contracting and spreading the virus.

- Based on CDC's April 3 guidance recommending that cloth face coverings be worn in public settings, we are strongly encouraging all employees to follow this recommendation. We has sufficient inventory towill provide non-medical masks to employees upon request or they may bring their own personal cloth face coverings to work for use while on duty.

- We have distributed gloves and hand sanitizers in our facilities. However, the increased demand for gloves and sanitizer depleted supplies of those items in some locations, but we are replenishing our stock.

- **Expanded employee leave provisions, including adding temporary additional paid leave for Non-Career Employees and ability to use sick leave dependent care to include child care.**

- We have instituted a liberal leave policy to encourage employees who think they might be sick or are developing symptoms potentially related to COVID-19 to stay at home and take leave. Pursuant to the Families First Coronavirus Response Act, all employees will also receive 80 hours of emergency sick leave in addition to what they otherwise have accrued.

- We closely keep trackt of individuals that test positive for COVID-19 and work with local, state or municipal Health Departments in those situations.

- Social distancing is now being applied to every Postal Service function and facility.

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AMERICAN OVERSIGHT

- We are installing sneeze guards in our retail facilities.
- To practice social distancing in our retail lobbies, we place social distancing notices on the outer and inner lobby doors, and place floor tape in the queue line six feet apart
- ~~We closely keep tract of individuals that test positive for COVID-19 and work with local, state or municipal Health Departments in those situations.~~
- Eliminated the requirement that customers sign our Mobile Delivery Devices for delivery
- Updated our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance to prevent the spread of coronavirus
- Expanded the use of telework for employees who are able to perform their jobs remotely, Enabled almost 17,000 employees with telework capability, including over 2,000 bargaining unit employees
- In the case of senior centers we have designated several alternative means by which the Postal Service can accommodate delivery.

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B. Volume Decline

- The mail has been declining significantly over the past three weeks.
- The week of March 16, the total delivered mail (which is a lagging indicator) declined 5.3%; the week of March 22 the total delivered mail declined 7.5%; and last week it declined 24.3%
- This week through Tuesday the mail has declined 30.4%
- For the past two weeks packages have increased, primarily Priority and First Class
- The week of March 22 packages increased 5%; the week of March 30 packages increased 11.7%
- This week through Tuesday packages have increased 20%

AMERICAN OVERSIGHT

- Although package growth has accelerated, we believe that trend is likely to reverse for several reasons.
- First, some of our customers are already expressing concerns about what they are reading about our financial condition, and are pursuing alternatives to move their products.
- Second, ~~concerned of the impact of businesses losing faith in our ability to maintain operations, as well as~~ the impact of the increase in the unemployment rate and the resulting decline in ~~decreasing~~ consumer income ~~which~~ will likely lead to less consumer spending and a decline in the overall package market.
- Finally, ~~P~~package growth will also be likely be impacted by supply chain disruptions across the system, as manufactured goods that go into the boxes decrease, thus ~~this will~~ reduc~~e~~inge package volume.

- **Volume Trend:**

Week	Delivered Mail Volume	Delivered Packages	Entered Presort First-Class	Entered USPS Marketing	Entered Periodicals
Total Week (3/16 - 3/21)	-5.3%	-1.0%	9.0%	-21.6%	1.3%
Total Week (3/22 - 3/28)	-7.5%	5.0%	5.1%	-35.5%	-1.6%
Total Week (3/29 - 4/4)	-24.2%	11.8%	-15.7%	-38.9%	-26.7%
Week to Date (4/5 - 4/7)	-30.4%	19.9%	-1.0%	-44.5%	-51.4%

Volume Impact Estimates:

- There are three components to the COVID impact, that make the effects of the pandemic difficult to quantify:
  - **Depth** of the short-term impact during Calendar Q2 and Q3
  - **Duration** of the economic impact which will influence FY2021
  - **Volume Level**~~**s**~~ to which ~~that~~ mail returns after the pandemic is concluded, which will influence the out-years
    - After~~In~~ the 2008-2009 recession, the volume never returned (permanent 20% decline from FY2007 levels)

- Current projections suggest the following (DON'T FORGET APPROPRIATE CAVEATS HERE):

AMERICAN OVERSIGHT

- Short term impact - Postal Q3 & Q4 (April – September)
  - Significant short-term impact for the remainder of FY2020 due to economic impact of COVID
  - USPS projects impact of up to a 50% decline in volumes in Q3 and 57% decline in Q4 based on the speed at which volume has already declined and information communicated by mailers.
- Medium-term impact Fiscal Year 2021 (October 2020 – September 2021)
  - As time moves forward and the economic lock-down begins to lessen, USPS projects a gradual return of volumes beginning in Q1, to about 60% of the corresponding Pre-COVID levels~~with a 40% reduction~~ in Q1. The rest of the Fiscal year it is assumed volumes will gradually return to about 74% of Pre-COVID volume levels (it is expected this will be worse than the great recession when USPS lost approximately 20% of volumes by the end due to the overall economic impact the lock-down is having)
- Long-term impact Fiscal Year 2022 and beyond
  - The longer-term projection suggests a return to a "new normal" of about 74% of Pre-COVID volume levels where the long-term more gradual secular volume trends will resume for the next 10 years. The longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return will be less.

C. Revenue Decline

- The week of March 22 national revenue declined 12.2% v. Plan
- Last week national revenue declined 13.9% v. Plan

- **Revenue Trend:**

(millions)	Actual	Plan	Difference	% Difference
Week of 3/21	$ 1,343	$ 1,419	$ (76)	-5.36%
Week of 3/28	$ 1,245	$ 1,418	$ (173)	-12.23%
Week of 4/4	$ 1,274	$ 1,480	$ (206)	-13.94%

D. Cash Impacts in the short-term:

- Project Impact of ~~up to~~ $13B in revenue loss versus original plan for the remainder of this fiscal year directly due to COVID-19~~over the next 6 months~~
  - Revenue is currently running about $40-50M below plan each day

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- Depending on the severity and length of the economic lock-down, current projections indicate the Postal Service wecould run out of cash by the end of this Fiscal Year if additional cash is not obtained (either through the additional possible Treasury loan, or additional funding mechanisms)
    - We will be illiquid in September with less than 1 payroll of cash remaining (Payroll is ~$2B bi-weekly) with a negative cash balance in October
        - The previous estimate was June.
        - With the stimulus we can defer employer Social Security taxes (~$1.1B thru September 2020) and Treasury agreed to lend us an additional $3.4B which has extended our runway by approximately 3 months.
    - Even with the additional $10B loan, USPS is projected to run out of cash in April 2021 as the $3B in short-term lending comes due to Treasury

- Over the next 18 months (to the end of the next fiscal year)two years we project our net loss will increase by $22.8B versus previous projections directly due to COVID
    - The previous baseline FY2020/FY2021 net loss projection was -$16.3B
    - The COVID FY2020/FY2021 net loss projection is -$39.1B

- Over the longer termnext ten years, we project our net loss will increase by $54.3B versus previous projections directly due to COVID
    - The previous ten year net loss projection was -$146.1B
    - The COVID ten year net loss projection is -$200.6B

- We will do what we can to reduce expenses through overtime and non-career hour reductions, and curtailing of discretionary spending, but due to the impact of COVID on availability, and the costs associated with the leave provisions of HR6201, our ability to significantly reduce expenses in the short-run is diminished. These volume reductions require us to reduce workhours over the next 18 months by 123M which is approximately 69,000 FTEs.
    - Cost of HR6201 is approximately $600-$900M depending on how many of our workforce suffer a qualifying condition related succumb to COVID and how many have children and dependents out of school/daycare

E. Discussions with Treasury concerning the $10B

AMERICAN OVERSIGHT

- The teams have begun dialog with Treasury concerning the additional borrowing authority and we look forward to a quick resolution so that we can have ready access to this necessary borrowing

F. What we Need Now – Short-Term Ask

As you know our Board of Governors is comprised ~~of comprised~~ of both Republicans and Democrats. They operate in a very bipartisan manner. The Postal Service's recommendations for both short term and medium ~~to long~~ term relief~~ve~~ that I will discuss were adopted unanimously by the Board of Governors. ~~While w~~We understand there is a need to focus on short relief to get us through the immediate COVID-19 crisis, and for that reason our immediate ask will be only for relief to help us recover from the direct effects that the COVID-19 pandemic has had and will have on our business.

However, in an effort to be fully transparent, I want to be clear that while this relief will help us to whether the storm caused to our business by the pandemic, it will not resolve our fundamental business model problems or restore the Postal Service to longer term financial health. ~~it is important to recognize that the Postal Service will experience the adverse effects of this economic downturn well into the future.~~ For that reason, I will lay out what the Board agrees is needed now to deal with the direct impacts of the COVID-19 pandemic. ~~, and what the~~ I will also briefly outline the additional financial relief which the Board believes will be necessary in future legislation to fix the business model problems of the Postal Service and to restore us to longer term financial health.~~eded by way of longer term structural changes.~~

With regard to our immediate needs to deal with the threat to the Postal Service posed by the impacts to our business directly related to the COVID-19 pandemic, we seek the following four items from Congress:

- $25B grant to cover COVID losses over the next two year period
- $25B modernization grant to help the Postal Service whether the longer term economic impacts to our business resulting from the pandemic, which will ensure that the USPS can maintain and modernize our ~~the~~ critical infrastructure to support the nation
- Debt forgiveness of the $14.4B in outstanding debt
- Unrestricted borrowing authority up to $25B

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- The impact of COVID on our expected cash flows over the next 18 months was a decrease of approximately $25B, and in the longer term is almost $55B.

- The Postal Service was severely undercapitalized and this situation is exacerbated ~~b~~my COVID, and as a result we have requested that our $14.4B debt be forgiven to improve our financial condition and provide added flexibility.

- Additionally the severe impact on Postal Service~~'s anemic~~ cash flows caused by the pandemic over the longer term as a result of the permanent shift in volumes will require further ~~have caused~~ unsustainable deferment of infrastructure maintenance, and too little investment in new vehicles~~,~~ and automation.

- Providing this $25B grant to enable the Postal Service to modernize our infrastructure has an additional benefit ~~As such,~~ as a stimulus to the economy as the country returns to a new normal~~, and to modernize the Postal Service, we are requesting a $25B~~.

- Additionally, our projections are not the worst case—In fact, we are not sure where the bottom is. As a result, we need some cushion to help ensure we remain liquid.

- This short-term relief, which is only intended to address the direct impact of the COVID-19 pandemic on our infrastructure, will only allow us to maintain operations.
  - ~~This will provide us relief~~ until 2023 (with defaults 2027);
  - If we do not receive the modernization grant this will provide relief until 2021 (with defaults 2025)

G. What we will eventually need medium-term (Within 18 months) to fix our business model and make us sustainable long-term

- We still need additional financial relief that will provide relief for the long-term (10 year horizon):
  - Prospective Medicare Integration with vested liability.
  - Pension relief
  - Pricing & product freedom and flexibility
  - ~~Pension changes~~
  - ~~Structural changes to enable the system to adapt to volume changes~~

- The ~~short term~~ financial relief provided from these items (which we are not seeking now), along with the relief that we are requesting now that is directly

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related to the pandemic,~~above combined with these changes~~ will provide positive cash flow over the 10 year period.

- To be clear, we will eventually need both the COVID-19 relief we are seeking now, as well as the additional financial relief which we will seek later, in order to fix our business model problems and to be financially sustainable.

- If we can't achieve this result relatively soon, we will be required to pursue more significant structural reforms to lower our costs in order to ensure that we can continue to pay our bills.

- ~~—~~

H. Other issues~~What we need long-term if we do not achieve resolution of our short and medium term items (Beyond 18 months)~~

- Note Purchase Agreement-The Note Purchase Agreement expired pursuant to its terms when we were not able to reach a consensus to extend it. To be clear, the NPA was primarily an administrative document that streamlined our ability to borrow from Treasury. Its expiration did not eliminate our ability to borrow from Treasury. Some lines of credit survived the expiration of the NPA, and in fact we exercised one last week to borrow an additional $3.4B from Treasury.~~Postal Service has needed structural reform for years, the latest pandemic and economic disaster is simply exacerbating an already broken business model – a fixed cost infrastructure that cannot adopt to the volume realities - we are delivering less mail to more delivery points~~

- With regard to the $10B in additional borrowing authority provided by the CARES Act, our anticipation is that we will be able to borrow that money, and in fact our CFO has had preliminary discussions with the FFB concerning that matter.

- Our request today concerning the borrowing authority provision is merely to further streamline the borrowing process, and to ensure that we have ready access to cash expeditiously, since we will need it to weatherthe COVID-19 storm.

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AMERICAN OVERSIGHT

Introduction

Let me start by taking this opportunity to thank the men and women of the United States Postal Service

At least six days per week, and in some instances seven, Postal Service employees accept, process, transport, and deliver vital mail and packages like medicine, products that sustain us, benefits checks, and important information, all with their usual resolve and quiet efficiency.

Postal employees provide an essential public service to all Americans as a part of the country's critical infrastructure. They go to work every day to serve their communities. We owe them a debt of gratitude.

Our number one priority is to protect the health and safety of our employees.

A. Permit me to outline – high level **how we are protecting our employees.**

- We are following the guidance of the Centers for Disease Control and Prevention and other public health authorities

- We are coordinating our policies to protect our employees with all four of our union presidents

- We have established a dedicated COVID-19 Command Response leadership team

- We share CDC guidance with all of our employees on ways to avoid contracting and spreading the virus.

- Based on CDC's April 3 guidance recommending that cloth face coverings be worn in public settings, we are strongly encouraging all employees to follow this recommendation. We have sufficient inventory to provide non-medical masks to employees upon request or they may bring their own personal cloth face coverings to work for use while on duty.

AMERICAN OVERSIGHT

- We have distributed gloves and hand sanitizers in our facilities. However, the increased demand for gloves and sanitizer depleted supplies of those items in some locations, but we are replenishing our stock.

- **Expanded employee leave provisions, including adding temporary additional paid leave for Non-Career Employees and ability to use sick leave dependent care to include child care.**

- We have instituted a liberal leave policy to encourage employees who think they might be sick or are developing symptoms potentially related to COVID-19 to stay at home and take leave. Pursuant to the Families First Coronavirus Response Act, all employees will also receive 80 hours of emergency sick leave in addition to what they otherwise have accrued.

- We closely keep track of individuals that test positive for COVID-19 and work with local, state or municipal Health Departments in those situations.

- Social distancing is now being applied to every Postal Service function and facility.

- We are installing sneeze guards in our retail facilities.

To practice social distancing in our retail lobbies, we placed social distancing notices on the outer and inner lobby doors, and place floor tape in the queue line six feet apart

- To protect our employees and customers, we eliminated the requirement that customers sign our Mobile Delivery Devices for delivery

- Updated our cleaning policies to ensure that all cleaning occurs in a manner consistent with CDC guidance to prevent the spread of coronavirus

- Expanded the use of telework for employees who are able to perform their jobs remotely, Enabled almost 17,000 employees with telework capability, including over 2,000 bargaining unit employees

TURNING TO THE BUSINESS:

As Americans are urged to stay home, the importance of the mail will only grow as people will need access to communications, essential packages and other necessities.

AMERICAN OVERSIGHT

That said, we are at a critical juncture in the life of the Postal Service. At a time when America needs us more than ever, the reason we are so needed is having a devastating effect on our business.

Because of the significant impacts to our volume and revenues that we project as a direct result of the COVID-19 pandemic, we are in serious danger of running out of cash this fiscal year.

Furthermore, even if we get access to the borrowing authority provided by the CARES Act as we expect, we project that we will run out of cash next fiscal year absent significant additional assistance from Congress.

B. Shift to **Volume Decline**

- **Here's what we are seeing right now - the mail has been declining significantly over the past three weeks.**

Week	Delivered Mail Volume	Delivered Packages	Entered Presort First-Class	Entered USPS Marketing	Entered Periodicals
Total Week (3/16 - 3/21)	-5.3%	-1.0%	9.0%	-21.6%	1.3%
Total Week (3/22 - 3/28)	-7.5%	5.0%	5.1%	-35.5%	-1.6%
Total Week (3/29 - 4/4)	-24.2%	11.8%	-15.7%	-38.9%	-26.7%
Week to Date (4/5 - 4/7)	-30.4%	19.9%	-1.0%	-44.5%	-51.4%

- **The week of March 16, the total delivered mail (which is a lagging indicator) declined 5.3%; the week of March 22 the total delivered mail declined 7.5%; and last week it declined 24.3%**

- **This week through Tuesday the mail has declined 30.4%**

- **For the past two weeks packages have increased, primarily Priority and First Class**

- **The week of March 22 packages increased 5%; the week of March 30 packages increased 11.7%**

AMERICAN OVERSIGHT

- **This week through Tuesday packages have increased 20%**

    - **Although package growth has accelerated, we believe that trend is likely to reverse for several reasons.**
    - **First, some of our customers are already expressing concerns about what they are reading about our financial condition, and are pursuing alternatives to move their products.**

    - **Second, the impact of the increase in the unemployment rate and the resulting decline in consumer income will likely lead to less consumer spending and a decline in the overall package market.**

    - **Finally, package growth will also be likely be impacted by supply chain disruptions across the system, as manufactured goods that go into the boxes decrease, thus reducing package volume.**

Volume Impact Estimates:

- There are three components to the COVID impact, that make the effects of the pandemic difficult to quantify:
    - **Depth** of the short-term impact during Calendar Q2 and Q3
    - **Duration** of the economic impact which will influence FY2021
    - **Volume Levels** to which mail returns after the pandemic is concluded, which will influence the out-years
        - After the 2008-2009 recession, some volume never returned (permanent 20% decline from FY2007 levels)

- <u>Current projections suggest the following</u>
- Again recognizing there are a number of unknowns:
    - How bad is it going to get?
    - How long will the economy stay shuttered?
    - Do we permanently lose volume to digital alternatives?

    - **Short term impact - Postal Q3 & Q4 (April – September)**
        - Significant short-term impact for the remainder of FY2020 due to economic impact of COVID

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- § USPS projects impact of up to a 50% decline in volumes in Q3 and 57% decline in Q4 based on the speed at which volume has already declined and information communicated by mailers.

- **Medium-term impact Fiscal Year 2021 (October 2020 – September 2021)**
  - § As time moves forward and the economic lock-down begins to lessen, USPS projects a gradual return of volumes beginning in Q1, to about 60% of the corresponding Pre-COVID levels in Q1.

  - § The rest of the Fiscal year it is assumed volumes will gradually return to about 74% of Pre-COVID volume levels (it is expected this will be worse than the great recession when USPS lost approximately 20% of volumes by the end due to the overall economic impact the lock-down is having)

- Long-term impact Fiscal Year 2022 and beyond
  - § The longer-term projection suggests a return to a "new normal" of about 74% of Pre-COVID volume levels where the long-term more gradual secular volume trends will resume for the next 10 years.

  - § The longer the economic lock-down continues and more businesses are disrupted, the higher the likelihood that the level of volume return will be less.

C. Revenue Decline

- The week of March 22 national revenue declined 12.2% v. Plan
- Last week national revenue declined 13.9% v. Plan

- **Revenue Trend:**

(millions)	Actual	Plan	Difference	% Difference
Week of 3/21	$ 1,343	$ 1,419	$ (76)	-5.36%
Week of 3/28	$ 1,245	$ 1,418	$ (173)	-12.23%
Week of 4/4	$ 1,274	$ 1,480	$ (206)	-13.94%

D. <u>Cash Impacts in the short-term:</u>

AMERICAN OVERSIGHT

- **Project $13B revenue loss for the remainder of this fiscal year directly due to COVID-19**
    - Revenue is currently running about $40-50M below plan each day

- Depending on the severity and length of the economic lock-down, current projections indicate the Postal Service would run out of cash by the end of this Fiscal Year if additional cash is not obtained (either through the additional possible Treasury loan, or additional funding mechanisms)
    - We will be illiquid in September with less than 1 payroll of cash remaining (Payroll is ~$2B bi-weekly) with a negative cash balance in October
        - The previous estimate was June.

        - With the stimulus we can defer employer Social Security taxes (~$1.1B thru September 2020) and Treasury agreed to lend us an additional $3.4B which has extended our runway by approximately 3 months.

    - Even with the additional $10B loan, USPS is projected to run out of cash in April 2021 as the $3B in short-term lending comes due to Treasury

- Over the next 18 months (to the end of the next fiscal year) we project our net loss will increase by $22.8B versus previous projections directly due to COVID
    - The previous baseline FY2020/FY2021 net loss projection was -$16.3B
    - The COVID FY2020/FY2021 net loss projection is -$39.1B

- Over the longer term (10 years) we project our net loss will increase by $54.3B versus previous projections directly due to COVID
    - The previous ten year net loss projection was -$146.1B
    - The COVID ten year net loss projection is -$200.6B

- We will do what we can to reduce expenses through overtime and non-career hour reductions, and curtailing of discretionary spending, but due to the impact of COVID on availability, and the costs associated with the leave provisions of HR6201, our ability to significantly reduce expenses in the short-run is diminished.
-
    - These volume reductions require us to reduce workhours over the next 18 months by 123M which is approximately 69,000 FTEs.

AMERICAN OVERSIGHT

- Cost of HR6201 is approximately $600-$900M depending on how many of our workforce suffer a qualifying condition related to COVID and how many have children and dependents out of school/daycare

E. Discussions with Treasury concerning the $10B

- We have started the process with Treasury concerning the additional borrowing authority and we are meeting later today to continue the discussion.

What we Need Now – Short-Term ASK

As you know our Board of Governors is comprised of both Republicans and Democrats. They operate in a very bipartisan manner. The Postal Service's recommendations for both short term and medium term relief that I will discuss were adopted unanimously by the Board of Governors. We understand there is a need to focus on short relief to get us through the immediate COVID-19 crisis, and for that reason our immediate ask will be only for relief to help us recover from the direct effects that the COVID-19 pandemic has had and will have on our business.

However, in an effort to be fully transparent, I want to be clear that while this relief will help us to whether the storm caused to our business by the pandemic, it will not resolve our fundamental business model problems or restore the Postal Service to longer term financial health.

For that reason, I will lay out what the Board agrees is needed now to deal with the direct impacts of the COVID-19 pandemic. I will also briefly outline the additional financial relief which the Board believes will be necessary in future legislation to fix the business model problems of the Postal Service and to restore us to longer term financial health.

With regard to our immediate needs to deal with the threat to the Postal Service posed by the impacts to our business directly related to the COVID-19 pandemic, we seek the following four items from Congress:

- $25B grant to cover COVID losses over the next two year period

- $25B modernization grant to help the Postal Service weather the longer term economic impacts to our business resulting from the pandemic, which will ensure that the USPS can maintain and modernize our critical infrastructure to support the nation

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- Mechanism to pay off the $14.4B in outstanding debt

- Consolidate the borrowing authority provided in Stimulus 3 of $10B with $15B statutory authority providing us

- Unrestricted borrowing authority up to $25B

- The impact of COVID on our expected cash flows over the next 18 months was a decrease of approximately $25B, and in the longer term is almost $55B.

- The Postal Service was severely undercapitalized and this situation is exacerbated by COVID, and as a result we have requested that our $14.4B debt be forgiven to improve our financial condition and provide added flexibility.

- Additionally the severe impact on Postal Service cash flows caused by the pandemic over the longer term as a result of the permanent shift in volumes will require further unsustainable deferment of infrastructure maintenance, and too little investment in new vehicles and automation.

- Providing this $25B grant to enable the Postal Service to modernize our infrastructure has an additional benefit as a stimulus to the economy as the country returns to a new normal.

- Additionally, our projections are not the worst case—In fact, we are not sure where the bottom is. As a result, we need some cushion to help ensure we remain liquid.

- This short-term relief, which is only intended to address the direct impact of the COVID-19 pandemic on our infrastructure, will only allow us to maintain operations.
    - until 2023 (with defaults 2027);
    - If we do not receive the modernization grant this will provide relief until 2021 (with defaults 2025)

F. What we will eventually need medium-term (Within 18 months) to fix our business model and make us sustainable long-term

- We still need additional financial relief that will provide relief for the long-term (10 year horizon):
    - Prospective Medicare Integration with vested liability.
    - Pension relief

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- Pricing & product freedom and flexibility

- The financial relief provided from these items (which we are not seeking now), along with the relief that we are requesting now that is directly related to the pandemic, will provide positive cash flow over the 10 year period.

- To be clear, we will eventually need both the COVID-19 relief we are seeking now, as well as the additional financial relief which we will seek later, in order to fix our business model problems and to be financially sustainable.

- If we can't achieve this result relatively soon, we will be required to pursue more significant structural reforms to lower our costs in order to ensure that we can continue to pay our bills.

G. Other issues

- Note Purchase Agreement-The Note Purchase Agreement expired pursuant to its terms when we were not able to reach a consensus to extend it. To be clear, the NPA was primarily an administrative document that streamlined our ability to borrow from Treasury. Its expiration did not eliminate our ability to borrow from Treasury. Some lines of credit survived the expiration of the NPA, and in fact we exercised one last week to borrow an additional $3.4B from Treasury.

- With regard to the $10B in additional borrowing authority provided by the CARES Act, our anticipation is that we will be able to borrow that money, and in fact our CFO has had preliminary discussions with the FFB concerning that matter.

- Our request today concerning the borrowing authority provision is merely to further streamline the borrowing process, and to ensure that we have ready access to cash expeditiously, since we will need it to weather the COVID-19 storm.

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DISCUSSION WITH DEPARTMENT OF TREASURY CONCERNING BORROWING UNDER THE CARES ACT 4/9/2020

Department of Treasury	Postal Service
Gary Grippo	Joe Corbett
Kip Kranbuhl	Tom Marshall
Various others, who did not identify themselves and provided no input	Elizabeth Schafer
	Mark Berthold
	Walter Alesevich

Major discussion points (mostly presented by Gary Grippo):

- Loan to be directly from the Treasury, not the FFB
  - Don't want to run this through books of the FFB
- Note Agreement to be premised on Treasury's Basic Interagency Borrowing Document (MOU)
  - Similar to what Treasury presented to Ginny Mae
- Not a future advance promissory note; the note would be in a maximum amount and the Postal Service would draw down on that amount
- Terms and Conditions
  - No Consent Rights
  - Triggering Events for Borrowing
    - Reporting to Treasury amount Postal Service cash position
    - Report of Postal Service actual volumes compared to projections
    - Condition—when permissible draw relative to cash on hand
  - Interest Rate—Ensure the Treasury's cost of funds were covered
- Maturity—Haven't thought this condition through
- Reporting at the time of draw
  - Satisfaction of covenants as a prerequisite to exercising a draw
  - Certification of Postal Service amount operating losses
- Secretary Mnuchin is reviewing everything related to CARES Act.
  - He reviews every press release
  - He will review documents related to the $10B Postal Service borrowing

Liz Schafer asked to forward a copy of the MOU; Grippo responded to Joe that the MOU embodies the process and accounting aspects of the loan and that we would have an initial copy in a week to 10 days

In response to Tom Marshall's questions about discussions with Mike Elston about potential debt forgiveness, Kip Kranbuhl noted that the outstanding obligations needs to be repaid so as to avoid the FFB booking a loss. Kip Kranbuhl also noted that Treasury is looking for a sense of where the Postal Service's financial are (what is the burn rate?) Gary Grippo noted that he had discussions with the Postal Service and he would brief Kip Kranbuhl.

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MEMORANDUM

April 24, 2020

TO: Thomas J. Marshall and Keith E. Weidner

FROM: Mayer Brown LLP

RE: Ceding control of Postal Service operations to the Federal Financing Bank

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This memo sets out a summary of our central conclusions on the legality of an agreement that would cede effective operational control of key Postal Service functions to the Secretary of the Treasury or the Federal Financing Bank (FFB). In conducting this analysis, we assume that the terms of the proposed agreement would be substantially similar to those that the Postal Service discussed with the FFB in 2019. We base our conclusions both on a review of all the relevant materials prepared by the Postal Service and Treasury in 2019, and on our own independent research into the governing constitutional and statutory law.

We agree with the conclusion reached by the Postal Service at that time that such a surrender of Postal Service decision-making authority would be impermissible as a matter of law. By statute, Congress has given control over postal operations to the Governors and the Board of Governors. Under settled principles of constitutional law and statutory interpretation, the Governors may not "subdelegate" that authority to another department of the Executive Branch unless there is affirmative evidence that Congress permitted them to do so. And Congress has not affirmatively provided the Governors permission to subdelegate control over Postal Service operations to Treasury or the FFB, either in the recent CARES Act or in the Postal Service's organic statute, the Postal Reorganization Act (PRA). Any agreement by the Postal Service to surrender its authority to the Secretary of the Treasury or to the FFB therefore would be illegal.

In particular:

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- The Postal Service is an independent authority of the Executive Branch whose powers are statutorily assigned by Congress to the Governors and the Board of Governors. The courts uniformly have held that, when Congress has conferred specified powers on a particular agency, a different agency may not exercise those powers unless there is "affirmative evidence" that Congress permitted subdelegation of that authority from the first to the second agency; "[a] general delegation of decision-making authority to a federal administrative agency does *not,* in the ordinary course of things, include the power to subdelegate that authority" to a different agency. *U.S. Telecom Ass'n v. FCC*, 359 F.3d 554, 566 (D.C. Cir. 2004). Consequently, the questions here are whether (1) an agreement between the Postal Service and Treasury/FFB giving the latter control over core Postal Service operations would in fact constitute a subdelegation of the Postal Service's authority; and (2) if so, whether that subdelegation has been authorized by Congress with sufficient clarity.

- On the first of these questions, an agreement that would give the Treasury/FFB control over Postal Service policy and decision-making ***would*** constitute a subdelegation. There is little case law precisely on point, but that likely is because no agency has proposed ceding to another government department effective control over central aspects of its decision making, including its relations with third parties and its policymaking—which is the sort of control demanded by the FFB in 2019. Indeed, the FFB did not really argue otherwise in 2019. The more limited points that it did offer in support of its argument that the proposed agreement would not constitute a subdelegation are unpersuasive.

    - The FFB suggested that, by entering into the proposed agreement, the Postal Service would not be subdelegating its authority, but instead exercising its own choice to accept FFB control. This distinction is plainly wrong; it is simply another way of stating that the Postal Service (by accepting the proposal) would have chosen to subdelegate its authority. That doesn't distinguish the situation here from every case of subdelegation, in which the delegating agency (whether by contract or by regulation) will have voluntarily sought to delegate an element of its authority.

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- The FFB also contended that the Postal Service would retain ultimate control over its policies because it could break its agreement with the FFB, subject only to the loss of financing that the FFB had not been obligated to provide in the first place and that the Postal Service could seek from other sources. Although the FFB did not put its position in these terms, it could analogize this theory to decisions that have recognized the propriety of agencies consulting with other executive departments (or with private parties), so long as the principal agency retains final decision-making authority. On that view, Treasury or the FFB would simply be seeking input into Postal Service decision making that the Postal Service would be free to reject.

  Our view, however, is that the subdelegation doctrine makes it impermissible for an Executive Branch instrumentality to enter into what purports to be a binding agreement to illegally subdelegate its authority. That is so for a number of reasons.

  - ✓ ***First***, even if there is a theoretical possibility that the Postal Service could terminate its loan agreement rather than accede to particular future Treasury/FFB directions, so long as the contract is in force there would be an illegal subdelegation, which would make it improper for the Postal Service to agree to the proposed contract terms.

  - ✓ ***Second***, and relatedly, by accepting funds from the Treasury/FFB on the condition that it submit to their control, the Postal Service would be taking action—and would be inducing Treasury/FFB also to take action—expressly premised on the existence of an illegal subdelegation. This looks nothing like the sort of mechanism for offering nonbinding advice from one agency to another that has been found to be consistent with the subdelegation doctrine. We doubt that courts would find such an agreement lawful on the "wink and

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a nod" understanding that the facially binding contract is only for show.

- ✓ And ***third***, the PRA specifically authorizes the Postal Service to enter into "binding covenants" with the holders of its obligations relating to use of Postal Service revenues and receipts, indicating the congressional expectation that Postal Service contracts would in fact be binding in the ordinary sense. Against this background, there is no basis to believe that Congress authorized the Postal Service to subdelegate its authority by entering into facially "binding" contractual obligations that it intends to disregard.

This problem could not be avoided by including a contract term that allows the Postal Service to terminate the lending agreement and return the borrowed funds. In those circumstances, there still would be an illegal subdelegation while the contract was in force. And the reality is that the Postal Service would be unlikely to be able to return the funds in light of its other legal obligations (*e.g.*, union contracts, retirement funding obligations, and operational requirements), making the possibility of termination—and the avoidance of impermissible subdelegation—illusory..

- ➢ The FFB invoked court decisions that recognize the authority of federal agencies to condition their actions on determinations made by other federal agencies, by state agencies, or even by nongovernmental entities. Although the limits of this principle are a little murky, we believe that courts would find these decisions inapposite here. The decisions cited by the FFB generally involve circumstances where it was reasonable for the principal agency to defer to the judgments of, or to rely on factual findings made by, a separate entity that has special knowledge or expertise bearing on the principal agency's action. This sort of incorporation of a secondary determination constitutes only a very limited form of subdelegation. The proposal here,

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which would delegate central Postal Service policymaking authority to an entity that has no programmatic connection to postal operations, is materially different. If the proposed agreement here is legal, the limit on subdelegation would effectively be read out of the law.

- On the second question posed by the prospect of awarding control over Postal Service operations to Treasury/FFB, Congress has not authorized that sort of subdelegation of Postal Service authority. Here, two interpretive rules apply: as a general matter, Congress does not use ordinary language to achieve extraordinary results (what the Supreme Court has called the "no elephants in mouseholes" principle); and, in particular, courts will not find subdelegation unless Congress has authorized it with unmistakable clarity. Both principles establish that the proposed subdelegation is not authorized.

  - In 2019 the FFB suggested that the Postal Service's general authority under the PRA to enter into contracts related to financing that it deems "necessary and desirable" authorizes it to contract away its authority. 39 U.S.C. § 2005(b)(1); *see also* 39 U.S.C. § 2005(c)(8) (obligations may be subject to such "terms and conditions" as the Postal Service determines); 39 U.S.C. § 2006(a) (Secretary of the Treasury and the Postal Service may enter into financing agreements under "such terms" as they agree). The CARES Act contains very similar language, providing that the Secretary of the Treasury may lend to the Postal Service "upon terms and conditions mutually agreed upon by the Secretary and the Postal Service." § 6001(b)(2). Although this language may be literally consistent the Postal Service entering into a contract on terms that surrender its core powers, the statutory text is insufficiently clear to authorize a subdelegation of Postal Service authority.

    - ✓ So far as the PRA is concerned, the remainder of Sections 2005 and 2006 are technical or general; nothing in them suggests that Congress meant to authorize the Postal Service to cede control over central aspects of its operations. Even if contractual

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provisions of the sort proposed by the FFB in 2019 might appear in a private contract, read in context it is very unlikely that Congress meant the boilerplate "terms and conditions" language of Sections 2005 and 2006 to authorize a governmental entity to surrender its core decision-making authority.

- ✓ As for the CARES Act, it provides simply that the Postal Service may borrow funds from Treasury to be used for "operating expenses" if additional amounts are necessary "due to the COVID-19 emergency." § 6001(b). Here, too, there is no suggestion in the statutory language or structure that Congress had it in mind to allow for a fundamental reallocation of Postal Service powers, let alone "affirmative evidence" that Congress meant to authorize subdelegation of Postal Service authority.

- ✓ That conclusion is confirmed by unambiguous evidence that Congress meant to safeguard the independence of the Postal Service and, to the greatest extent possible, to insulate it from direct control by the President or other Executive Branch officials. That is why the PRA gives the Governors ultimate authority over the Postal Service and permits their removal only for cause. The legislative history of the PRA also contains clear indications that, in particular, Congress did not want the Secretary of the Treasury to use control over financing as a means of interfering with Postal Service operations. The PRA's anodyne contracting language is wholly consistent with these indications of congressional intent.

- ✓ The even more cursory terms of the CARES Act cannot reasonably be read to reverse this fundamental and long-settled congressional policy favoring Postal Service independence. The Congress that enacted the CARES Act is presumed to have been aware that the PRA was designed to limit direct presidential control

AMERICAN OVERSIGHT

over the Postal Service and to differentiate the Postal Service from conventional executive departments. Given that understanding, a simple authorization for the Postal Service to enter into a loan agreement with the Secretary of the Treasury—which is all the CARES Act contains—does not authorize the Secretary to demand, or the Postal Service to accept, Treasury control over Postal Service operations.

- The FFB argued in 2019 that its own statute authorizes subdelegation of Postal Service authority, but that contention is insupportable. The FFB is authorized generally to purchase or sell obligations issued, sold, or guaranteed by a federal agency "on terms and conditions determined by the bank." 12 U.S.C. § 1285(a). As with the similar language in the PRA and the CARES Act, that phrase is not reasonably understood to give the FFB authority to demand control over the policy making of myriad federal agencies. In fact, the legislative history shows that the FFB was created to coordinate federal financing programs and, in particular, that Congress did ***not*** intend the FFB to be a mechanism by which the Treasury Secretary could assert authority over Postal Service policy. Nothing here provides the clarity necessary to support subdelegation.

- Entering into an agreement that creates an illegal subdelegation, even if that were something the Postal Service might consider, would create serious practical problems. Third parties that were adversely affected by policy changes demanded by Treasury/FFB—including, among other parties, Postal Service employees and customers—would have standing to bring lawsuits challenging the legality of those changes as inconsistent with the bar on subdelegation. In our view, those suits would likely be successful. Courts might respond by invalidating the changes, and perhaps the lending agreement itself. Although the ways in which such judicial decisions might be implemented are not entirely clear, at a minimum such decisions would cause great uncertainty and could result in substantial disruption of Postal Service operations and funding.

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Michael Best

Memorandum

VIA EMAIL

To: Keith Weidner, Deputy Legal Counsel, United States Postal Service

From: Stefan Passantino

CC: Joe Olson, Nicholas Boerke and Nathan Groth

Date: March 26, 2020

Subject: The Defense Production Act of 1950 and COVID-19 Pandemic

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THE DEFENSE PRODUCTION ACT OF 1950

(50 U.S.C. §4501 *et seq*.)

And its implications for the United States Postal Service ("USPS") during the COVID-19 Pandemic

Introduction

The Defense Production Act of 1950 ("DPA") was originally enacted as a response to the outbreak of the Korean War and was modeled after the War Powers Acts of World War II. The DPA, however, far outlasted active hostilities in Korea and Congress has amended, extended and or renewed portions of the DPA more than 50 times—most recently Congress extended the DPA until September 30, 2025 in the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (P.L. 115-232). In the DPA Congress declared that

> the security of the United States is dependent on the ability of the domestic industrial base to ***supply materials and services*** for the national defense and to prepare for and respond to military conflicts, ***natural or man-caused disasters***, or acts of terrorism within the United States.

50 U.S.C. §4502(a)(1) (emphasis added).

In general the DPA confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the "national defense." Three main sections of the DPA remain, (I) Title III: Strengthening Domestic Capability; (II) Title I: Priorities and Allocations; and (III) Title VII: General Provisions. Because Title III is most applicable to the USPS and the COVID-19 Pandemic, we will discuss Title II before Title I, below.

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The DPA expressly provides the Executive Branch with an "array of authorities to shape ***national defense*** preparedness programs and to take appropriate steps to maintain and enhance the domestic industrial base." 50 U.S.C. §4502(a)(4) (emphasis added). The term "national defense" is defined very broadly in the DPA, including many of the functions provided by the USPS; national defense is defined as

> programs for military and energy production or construction, military or critical infrastructure assistance to any foreign nation, homeland security, stockpiling, space, and any directly related activity. Such term includes emergency preparedness activities conducted pursuant to title VI of The Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C. §§5195 et seq.] and critical infrastructure protection and restoration.

50 U.S.C. §4552(14).

"Critical infrastructure" is further broadly defined in the DPA to include "any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health and safety." 50 U.S.C. §4552(2). With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World's mail, the USPS is unquestionably critical to a functioning U.S. and World economy. *See* https://facts.usps.com. The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified "postal and shipping workers" as part of the "Essential Critical Infrastructure Workforce" in light of the COVID-19 Pandemic by memorandum dated March 19, 2020. *See* https://www.cisa.gov/sites/default/files/publications/CISA_Guidance_on_the_Essential_Critical_Infrastructure_Workforce_508C_0.pdf.

Moreover, the DPA references 42 U.S.C. §5195(a)(3) for the definition of "emergency preparedness" activities, which includes

> all those activities and measures designed or undertaken to prepare for or minimize the effects of a hazard upon the civilian population, to deal with the immediate emergency conditions which would be created by the hazard, and to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by the hazard.

As a result the DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. In fact, the essential services provided by the USPS, including the universal services mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public.

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I. Title III of the DPA: *Strengthening Domestic Capability*

Title III of the DPA allows the President, or other portions of the Executive Branch through delegation, to provide incentives and assistance, including loans and loan guarantees, to, *inter alia*, "assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency." U.S.C. §4517(b). As explained above, the USPS is likely considered part of the "critical infrastructure" of the United States, and the World, and Title III of the DPA allows for assistance and incentives to the USPS to assure that its critical function is provided in both peacetime and during a national emergency such as the COVID-19 Pandemic.

Pursuant to 50 U.S.C. §4531(a) the President has the authority under the DPA to reduce current shortfalls or prevent projected shortfalls of those entities providing critical items by authorizing direct loans or loan guarantees "for the purpose of financing any contractor, subcontractor, ***provider of critical infrastructure***, or other person in support of . . . production and ***deliveries or services essential to the national defense***." *Id.* (emphasis added). Although the DPA typically requires meeting certain conditions and for the President to make certain determinations before the incentives can be provided, if a national emergency is declared by Congress or the President such conditions and determinations do not apply. 50 U.S.C. §4531(2). In the case of the COVID-19 Pandemic, the President has formally declared a national emergency and therefore the conditions and determinations are not required. *See* https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/. Regardless of a declaration of national emergency, Congress still must appropriate funds providing authority for such loan or loan guarantees. 50 U.S.C. §4531(3).

Congress has authorized the USPS, pursuant to 39 U.S.C. §2005, to borrow certain amounts of funds, but the total amount and net annual increase in obligations is subject to significant restrictions. However, the "CARES Act," which has passed the Senate and is pending before the House of Representatives, includes an express appropriation of funds for direct loans to the USPS from the U.S. Treasury notwithstanding the limitations in 39 U.S.C. §2005. Specifically, Title VI, §6001(b) of the "CARES Act" currently includes language that allows the USPS to "borrow money from the Treasury in an amount not to exceed $10,000,000,000," in addition to any other existing borrowing authority, if the USPS determines that due to the COVID-19 Pandemic it "will not be able to fund operating expenses without borrowing money." The direct loan(s) of up to $10 Billion must be used for operating expenses and cannot be used for the payment of existing debt. *Id.* §6001(b)(1)(A)-(B). The loans under the CARES Act may be upon favorable terms, including any terms and conditions mutually agreed upon by the Secretary [of the Treasury] and the [USPS]." *Id.* §6001(b)(2).

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Michael Best

Although the $10 Billion of available borrowing authority under the CARES Act, if enacted, is an important tool for the USPS to weather the COVID-19 Pandemic, the USPS payroll is approximately $4 Billion every two weeks and if additional borrowing becomes necessary Title III of the DPA can be invoked to provide additional funds so that USPS can continue to provide its critical infrastructure during this national emergency.

II. Title I of the DPA: *Priorities and Allocations Authority*

Title I of the DPA allows the President, or other portions of the Executive Branch through delegation, to require persons, businesses and other entities to (1) give ***priority*** to certain contracts, orders or other performance as necessary or appropriate to promote the national defense and (2) to ***allocate*** the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a).

The prioritization authority is the most commonly used aspect of the DPA, namely with regard to certain contracts or orders by the Department of Defense, including the B-2 Bomber, Air Force One and certain Mine Resistant Ambush Protected (MRAP) Vehicles. *See* www.bis.doc.gov/index.php/forms-documents/pdfs/1257-dx-dated-program-list/file. Although less common, other departments and agencies have used DPA prioritization such as the Department of Homeland Security requiring prioritization of manufacturing housing units, food and bottled water during the 2017 disaster season. *See* Department of Homeland Security, *The Defense Production Act Committee: Report to Congress*, Calendar Year 2017 Report, June 18, 2018, p. 10.

The allocation authority is rarely used. The best example of its use is the Civil Reserve Air Fleet (CRAF) whereby civilian aircraft are "allocated" for potential use by the Department of Defense in case needed in a nation defense crisis where the existing military air fleet is insufficient. *See* www.dot.gov/ost/oiser/craf.htm. However, the use of the allocation authority has recently been a topic of consideration during the COVID-19 Pandemic to potentially require private corporations to allocate resources towards the immediate production of test kits and other medical supplies.

Although providing powerful tools for the Executive Branch to invoke private assistance in national defense and national emergency efforts, the prioritization and allocation authorities of Title I are less likely to impact the USPS and more likely to affect private industry and manufacturing companies. That being said, Title VI, § 6001(c) of the "CARES Act," which has passed the U.S. Senate and is pending before the House of Representatives, expressly instructs the USPS to "prioritize delivery of postal products for medical purposes" during the COVID-19 Pandemic and "establish temporary delivery points, in such form and manner as the [USPS] determines necessary, to protect employees . . . and individuals receiving deliveries…"

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III. Title VII of the DPA: *General Provisions*

Title VII of the DPA includes various miscellaneous provisions that are generally not applicable to the USPS, including, *inter alia*, special preferences for small businesses, 50 U.S.C. §4551, ability to conduct investigations and obtain information regarding the domestic industrial base, 50 U.S.C. §4555, immunity from anti-trust laws where the DPA is used to encourage voluntary agreements between competing companies and interest, 50 U.S.C. §4558, the ability of the President to create a committee of industry executives, 50 U.S.C. §4560, and the creation of a committee on foreign investment, 50 U.S.C. §4565.

Conclusion

The DPA is an important and strong tool for the President and the Executive Branch to act in (or prepare for) wartime and times of crisis or emergency and the crucial function of the USPS makes it part of the "critical infrastructure" of the United States that is intended to be protected by the DPA.

Most applicable to the potential needs of the USPS in times of crisis such as the COVID-19 Pandemic is the authority to provide the USPS with significant direct loans or loan guarantees pursuant to Title III of the DPA. However, because the DPA requires express appropriation for such direct loans and loan guarantees and existing Federal Law caps USPS borrowing authority the USPS cannot rely exclusively on Executive authority under the DPA.

The USPS should:

(1) engage Congress to assure passage of the CARES Act by the House without alteration to the section authorizing $10 Billion in direct loans;

(2) immediately upon passage of the CARES Act, work with the Treasury Department to secure favorable terms for funds made available; and

(3) continue to engage with Congress to secure additional authority for loans or loan guarantees in excess of the $10 Billion appropriated in the CARES Act if the current national emergency continues.

AMERICAN OVERSIGHT

Michael Best

Memorandum

VIA EMAIL

To: Keith Weidner, Deputy Legal Counsel, United States Postal Service

From: Stefan Passantino

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THE DEFENSE PRODUCTION ACT OF 1950

(50 U.S.C. §4501 *et seq*.)

And its implications for the United States Postal Service ("USPS") during the COVID-19 Pandemic

Introduction

The Defense Production Act of 1950 ("DPA") was originally enacted as a response to the outbreak of the Korean War and was modeled after the War Powers Acts of World War II. The DPA, however, far outlasted active hostilities in Korea and Congress has amended, extended and or renewed portions of the DPA more than 50 times—most recently Congress extended the DPA until September 30, 2025 in the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (P.L. 115-232). In the DPA Congress declared that

> the security of the United States is dependent on the ability of the domestic industrial base to ***supply materials and services*** for the national defense and to prepare for and respond to military conflicts, ***natural or man-caused disasters***, or acts of terrorism within the United States.

50 U.S.C. §4502(a)(1) (emphasis added).

In general the DPA confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the "national defense." Three main sections of the DPA remain, (I) Title III: Strengthening Domestic Capability; (II) Title I: Priorities and Allocations; and (III) Title VII: General Provisions. Because Title III is most applicable to the USPS and the COVID-19 Pandemic, we will discuss Title II before Title I, below.

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The DPA expressly provides the Executive Branch with an "array of authorities to shape ***national defense*** preparedness programs and to take appropriate steps to maintain and enhance the domestic industrial base." 50 U.S.C. §4502(a)(4) (emphasis added). The term "national defense" is defined very broadly in the DPA, including many of the functions provided by the USPS; national defense is defined as

> programs for military and energy production or construction, military or critical infrastructure assistance to any foreign nation, homeland security, stockpiling, space, and any directly related activity. Such term includes emergency preparedness activities conducted pursuant to title VI of The Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C. §§5195 et seq.] and critical infrastructure protection and restoration.

50 U.S.C. §4552(14).

"Critical infrastructure" is further broadly defined in the DPA to include "any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health and safety." 50 U.S.C. §4552(2). With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World's mail, the USPS is unquestionably critical to a functioning U.S. and World economy. *See* https://facts.usps.com. The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified "postal and shipping workers" as part of the "Essential Critical Infrastructure Workforce" in light of the COVID-19 Pandemic by memorandum dated March 19, 2020. *See* https://www.cisa.gov/sites/default/files/publications/CISA_Guidance_on_the_Essential_Critical_Infrastructure_Workforce_508C_0.pdf.

Moreover, the DPA references 42 U.S.C. §5195(a)(3) for the definition of "emergency preparedness" activities, which includes

> all those activities and measures designed or undertaken to prepare for or minimize the effects of a hazard upon the civilian population, to deal with the immediate emergency conditions which would be created by the hazard, and to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by the hazard.

As a result the DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. In fact, the essential services provided by the USPS, including the universal services mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public.

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I. Title III of the DPA: *Strengthening Domestic Capability*

Title III of the DPA allows the President, or other portions of the Executive Branch through delegation, to provide incentives and assistance, including loans and loan guarantees, to, *inter alia*, "assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency." U.S.C. §4517(b). As explained above, the USPS is likely considered part of the "critical infrastructure" of the United States, and the World, and Title III of the DPA allows for assistance and incentives to the USPS to assure that its critical function is provided in both peacetime and during a national emergency such as the COVID-19 Pandemic.

Pursuant to 50 U.S.C. §4531(a) the President has the authority under the DPA to reduce current shortfalls or prevent projected shortfalls of those entities providing critical items by authorizing direct loans or loan guarantees "for the purpose of financing any contractor, subcontractor, ***provider of critical infrastructure***, or other person in support of . . . production and ***deliveries or services essential to the national defense***." *Id.* (emphasis added). Although the DPA typically requires meeting certain conditions and for the President to make certain determinations before the incentives can be provided, if a national emergency is declared by Congress or the President such conditions and determinations do not apply. 50 U.S.C. §4531(2). In the case of the COVID-19 Pandemic, the President has formally declared a national emergency and therefore the conditions and determinations are not required. *See* https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/. Regardless of a declaration of national emergency, Congress still must appropriate funds providing authority for such loan or loan guarantees. 50 U.S.C. §4531(3).

Congress has authorized the USPS, pursuant to 39 U.S.C. §2005, to borrow certain amounts of funds, but the total amount and net annual increase in obligations is subject to significant restrictions. However, the "CARES Act," which has passed the Senate and is pending before the House of Representatives, includes an express appropriation of funds for direct loans to the USPS from the U.S. Treasury notwithstanding the limitations in 39 U.S.C. §2005. Specifically, Title VI, §6001(b) of the "CARES Act" currently includes language that allows the USPS to "borrow money from the Treasury in an amount not to exceed $10,000,000,000," in addition to any other existing borrowing authority, if the USPS determines that due to the COVID-19 Pandemic it "will not be able to fund operating expenses without borrowing money." The direct loan(s) of up to $10 Billion must be used for operating expenses and cannot be used for the payment of existing debt. *Id.* §6001(b)(1)(A)-(B). The loans under the CARES Act may be upon favorable terms, including any terms and conditions mutually agreed upon by the Secretary [of the Treasury] and the [USPS]." *Id.* §6001(b)(2).

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Although the $10 Billion of available borrowing authority under the CARES Act, if enacted, is an important tool for the USPS to weather the COVID-19 Pandemic, the USPS payroll is approximately $4 Billion every two weeks and if additional borrowing becomes necessary Title III of the DPA can be invoked to provide additional funds so that USPS can continue to provide its critical infrastructure during this national emergency.

II. Title I of the DPA: *Priorities and Allocations Authority*

Title I of the DPA allows the President, or other portions of the Executive Branch through delegation, to require persons, businesses and other entities to (1) give ***priority*** to certain contracts, orders or other performance as necessary or appropriate to promote the national defense and (2) to ***allocate*** the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a).

The prioritization authority is the most commonly used aspect of the DPA, namely with regard to certain contracts or orders by the Department of Defense, including the B-2 Bomber, Air Force One and certain Mine Resistant Ambush Protected (MRAP) Vehicles. *See* www.bis.doc.gov/index.php/forms-documents/pdfs/1257-dx-dated-program-list/file. Although less common, other departments and agencies have used DPA prioritization such as the Department of Homeland Security requiring prioritization of manufacturing housing units, food and bottled water during the 2017 disaster season. *See* Department of Homeland Security, *The Defense Production Act Committee: Report to Congress*, Calendar Year 2017 Report, June 18, 2018, p. 10.

The allocation authority is rarely used. The best example of its use is the Civil Reserve Air Fleet (CRAF) whereby civilian aircraft are "allocated" for potential use by the Department of Defense in case needed in a nation defense crisis where the existing military air fleet is insufficient. *See* www.dot.gov/ost/oiser/craf.htm. However, the use of the allocation authority has recently been a topic of consideration during the COVID-19 Pandemic to potentially require private corporations to allocate resources towards the immediate production of test kits and other medical supplies.

Although providing powerful tools for the Executive Branch to invoke private assistance in national defense and national emergency efforts, the prioritization and allocation authorities of Title I are less likely to impact the USPS and more likely to affect private industry and manufacturing companies. That being said, Title VI, § 6001(c) of the "CARES Act," which has passed the U.S. Senate and is pending before the House of Representatives, expressly instructs the USPS to "prioritize delivery of postal products for medical purposes" during the COVID-19 Pandemic and "establish temporary delivery points, in such form and manner as the [USPS] determines necessary, to protect employees . . . and individuals receiving deliveries…"

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III. Title VII of the DPA: *General Provisions*

Title VII of the DPA includes various miscellaneous provisions that are generally not applicable to the USPS, including, *inter alia*, special preferences for small businesses, 50 U.S.C. §4551, ability to conduct investigations and obtain information regarding the domestic industrial base, 50 U.S.C. §4555, immunity from anti-trust laws where the DPA is used to encourage voluntary agreements between competing companies and interest, 50 U.S.C. §4558, the ability of the President to create a committee of industry executives, 50 U.S.C. §4560, and the creation of a committee on foreign investment, 50 U.S.C. §4565.

Conclusion

The DPA is an important and strong tool for the President and the Executive Branch to act in (or prepare for) wartime and times of crisis or emergency and the crucial function of the USPS makes it part of the "critical infrastructure" of the United States that is intended to be protected by the DPA.

Most applicable to the potential needs of the USPS in times of crisis such as the COVID-19 Pandemic is the authority to provide the USPS with significant direct loans or loan guarantees pursuant to Title III of the DPA. However, because the DPA requires express appropriation for such direct loans and loan guarantees and existing Federal Law caps USPS borrowing authority the USPS cannot rely exclusively on Executive authority under the DPA.

The USPS should:

(1) engage Congress to assure passage of the CARES Act by the House without alteration to the section authorizing $10 Billion in direct loans;

(2) immediately upon passage of the CARES Act, work with the Treasury Department to secure favorable terms for funds made available; and

(3) continue to engage with Congress to secure additional authority for loans or loan guarantees in excess of the $10 Billion appropriated in the CARES Act if the current national emergency continues.

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Michael Best

Memorandum

VIA EMAIL

To:	Tom Marshall, General Counsel, United States Postal Service Keith Weidner, Deputy General Counsel, United States Postal Service
From:	Stefan Passantino
CC:	Joe Olson, Nicholas Boerke and Nathan Groth
Date:	April 2, 2020
Subject:	Summary Analysis of Options Available to the USPS for Relief and Resources During the COVID-19 Pandemic

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Executive Summary

This memorandum provides a detailed summary analysis of various options available to the United States Postal Service (USPS) to obtain additional resources and relief during the current COVID-19 national emergency.

We have identified several different avenues for the USPS to achieve its goals, including (I) at least $10 Billion of additional funding and the ability for the President to make purchases to assist the USPS using Defense Production Act (DPA) funding available in the recently enacted CARES Act; (II) other Executive authority and action using the DPA, National Emergencies Act of 1976, Public Health Service Act, the Stafford Disaster Relief and Emergency Assistance Act and other Executive orders, and (III) additional legislative or regulatory reforms.

<u>Section I – The CARES Act</u>

Section I of this memorandum provides an in depth overview of portions of the recently enacted CARES Act that the USPS could utilize for immediate additional assistance and resources.

First, §6001 of the CARES Act provides an express appropriation of $10 Billion for the USPS to borrow money from the United States Treasury on any terms acceptable to the USPS and Secretary of the Treasury. This funding is in addition to the cap that otherwise exists on USPS loans pursuant to 39 U.S.C. §2005 and the USPS can use the funding to cover operating costs, but not pay existing debt. The additional $10 Billion of funding can be obtained as soon as the USPS can agree on terms with the Treasury and may be obtained on favorable terms in much the same manner as other funds obtained by the USPS from the Treasury's Federal Financing Bank.

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Secondly, §4003 of the CARES Act provides an additional $17 Billion for loans or loan guarantees to U.S. businesses "critical to maintaining national security." As explained in more detail below, because the USPS plays a highly important role in national security and continuity of government and is also considered essential to the critical infrastructure of the Nation, we believe that the USPS could also qualify for additional funding under this Section of the CARES Act. Section 4003 of the CARES Act does not expressly address the otherwise applicable cap on USPS borrowing in 39 U.S.C. §2005, but we believe a case can be made that the cap does not apply to this appropriation given the USPS's integral role in maintaining national security and continuity during a national emergency. Additional guidelines and requirements for qualification for this funding is expected from the Treasury Department within the next several days at which time we plan to supplement this memorandum with specific instructions regarding how the USPS can apply for and obtain this additional funding, but we encourage the USPS to immediately engage Treasury in advance of Treasury issuing guidelines. The USPS could use this funding for operating expenses during the COVID-19 Pandemic or for other needs such as the purchase of Personal Protective Equipment or other supplies.

Lastly, §4017 of the CARES Act integrates the DPA and expressly encourages the President to use his powers under the DPA during the existing national emergency. This section of the CARES Act further appropriates an additional $1 Billion for the President to use to make purchases under his DPA authority. The President could use portions of this funding to purchase Personal Protective Equipment or other resources for the USPS.

Section II – Executive Authority and Action

Section II of this memorandum identifies and addresses three major Acts that provide executive authority during times of national emergencies and that the USPS may benefit from, including the DPA, the National Emergencies Act of 1976, the Public Health Service Act, and the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

General details on the DPA were included in the original memorandum to the USPS dated March 26, 2020 and further details are included below. The DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. The essential services provided by the USPS, including the universal services mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public. Because of the critical function of the USPS the President can use the DPA to assist the USPS in various ways, including providing direct loans or loan guarantees, directing prioritization of USPS needs for materials, equipment and supplies and the purchase or allocation of resources for the USPS.

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The National Emergencies Act grants the President the authority to declare a national emergency and outlines the powers and authorities available to the President during national emergencies.

The Public Health Service Act authorizes the Secretary of Health and Human Services to access the Public Health Emergency Fund during public health emergencies. Pursuant to the Public Health Service Act, the Secretary of Health and Human Services has broad authority to utilize the Public Health Emergency Fund once the Secretary has determined a public health emergency exists which may provide the USPS an avenue to receive funding should the Secretary determine that such use of funds are appropriate. The Public Health Service Act authorizes the Secretary of Health and Human Services, in coordination with the Secretary of Homeland Security, to maintain the Strategic National Stockpile (SNS). The Secretary of Health and Human Services shall deploy the SNS as (i) required by the Secretary of Homeland Security to respond to an actual or potential emergency or (ii) deploy the SNS at their discretion to respond to an actual or potential public health emergency or other situation in which deployment is necessary to protect the public health or safety. Accordingly, the USPS may be able to acquire personal protective equipment for its employees and contractors from the Strategic National Stockpile through the discretion of the Secretary of Health and Human Services.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act generally establishes the assistance provided by the federal government to state and local governments to alleviate the suffering and damages caused by disasters. Chapter 68 of the Stafford Act establishes that federal agencies, specifically including the USPS, may be reimbursed for services provided pursuant to the President's directive. Among other things, the President may direct federal agencies to support state and local emergency assistance efforts; coordinate disaster relief assistance; provide emergency assistance; and assist state and local governments in the distribution of medicine, food, and other supplies. The Stafford Act may provide the USPS the ability, through a designation made by the President, to provide additional assistance to emergency relief efforts and receive reimbursement for such assistance.

Section II of this memorandum also identifies and addresses the implications of the USPS's role in carrying out two Primary Mission Essential Functions as well as "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" being designated essential critical infrastructure workers.

Presidential Policy Directive 40 directs the Secretary of Homeland Security through the Administrator of the Federal Emergency Agency to coordinate the implementation, execution, and assessment of continuity activities among executive departments and agencies. The USPS carries out two Primary Mission Essential Functions: (i) deliver postal services to the American public and (ii) provide essential response capabilities – specifically the delivery of emergency countermeasures to residences when requested by the Department of Health and Human Services.

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Additionally, "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" are considered essential critical infrastructure workers, as defined in guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency. As the USPS provides two Primary Mission Essential Functions and postal workers are considered critical infrastructure, opportunities under PPD-40 and Federal Continuity Directives 1 and 2 may be available to the USPS to both ensure liquidity of the USPS to continue performing its Primary Mission Essential Functions as well as obtain personal protective equipment ("PPE") for USPS employees and contractors who are critical infrastructure.

In Executive Order 13909 (Prioritizing and Allocating Health and Medical Resources to Respond to the Spread of COVID-19), issued on March 18, 2020, President Trump delegated to the Secretary of Health and Human Services the prioritization and allocation under section 101 of the Defense Production Act with respect to health and medical resources needed to respond to the spread of COVID-19. Additionally, the Federal Emergency Management Agency established a National Resource Prioritization Cell to unify prioritization recommendations for the allocation of critical resources from the Strategic National Stockpile. The President's executive order, and the establishment of the National Resource Prioritization Cell provide the USPS potential avenues to acquire personal protective equipment for its employees and contractors to safely continue executing its Primary Mission Essential Functions.

Section III – Legislative Action

Section III of this memorandum briefly addresses the fact that the President cannot act unilaterally by executive order to effectuate change to existing law, but addresses the potential to use additional stimulus legislation to obtain both additional financial aid and statutory changes that Michael Best could assist the USPS in achieving for long-term reform and sustainability.

Within a week of the President signing the CARES Act Members of Congress are already considering priorities for a potential "Phase 4" economic stimulus package to address the COVID-19 Pandemic. Because priorities are already being considered and various interested groups are already lobbying Congress for their share of the potential additional stimulus, it is important for the USPS needs to be part of the conversation. Members of the Michael Best & Friedrich Team, including Reince Priebus and Denise Bode, can provide invaluable assistance and guidance both with regard to the potential Phase 4 stimulus package and long-term statutory and regulatory reform to benefit the USPS.

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Discussion

The United States Postal Service (USPS) has several options for obtaining additional funding and resources during and after the existing national emergency and COVID-19 Pandemic both as a result of the CARES Act and existing emergency powers of the President and the Executive Branch.

I. The CARES Act

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law by President Donald J. Trump on Friday March 27, 2020. The CARES Act is a third phase of economic stimulus legislation addressing the impacts caused by the Coronavirus 2019 ("COVID-19") Pandemic and it includes over $2 Trillion of economic aid, including, *inter alia*, direct payments to eligible individual taxpayers, expanded unemployment insurance, direct funding to state and local governments, loans and other incentives to eligible businesses and local governments, new small business loans and health equipment for hospitals fighting COVID-19.

We have identified several portions of the CARES Act that either directly benefit the USPS or provide a potential for the USPS to obtain additional financial aid and/or resources. The CARES Act (a) authorizes the United States Treasury to loan up to an additional $10 Billion directly to the USPS to cover operating expenses during the COVID-19 Pandemic; (b) provides $17 Billion for "businesses critical to maintaining national security" and (c) $1 Billion for the President to make purchases under the Defense Production Act.

a. $10 Billion Direct Lending Authority for USPS

Title VI, §6001(b) of the "Cares Act" Authorizes USPS to "borrow money from the Treasury in an amount not to exceed $10,000,000,000," in addition to any other existing borrowing authority, if the USPS determines that due to the COVID-19 Pandemic it "will not be able to fund operating expenses without borrowing money." The direct loan(s) of up to $10 Billion must be used for operating expenses and cannot be used for the payment of existing debt. *Id.* §6001(b)(1)(A)-(B). The loans under the CARES Act may be upon favorable terms, including any "terms and conditions mutually agreed upon by the Secretary [of the Treasury] and the [USPS]." *Id.* §6001(b)(2).

The CARES Act does not provide any guidance regarding the terms or procedures for the additional financing, but because the USPS has consistent borrowing authority from the Federal Financing Bank (FFB), which is under the supervision of the Secretary of the Treasury, the additional funding should be obtained in much the same manner as existing USPS loans from the FFB. However, because the CARES Act allows for any mutually agreed upon terms, given the

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national emergency and the important role that USPS plays during such an emergency the USPS should obtain favorable terms rather than terms similar to existing FFB loans.

Section 6001 of the CARES Act further requires the USPS to "prioritize delivery of postal products for medical purposes" and allows the USPS to "establish temporary delivery points, in such form and manner as the [USPS] determines necessary, to protect employees of the [USPS] and individuals receiving deliveries from the [USPS]." *Id.* §6001(c)(1)-(2). Although this provision of the CARES Act places a burden on the USPS, requiring prioritization of medical supplies, it does allow the USPS to protect its workers (and other members of the public) when it determines necessary by temporarily suspending direct service to certain areas deemed to present a higher risk and instead provide temporary delivery points. *Id.* This may present some opportunities to reduced operating costs.

b. Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy

Section 4003 of the CARES Act provides the largest single appropriation within the Act—$500 Billion from the Treasury to provide liquidity to "eligible businesses" through loans, loan guarantees and other investments. *Id.* §4003(a). Eligible businesses are defined to include a business in the U.S. "that has not otherwise received ***adequate*** economic relief in the form of loans or loan guarantees provided under [the CARES Act]." *Id.* §4002(4)(B) (emphasis added). Although the USPS receives up to $10 Billion in loans from §6001 of the CARES Act, this is likely not "***adequate***."

Within the $500 Billion available to "eligible businesses" Congress has specifically allocated $17 Billion that shall be made available to "**businesses critical to maintaining national security**." *Id.* §4003(b)(3). The USPS plays a highly important role in national security and continuity of government and is also considered essentially to the critical infrastructure of the Nation.

The current National Continuity Policy was issued on July 15, 2016 in Presidential Policy Directive 40 and remains classified, but in its predecessor Directive issued on May 4, 2007 the USPS played an important role in national continuity and national security. The prior directive established National Essential Functions ("NEF"), which are the subset of Government Functions[1] necessary to lead and sustain the country during a catastrophic emergency and therefore must be

[1] "Government Functions" means the collective functions of the heads of executive departments and agencies as defined by statute, regulation, presidential direction, or other legal authority, and the functions of the legislative and judicial branches. National Security Federal Directive 51(2)(g).

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supported through Continuity of Operations[2] ("COOP") and Continuity of Government[3] ("COG") capabilities.[4] Executive departments and agencies were instructed to identify and submit a list of Primary Mission Essential Functions ("PMEF"), which are essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, or in the aftermath of an emergency.[5] The USPS carries out two PMEFs, (i) deliver postal services to the American public and (ii) provide essential response capabilities – specifically the delivery of emergency countermeasures to residences when requested by the Department of Health and Human Services ("HHS").[6]

With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World's mail, the USPS is unquestionably critical to a functioning U.S. and World economy.[7] The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified "postal and shipping workers" as part of the "Essential Critical Infrastructure Workforce" in light of the COVID-19 Pandemic by memorandum dated March 19, 2020.[8]

Furthermore, the USPS is designated as a supporting agency for 7 of the 15 Emergency Support Function annexes under the National Response Framework—specifically the USPS has roles in reporting infrastructure disruptions and damages and also has an important role in distributing medicine, pharmaceuticals and other medical information and supplies.[9]

Because the USPS likely qualifies as an eligible business under the CARES Act and is unquestionably critical to maintaining the Nation's security and continuity, the USPS should apply for and seek additional assistance under §4003 of the CARES Act. Although a portion of the $17 Billion is likely intended for other companies such as Boeing that play a role in national security,

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[2] "Continuity of Operations," or "COOP," means an effort within individual executive departments and agencies to ensure that Primary Mission-Essential Functions continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies. National Security Federal Directive 51(2)(d).

[3] "Continuity of Government," or "COG," means a coordinated effort within the Federal Government's executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency. National Security Federal Directive 51(2)(c).

[4] National Security Federal Directive 51(1).

[5] *See* U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, available at: https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf.

[6] *See* List of Validated PMEFs by Department/Agency, available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefs_by_department_v2_fema.pdf.

[7] *See* https://facts.usps.com.

[8] *See* https://www.cisa.gov/sites/default/files/publications/CISA_Guidance_on_the_Essential_Critical_Infrastructure_Workforce_508C_0.pdf.

[9] *See* David, *et al.*, The Role of the United States Postal Service in Public Safety and Security, RAND 2008, *available at* https://about.usps.com/universal-postal-service/rand-report.pdf.

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the USPS should qualify and be able to share in these funds. One concern we do have with regard to additional loans under §4003 of the CARES Act is the general cap on USPS borrowing in 39 U.S.C. §2005, but we believe a strong case can be made that the cap does not apply to this appropriation given the USPS's integral role in maintaining national security and continuity during a national emergency. We encourage the USPS to immediately engage Treasury in advance of Treasury issuing guidelines in order to help ensure that such funds could be available to the USPS.

The framework for the terms and conditions associated with obtaining assistance under §4003 of the CARES Act is included in §§4003 (c) and (d), which further direct the Treasury Department to publish procedures for application and minimum requirements with 10 days of enactment. Under the terms and conditions in the CARES Act, the Treasury Secretary may make loans to businesses that can demonstrate: (1) they are an eligible business to which credit is not reasonably available at the time of the transaction; (2) the intended obligation is prudently incurred; and (3) the loan or guarantee is sufficiently secured or made at a rate that reflects the risk and, to the extent practicable, is not less than an interest rate based on market conditions for comparable obligations prior to the outbreak of COVID-19.

Additional terms require an applicant to: (1) show, to the extent practicable, the duration of the loan or guarantee will not exceed 5 years; (2) forego buying back stock or paying dividends for common stock (except if contractually obligated to do so) for 12 months after the obligation is no longer outstanding; (3) maintain employment levels as of March 24, 2020, to the extent practicable, until September 30, 2020, and not "in any case" reduce those employment levels by more than 10 percent; (4) certify that the business is "created or organized in the United States or under the laws of the United States and has significant operations in and a majority of its employees based in the United States; and (5) demonstrate that it incurred losses such "that the continued operations of the business are jeopardized."

Although the USPS is not a typical U.S. business, it is an independent federal entity that is self-supporting and operates much like any other business, but is subject to significant federal law and regulations. *See, e.g.,* 39 U.S.C. § 101, *et seq*. Because the USPS receives no tax dollars for its operations and relies on the sale of postage, products and services to fund its operations it likely qualifies under §4003 of the CARES Act as an eligible business and can meet the above criteria.

When the Treasury Department publishes additional guidance on CARES Act funds under Section 4003 we will provide an updated version of the Memorandum with additional information.

c. Defense Production Act Purchases and Funding

Section 4017 of the CARES Act seeks to increase access to materials and supplies necessary for both national security and recovery from the COVID-19 Pandemic. To accomplish this the CARES expressly utilizes the Defense Production Act of 1950 ("DPA") by lifting certain

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limits and requirements within the DPA (namely with regard to the President's ability to order the purchase of resources or items of need for government use or resale) and providing $1 Billion of funding[10] for the President to make such purchases.

As explained generally in Michael Best's original memorandum to the USPS dated March 26, 2020 and again in Section II(a) below, the DPA confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the "national defense." The DPA provides the President, or other Executive Branch departments or agencies through delegation, with significant authority to act in the interest of national security and during emergencies, including the ability to require persons, businesses and other entities to allocate the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a). In conjunction with this authority, the DPA allows the President great discretion to make purchases or commitments to purchase important items for its use or resale. 50 U.S.C. §4533(a). The President's purchases under the DPA are typically limited to an existing Defense Production Act Fund, but the CARES Act expands on this funding with the additional $1 Billion. *Id.*, §4534.

By removing conditions and requirements that the President would otherwise have to meet in order to act under the DPA, §4017 of the CARES Act encourages the use of this power by the President. As a result the President has great discretion to order certain companies to manufacture health supplies, including personal protective equipment such as and sanitizer, masks and gloves and use the funds existing in the Defense Production Act Fund and provided by the CARES Act to purchase these items for the USPS.

This directive can be ordered by the President at any time now that the CARES Act is effective and the USPS should therefore immediately engage the Administration for action on this item.

II. Executive Authority and Action

The CARES Act is not the only resource available to the USPS for both short-term assistance during the COVID-19 Pandemic and long-term solutions for sustainability. The Defense Production Act can be utilized by the President and or his Administration to assist the USPS independently of the CARES Act along with other significant statutory authority, executive orders and regulatory reform.

[10] The $1 Billion appropriated for purchases under the DPA is not included in Section 4070 of the CARES Act, but is included in an un-numbered section later in the CARES Act.

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a. Defense Production Act

The Defense Production Act of 1950 ("DPA") confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the "national defense." The main sections of the DPA were presented in memorandum to the USPS dated March 26, 2020 and are again summarized for your convenience, including (I) Title III: Strengthening Domestic Capability; (II) Title I: Priorities and Allocations; and (III) Title VII: General Provisions.

The DPA expressly provides the Executive Branch with an "array of authorities to shape ***national defense*** preparedness programs and to take appropriate steps to maintain and enhance the domestic industrial base." 50 U.S.C. §4502(a)(4) (emphasis added). The term "national defense" is defined very broadly in the DPA, including many of the functions provided by the USPS; national defense is defined as

> programs for military and energy production or construction, military or critical infrastructure assistance to any foreign nation, homeland security, stockpiling, space, and any directly related activity. Such term includes emergency preparedness activities conducted pursuant to title VI of The Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C. §§5195 et seq.] and critical infrastructure protection and restoration.

50 U.S.C. §4552(14).

"Critical infrastructure" is further broadly defined in the DPA to include "any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health and safety." 50 U.S.C. §4552(2). With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World's mail, the USPS is unquestionably critical to a functioning U.S. and World economy.[11] The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified "postal and shipping workers" as part of the "Essential Critical Infrastructure Workforce" in light of the COVID-19 Pandemic by memorandum dated March 19, 2020.[12] Moreover, the DPA references 42 U.S.C. §5195(a)(3) for the definition of "emergency preparedness" activities, which includes

> all those activities and measures designed or undertaken to prepare for or minimize the effects of a hazard upon the civilian population, to deal with the immediate emergency conditions which would be created by the hazard, and to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by the hazard.

[11] *See* https://facts.usps.com.
[12] *See supra* n. 8.

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As a result the DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. In fact, the essential services provided by the USPS, including the universal services mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public.

i. Title III of the DPA

Title III of the DPA allows the President, or other portions of the Executive Branch through delegation, to provide incentives and assistance, including loans and loan guarantees, to, *inter alia*, "assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency." U.S.C. §4517(b). As explained above, the USPS is part of the "critical infrastructure" of the United States, and the World, and Title III of the DPA allows for assistance and incentives to the USPS to assure that its critical function is provided in both peacetime and during a national emergency such as the COVID-19 Pandemic.

Pursuant to 50 U.S.C. §4531(a) the President has the authority under the DPA to reduce current shortfalls or prevent projected shortfalls of those entities providing critical items by authorizing direct loans or loan guarantees "for the purpose of financing any contractor, subcontractor, ***provider of critical infrastructure***, or other person in support of . . . production and ***deliveries or services essential to the national defense***." *Id.* (emphasis added). Although the DPA typically requires meeting certain conditions and for the President to make certain determinations before the incentives can be provided, if a national emergency is declared by Congress or the President such conditions and determinations do not apply. 50 U.S.C. §4531(2). In the case of the COVID-19 Pandemic, the President has formally declared a national emergency and therefore the conditions and determinations are not required.[13] Regardless of a declaration of national emergency, Congress still must appropriate funds providing authority for such loan or loan guarantees. 50 U.S.C. §4531(3).

Although Congress has limited the borrowing authority of the USPS pursuant to 39 U.S.C. §2005 as explained in Section I of this memorandum the CARES Act includes both an express appropriation of funds for direct loans to the USPS from the U.S. Treasury and other relief for which we believe the USPS could qualify.

[13] *See* https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/.

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ii. Title I of the DPA

Title I of the DPA allows the President, or other portions of the Executive Branch through delegation, to require persons, businesses and other entities to (1) give ***priority*** to certain contracts, orders or other performance as necessary or appropriate to promote the national defense and (2) to ***allocate*** the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a).

The prioritization authority is the most commonly used aspect of the DPA, namely with regard to certain contracts or orders by the Department of Defense, including the B-2 Bomber, Air Force One and certain Mine Resistant Ambush Protected (MRAP) Vehicles.[14] Although less common, other departments and agencies have used DPA prioritization such as the Department of Homeland Security requiring prioritization of manufacturing housing units, food and bottled water during the 2017 disaster season.[15]

The allocation authority is rarely used. The best example of its use is the Civil Reserve Air Fleet (CRAF) whereby civilian aircraft are "allocated" for potential use by the Department of Defense in case needed in a nation defense crisis where the existing military air fleet is insufficient. *See* www.dot.gov/ost/oiser/craf.htm.

In these extraordinary times the use of the DPA during the COVID-19 Pandemic to potentially require private corporations to both prioritize and allocate resources towards the immediate production of test kits and other medical supplies is at the forefront of public discussion. In fact, on March 27, 2020 President Trump issued an order under the DPA directing the Secretary of Health and Human Services to "use any and all authority available under the [DPA] to require General Motors Company to accept, perform, and prioritize contracts or orders for the number of ventilators that the Secretary determines to be appropriate."[16] As explained in Section I (c) above, the President can use the DPA, including the additional funding provided by the CARS Act for the DPA Fund to make purchases of PPE or other materials and equipment for the USPS.

iii. Title VII of the DPA

Title VII of the DPA includes various miscellaneous provisions that are generally not applicable to the USPS, including, *inter alia*, special preferences for small businesses, 50 U.S.C. §4551, ability to conduct investigations and obtain information regarding the domestic industrial base, 50 U.S.C. §4555, immunity from anti-trust laws where the DPA is used to encourage

[14] *See* www.bis.doc.gov/index.php/forms-documents/pdfs/1257-dx-dated-program-list/file.
[15] *See* Department of Homeland Security, *The Defense Production Act Committee: Report to Congress*, Calendar Year 2017 Report, June 18, 2018, p. 10.
[16] *See* https://www.whitehouse.gov/presidential-actions/memorandum-order-defense-production-act-regarding-general-motors-company/

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voluntary agreements between competing companies and interest, 50 U.S.C. §4558, the ability of the President to create a committee of industry executives, 50 U.S.C. §4560, and the creation of a committee on foreign investment, 50 U.S.C. §4565.

b. Other Existing Statutory Authority

There are three major Acts that provide executive authority during times of national emergencies: (i) the National Emergencies Act of 1976; (ii) the Public Health Service Act; and (iii) The Robert T. Stafford Disaster Relief and Emergency Assistance Act. This section contains an overview of each Act and identifies potential executive actions under such legislation that could benefit the USPS.

i. National Emergencies Act of 1976

The National Emergencies Act of 1976 (the "National Emergencies Act") authorizes the President to declare a national emergency. 50 U.S.C. § 1621(a). When the President declares a national emergency, as President Trump has for the COVID-19 Pandemic,[17] various laws conferring executive powers during such an emergency become effective and remain in effect during such emergency. 50 U.S.C. § 1621(b). While the National Emergencies Act does not provide authority for specific executive actions applicable to the USPS, the National Emergencies Act does provide general authority for when, and how long, a national emergency may be declared and allows the President to take certain actions that may benefit the USPS under other law as discussed below.

ii. Public Health Service Act

The Public Health Service Act authorizes the Secretary of Health and Human Services ("HHS") to determine that (i) a disease or disorder presents a public health emergency; or (ii) that a public health emergency, including significant outbreaks of infectious disease or bioterrorist attacks, exists. 42 U.S.C. § 247d(a). If the Secretary of HHS declares a public health emergency, as Secretary Azar has in the case of COVID-19,[18] the Secretary may access the Public Health Emergency Fund (the "Health Fund"), without fiscal year limitations. 42 U.S.C. § 247d(b)(1). Secretary Azar may use the Health Fund to, *inter alia*, (a) facilitate coordination between and among Federal, State, local, Tribal, and territorial entities and public and private health care entities that the Secretary determines may be affected by COVID-19; (b) make grants, provide for

[17] Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak (March 13, 2020), *available at: https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/.*

[18] *See* https://www.hhs.gov/about/news/2020/01/31/secretary-azar-declares-public-health-emergency-us-2019-novel-coronavirus.html.

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awards, enter into contracts, and conduct supportive investigations pertaining to COVID-19; and (c) carry out other activities, as the Secretary determines applicable and appropriate. 42 U.S.C. § 247d(2). The Secretary must report on expenditures made out of the Health Fund not later than 90 days after the end of the fiscal year to certain committees of the House of Representatives and Senate. 42 U.S.C. § 247d(3). As a result of the COVID-19 Pandemic and the declared emergencies the Secretary of HHS has broad authority to utilize the Health Fund to assist the USPS as the Secretary deems appropriate, including providing resources, equipment and other resources.

Additionally, the Public Health Service Act authorizes the Secretary of HHS, in coordination with the Secretary of Homeland Security, to maintain the Strategic National Stockpile ("SNS"). *See* 42 U.S.C. § 247d-6b. The SNS is a national repository of large quantities of medical supplies, including Personal Protective Equipment stored in strategic locations around the nation. The SNS is designed to supplement state and local public health departments in the event of a large-scale public health emergency that causes local supplies to run out. Pursuant to the Public Health Service Act, the Secretary of HHS may deploy the SNS to respond to the COVID-19 Pandemic. 42 U.S.C. § 247d-6b(a)(3)(f)-(g). The USPS may be able to access the SNS to obtain Personal Protective Equipment or other stockpiled equipment and resources for its operations during the COVID-19 Pandemic.

iii. Robert T. Stafford Disaster Relief and Emergency Assistance Act

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the "Stafford Act") establishes certain assistance provided by the federal government to state and local governments to alleviate the suffering and damages caused by disasters. Pursuant to the Stafford Act, federal agencies are reimbursed for services or supplies furnished during disasters and emergencies such as the current COVID-19 Pandemic. 42 U.S.C. § 5147. For purposes of the Stafford Act a "federal agency" includes any department, independent establishment, Government corporation, or other agency of the executive branch of the Federal Government, *including the United States Postal Service* . . ." 42 U.S.C. § 5122(9) (emphasis added). In any emergency under the Stafford Act, "the President may:

(i) direct any Federal agency, with or without reimbursement, to utilize its authorities and the resources granted to it under federal law (including personnel, equipment, supplies, facilities, and managerial, technical and advisory services) in support of state and local emergency assistance efforts to save lives, protect property and public health and safety, and lessen or avert the threat of a catastrophe, including precautionary evacuations;

(ii) coordinate all disaster relief assistance (including voluntary assistance) provided by federal agencies, private organizations, and state and local governments; …

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(iv) provide emergency assistance through Federal agencies; …

(vii) assist state and local governments in the distribution of medicine, food, and other consumable supplies, and emergency assistance; and

(viii) provide accelerated federal assistance and Federal support where necessary to save lives, prevent human suffering, or mitigate severe damage, which may be provided in the absence of a specific request and in which case the President—

a. shall, to the fullest extent practicable, promptly notify and coordinate with a State in which such assistance or support is provided; and
b. shall not, in notifying and coordinating with a state, delay or impede the rapid deployment, use, and distribution of critical resources to victims of an emergency." 42 U.S.C. § 5192(a).

Although the Stafford Act contains various requirements for emergency declarations at the federal and state level, this is not a concern given the existing national emergency and various emergencies and disasters declared in virtually every state throughout the nation as a result of COVID-19. The Stafford Act is primarily designed to provide direct federal assistance to state and local governments, but it also includes mechanisms for the President to direct and/or coordinate federal agencies, including the USPS, to provide services in an emergency or disaster. Due to the unique ability of the USPS to reach every residence in the United States, the USPS may be the sole federal agency, as defined under the Stafford Act, to provide emergency assistance to every citizen during the COVID-19 Pandemic. As such, the President may instruct the USPS to provide certain services and take certain actions, including the use of special equipment and protections, which could be directly funded or reimbursed under the Stafford Act by executive order.

c. Executive Orders

i. Federal Continuity Directives and Critical Infrastructure Designation

As identified in Mr. Marshall's letter to Ms. Bonner "Re: Essential Public Service Provided by the Postal Service as a Part of the Nation's Critical Infrastructure," dated March 23, 2020, the United States Postal Services ("USPS") carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy. National Security Presidential Directive 51 ("Directive 51"), issued May 4, 2007, established a comprehensive national policy on the continuity of federal government structures and operations.[19] Directive 51 also established National Essential Functions ("NEF"), which are the subset of

[19] National Security Presidential Directive 51, available at: https://fas.org/irp/offdocs/nspd/nspd-51.htm.

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Government Functions[20] necessary to lead and sustain the country during a catastrophic emergency and therefore must be supported through Continuity of Operations[21] ("COOP") and Continuity of Government[22] ("COG") capabilities.[23] Executive departments and agencies were instructed to identify and submit a list of Primary Mission Essential Functions ("PMEF"), which are essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, or in the aftermath of an emergency.[24] The USPS carries out two PMEFs: delivery of (i) postal services to the American public and (ii) emergency countermeasures to residences when requested by the Department of Health and Human Services ("HHS").[25]

Presidential Policy Directive 40 ("PPD-40"), *National Continuity Policy*, issued on July 15, 2016, replaced Directive 51. PPD-40 remains classified, however certain information has been made available through Federal Continuity Directives 1 and 2.[26] PPD-40 directs the Secretary of Homeland Security through the Administrator of the Federal Emergency Management Agency ("FEMA") to coordinate the implementation, execution, and assessment of continuity activities among executive departments and agencies.[27] Specifically, the Administrator of FEMA is directed to develop and promulgate Federal Continuity Directives to establish continuity program and planning requirements for executive departments and agencies.[28] PPD-40 requires departments and agencies to appoint a Continuity Coordinator at the Assistant Secretary level or higher.[29]

Additionally, "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" are considered essential critical infrastructure workers, as defined

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[20] "Government Functions" means the collective functions of the heads of executive departments and agencies as defined by statute, regulation, presidential direction, or other legal authority, and the functions of the legislative and judicial branches. National Security Federal Directive 51(2)(g).

[21] "Continuity of Operations," or "COOP," means an effort within individual executive departments and agencies to ensure that Primary Mission-Essential Functions continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies. National Security Federal Directive 51(2)(d).

[22] "Continuity of Government," or "COG," means a coordinated effort within the Federal Government's executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency. National Security Federal Directive 51(2)(c).

[23] National Security Federal Directive 51(1).

[24] *See* U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, available at: https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf.

[25] *See* List of Validated PMEFs by Department/Agency, available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefs_by_department_v2_fema.pdf.

[26] *See generally* Federal Continuity Directive 1 and Federal Continuity Directive 2, available at: https://www.fema.gov/media-library-data/1499702987348-c8eb5e5746bfc5a7a3cb954039df7fc2/FCD-2June132017.pdf.

[27] Federal Continuity Directive 1, Section I (pg. 3).

[28] *Id.*

[29] *Id*. at Section V (pg. 5).

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in guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency ("CISA").[30] The term critical infrastructure is used to describe "systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters."[31]

Because the USPS provides PMEFs, and postal workers are considered critical infrastructure, the USPS may be able to use PPD-40 and Federal Continuity Directives 1 and 2 to both ensure liquidity as well as obtain personal protective equipment ("PPE") for USPS employees and contractors. The USPS should coordinate with the President, the Secretary of Homeland Security, and the Administrator of FEMA in order to seek possible emergency funds to ensure the USPS remains financially able to continue providing its important services and to obtain the equipment and resources necessary to do so.

ii. Strategic National Stockpile ("SNS")

As discussed above in Section II(b), the Secretary of HHS, in coordination with the Secretary of Homeland Security, maintains the SNS. The President has declared a national emergency as a result of the COVID-19 Pandemic[32] and issued Executive Order 13909 directing the Secretary of HHS to use the prioritization and allocation authorities under section 101 of the DPA with respect to health and medical resources needed to respond to the spread of COVID-19.[33] Additionally, FEMA established the Supply Chain Stabilization Task Force to address limited supply of critical Personal Protective Equipment. The Supply Chain Stabilization Task Force is utilizing a four-prong approach, one prong focuses on the allocation of critical resources. To effectively allocate resources, the FEMA Supply Chain Stabilization Task Force established a National Resource Prioritization Cell to unify prioritization recommendations.[34] The USPS should work with the Secretary of HHS, the Secretary of Homeland Security, and the National Resource Prioritization Cell of the FEMA Supply Chain Stabilization Task Force to obtain equipment and resources through the SNS.

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[30] *See* Department of Homeland Security Cybersecurity and Infrastructure Security Agency, Guidance on the Essential Critical Infrastructure Workforce, available at: https://www.cisa.gov/publication/guidance-essential-critical-infrastructure-workforce.

[31] Presidential Policy Directive (PPD) 21, Critical Infrastructure Security and Resilience, February 12, 2013, p. 12; USA Patriot Act of 2001, Section 1016(e), (42 U.S.C) 5195c(e)).

[32] Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak (March 13, 2020), available at: https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/.

[33] Executive Order 13909, Prioritizing and Allocating Health and Medical Resources to Respond to the Spread of COVID-19 (March 18, 2020), available at: https://www.federalregister.gov/documents/2020/03/23/2020-06161/prioritizing-and-allocating-health-and-medical-resources-to-respond-to-the-spread-of-covid-19.

[34] FEMA Coronavirus (COVID) 19 Pandemic: Supply Chain Stabilization Task Force (March 30, 2020), available at: https://www.fema.gov/news-release/2020/03/30/coronavirus-covid-19-pandemic-supply-chain-stabilization-task-force.

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III. Legislative Action

Although significant authority is already vested in the President to take actions described above to protect national security, continuity and address national emergencies such as the COVID-19 Pandemic, the President's executive authority has significant limits generally ***and*** during national emergencies. We do not believe that the President can take executive action during the COVID-19 Pandemic to effectuate any change to existing law sought by the USPS.

The United States Supreme Court has consistently held that the "President's power, if any, to issue [executive orders] must stem from an act of Congress or from the Constitution itself." *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579, 585 (1952). In the landmark case of *Youngstown* President Truman issued an executive order directing the Secretary of Commerce to seize and operate steel mills, which were integral to national security during the Korean War, and avert a strike. *Id.* at 582-83. Despite the undisputed national security need for the steel mills to continue operations, the Supreme Court held that the order was unconstitutional because it did not stem from any act of Congress or the Constitution itself. *Id.* at 585. In fact, the Court expressly rejected arguments that general executive authority and/or general military authority vested in the President by the Constitution supported the executive order. *Id*. at 586-87. The decision in *Youngstown* remains applicable law today. *See Sierra Club v. Trump*, 929 F.3d 670, 694 (9th Cir. 2019).

Additionally, because the changes desired by the USPS mostly involve express changes to existing statutory authority, the President's power to effectuate change is virtually non-existent. The President cannot take action that is incompatible with the express or implied will of Congress unless the President has an independent power to do so under the Constitution, *Zivotofsky v. Kerry,* 571 U.S. 1, 15 (2015) (citing *Youngstown*, 343 U.S. at 637), which we do not believe exists here.

a. Additional "Phase 4" COVID-19 Stimulus

Less than a week after the enactment of the CARES Act, Members of Congress have signaled a desire for yet another "Phase 4" stimulus package. Part of the additional items being suggested by Speaker Nancy Pelosi includes additional investment in infrastructure, the health care system and digital economy.[35]

Even if a fourth round of stimulus is still only a possibility, it is important to make sure that additional assistance and/or reform for the USPS is part of the conversation and under consideration early in the process. In addition to further loans, funding and other resources that

[35] See https://www.cnbc.com/2020/04/01/coronavirus-stimulus-package-white-house-is-not-planning-4th-bill.html.

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could be included in Phase 4, the package could also be a source for long-term legislative reform benefiting the USPS. With adequate time to influence Members of Congress and the President a Phase 4 package could be significantly more beneficial to the USPS than the CARES Act.

b. Long-term Legislative Action

Federal legislation specifically reforming the law governing the USPS is the best long-term solution to liquidity issues faced by the USPS. The USPS has already identified several statutory changes that would greatly improve the ability of the USPS to efficiently operate and obtain more revenue. Namely legislation could be enacted to: (1) eliminate the cap on prices charged by the USPS and allow the Postal Regulatory Commission to engage in an oversight role monitoring the market prices set by the USPS Board of Governors; (2) provide flexibility for the USPS to enter into Negotiated Service Agreements; (3) eliminate Postal Regulatory Commission review of rate changes prior to effective date of the change; (4) provide flexibility for the USPS to offer non-postal services and government services; and (5) eliminate Postal Regulatory Commission review of new postal products and the elimination of existing postal products.

The USPS has already provided draft language for proposed amendments to Title 39 of the U.S. Code to accomplish these changes, which are attached hereto as Exhibit A.

Members of the Michael Best & Friedrich Team, including Reince Priebus and Denise Bode, can provide invaluable assistance and guidance both with regard to the potential Phase 4 stimulus package and long-term statutory and regulatory reform to benefit the USPS. In addition to taking immediate action on the above-identified items related to the CARES Act and existing Executive Action, we would like to discuss more specifically how Michael Best can assist the USPS in achieving both its short-term and long-term goals.

DRAFT

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Michael Best

Memorandum

VIA EMAIL

To: Tom Marshall, General Counsel, United States Postal Service
Keith Weidner, Deputy General Counsel, United States Postal Service

From: Stefan Passantino

CC: Joe Olson, Nicholas Boerke and Nathan Groth

Date: April 3, 2020

Subject: Summary Analysis of Options Available to the USPS for Relief and Resources During the COVID-19 Pandemic

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Executive Summary

This memorandum provides a detailed summary analysis of various options available to the United States Postal Service (USPS) to obtain additional resources and relief during the current COVID-19 national emergency.

We have identified several different avenues for the USPS to achieve its goals, including (I) at least $10 Billion of additional funding and the ability for the President to make purchases to assist the USPS using Defense Production Act (DPA) funding available in the recently enacted CARES Act; (II) other Executive authority and action using the DPA, National Emergencies Act of 1976, Public Health Service Act, the Stafford Disaster Relief and Emergency Assistance Act and other Executive action, and (III) additional legislative or regulatory reforms.

Section I – The CARES Act

Section I of this memorandum provides an in depth overview of portions of the recently enacted CARES Act that the USPS could utilize for immediate additional assistance and resources.

First, §6001 of the CARES Act provides an express appropriation of $10 Billion for the USPS to borrow money from the United States Treasury on any terms acceptable to the USPS and Secretary of the Treasury. This funding is in addition to the cap that otherwise exists on USPS loans pursuant to 39 U.S.C. §2005 and the USPS can use the funding to cover operating costs, but not pay existing debt. The additional $10 Billion of funding can be obtained as soon as the USPS can agree on terms with the Treasury and may be obtained on favorable terms in much the same manner as other funds obtained by the USPS from the Treasury's Federal Financing Bank.

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Secondly, §4003 of the CARES Act provides an additional $17 Billion for loans or loan guarantees to U.S. businesses "critical to maintaining national security." As explained in more detail below, because the USPS plays a highly important role in national security and continuity of government and is also considered essential to the critical infrastructure of the Nation, we believe that the USPS could also qualify for additional funding under this Section of the CARES Act. Section 4003 of the CARES Act does not expressly address the otherwise applicable cap on USPS borrowing in 39 U.S.C. §2005, but we believe a case can be made that the cap does not apply to this appropriation given the USPS's integral role in maintaining national security and continuity during a national emergency. The Treasury Department has released "preliminary" guidelines for this funding, which mostly restates the terms in the CARES Act and is further explained in the discussion section below. Additional guidelines and requirements, including an application, for qualification for this funding is expected from the Treasury Department at which time we plan to supplement this memorandum, but we encourage the USPS to immediately engage Treasury in advance of final guidelines. The USPS could use this funding for operating expenses during the COVID-19 Pandemic or for other needs such as the purchase of Personal Protective Equipment or other supplies.

Lastly, §4017 of the CARES Act integrates the DPA and expressly encourages the President to use his powers under the DPA during the existing national emergency. This section of the CARES Act further appropriates an additional $1 Billion for the President to use to make purchases under his DPA authority. The President could use portions of this funding to purchase Personal Protective Equipment or other resources for the USPS.

Section II – Executive Authority and Action

Section II of this memorandum identifies and addresses three major Acts that provide executive authority during times of national emergencies and that the USPS may benefit from, including the DPA, the National Emergencies Act of 1976, the Public Health Service Act, and the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

General details on the DPA were included in the original memorandum to the USPS dated March 26, 2020 and further details are included below. The DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. The essential services provided by the USPS, including the universal service mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public. Because of the critical function of the USPS the President can use the DPA to assist the USPS in various ways, including providing direct loans or loan guarantees, directing prioritization of USPS needs for materials, equipment and supplies and the purchase or allocation of resources for the USPS.

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The National Emergencies Act grants the President the authority to declare a national emergency and outlines the powers and authorities available to the President during national emergencies.

The Public Health Service Act authorizes the Secretary of Health and Human Services to access the Public Health Emergency Fund during public health emergencies. Pursuant to the Public Health Service Act, the Secretary of Health and Human Services has broad authority to utilize the Public Health Emergency Fund once the Secretary has determined a public health emergency exists which may provide the USPS an avenue to receive funding should the Secretary determine that such use of funds are appropriate. The Public Health Service Act authorizes the Secretary of Health and Human Services, in coordination with the Secretary of Homeland Security, to maintain the Strategic National Stockpile (SNS). The Secretary of Health and Human Services shall deploy the SNS as (i) required by the Secretary of Homeland Security to respond to an actual or potential emergency or (ii) deploy the SNS at their discretion to respond to an actual or potential public health emergency or other situation in which deployment is necessary to protect the public health or safety. Accordingly, the USPS may be able to acquire personal protective equipment for its employees and contractors from the Strategic National Stockpile through the discretion of the Secretary of Health and Human Services.

The Robert T. Stafford Disaster Relief and Emergency Assistance Act generally establishes the assistance provided by the federal government to state and local governments to alleviate the suffering and damages caused by disasters. Chapter 68 of the Stafford Act establishes that federal agencies, specifically including the USPS, may be reimbursed for services provided pursuant to the President's directive. Among other things, the President may direct federal agencies to support state and local emergency assistance efforts; coordinate disaster relief assistance; provide emergency assistance; and assist state and local governments in the distribution of medicine, food, and other supplies. The Stafford Act may provide the USPS the ability, through a designation made by the President, to provide additional assistance to emergency relief efforts and receive reimbursement for such assistance.

Section II of this memorandum also identifies and addresses the implications of the USPS's role in carrying out a "Primary Mission Essential Function" as well as "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" being designated essential critical infrastructure workers.

Presidential Policy Directive 40 directs the Secretary of Homeland Security through the Administrator of the Federal Emergency Agency to coordinate the implementation, execution, and assessment of continuity activities among executive departments and agencies. Delivery of postal services to the American public by the USPS is considered a "Primary Mission Essential Function." Additionally, "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" are considered essential critical infrastructure workers, as

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defined in guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency. As the USPS provides two Primary Mission Essential Functions and postal workers are considered critical infrastructure, opportunities under PPD-40 and Federal Continuity Directives 1 and 2 may be available to the USPS to both ensure liquidity of the USPS to continue performing its Primary Mission Essential Functions as well as obtain personal protective equipment ("PPE") for USPS employees and contractors who are critical infrastructure.

In Executive Order 13909 (Prioritizing and Allocating Health and Medical Resources to Respond to the Spread of COVID-19), issued on March 18, 2020, President Trump delegated to the Secretary of Health and Human Services the prioritization and allocation under section 101 of the Defense Production Act with respect to health and medical resources needed to respond to the spread of COVID-19. Additionally, the Federal Emergency Management Agency established a National Resource Prioritization Cell to unify prioritization recommendations for the allocation of critical resources from the Strategic National Stockpile. The President's executive order, and the establishment of the National Resource Prioritization Cell provide the USPS potential avenues to acquire personal protective equipment for its employees and contractors to safely continue executing its Primary Mission Essential Functions.

Section III – Legislative Action

Section III of this memorandum addresses the potential to use additional stimulus legislation to obtain both additional financial aid and statutory changes that Michael Best could assist the USPS in achieving for long-term reform and sustainability.

Within a week of the President signing the CARES Act Members of Congress are already considering priorities for a potential "Phase 4" economic stimulus package to address the COVID-19 Pandemic. Because priorities are already being considered and various interested groups are already lobbying Congress for their share of the potential additional stimulus, it is important for the USPS needs to be part of the conversation. Members of the Michael Best & Friedrich Team, including Reince Priebus and Denise Bode, can provide invaluable assistance and guidance both with regard to the potential Phase 4 stimulus package and long-term statutory and regulatory reform to benefit the USPS.

Discussion

The United States Postal Service ("USPS") has several options for obtaining additional funding and resources during and after the existing national emergency and COVID-19 Pandemic both as a result of the CARES Act and existing emergency powers of the President and the Executive Branch.

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I. The CARES Act

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law by President Donald J. Trump on Friday March 27, 2020. The CARES Act is a third phase of economic stimulus legislation addressing the impacts caused by the Coronavirus 2019 ("COVID-19") Pandemic and it includes over $2 Trillion of economic aid, including, *inter alia*, direct payments to eligible individual taxpayers, expanded unemployment insurance, direct funding to state and local governments, loans and other incentives to eligible businesses and local governments, new small business loans and health equipment for hospitals fighting COVID-19.

We have identified several portions of the CARES Act that either directly benefit the USPS or provide a potential for the USPS to obtain additional financial aid and/or resources. The CARES Act (a) authorizes the United States Treasury to loan up to an additional $10 Billion directly to the USPS to cover operating expenses during the COVID-19 Pandemic; (b) provides $17 Billion for "businesses critical to maintaining national security" and (c) $1 Billion for the President to make purchases under the Defense Production Act.

a. $10 Billion Direct Lending Authority for USPS

Title VI, §6001(b) of the "Cares Act" Authorizes USPS to "borrow money from the Treasury in an amount not to exceed $10,000,000,000," in addition to any other existing borrowing authority, if the USPS determines that due to the COVID-19 Pandemic it "will not be able to fund operating expenses without borrowing money." The direct loan(s) of up to $10 Billion must be used for operating expenses and cannot be used for the payment of existing debt. *Id.* §6001(b)(1)(A)-(B). The loans under the CARES Act may be upon favorable terms, including any "terms and conditions mutually agreed upon by the Secretary [of the Treasury] and the [USPS]." *Id.* §6001(b)(2).

The CARES Act does not provide any guidance regarding the terms or procedures for the additional financing, but because the USPS has consistent borrowing authority from the Federal Financing Bank (FFB), which is under the supervision of the Secretary of the Treasury, the additional funding should be obtained in much the same manner as existing USPS loans from the FFB. However, because the CARES Act allows for any mutually agreed upon terms, given the national emergency and the important role that USPS plays during such an emergency the USPS should obtain favorable terms rather than terms similar to existing FFB loans.

Section 6001 of the CARES Act further requires the USPS to "prioritize delivery of postal products for medical purposes" and allows the USPS to "establish temporary delivery points, in such form and manner as the [USPS] determines necessary, to protect employees of the [USPS] and individuals receiving deliveries from the [USPS]." *Id.* §6001(c)(1)-(2). Although this provision of the CARES Act places a burden on the USPS, requiring prioritization of medical

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supplies, it does allow the USPS to protect its workers (and other members of the public) when it determines necessary by temporarily suspending direct service to certain areas deemed to present a higher risk and instead provide temporary delivery points. *Id.* This may present some opportunities to reduce operating costs.

b. Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy

Section 4003 of the CARES Act provides the largest single appropriation within the Act—$500 Billion from the Treasury to provide liquidity to "eligible businesses" through loans, loan guarantees and other investments. *Id.* §4003(a). Eligible businesses are defined to include a business in the U.S. "that has not otherwise received ***adequate*** economic relief in the form of loans or loan guarantees provided under [the CARES Act]." *Id.* §4002(4)(B) (emphasis added). Although the USPS receives up to $10 Billion in loans from §6001 of the CARES Act, this is likely not "***adequate***."

Within the $500 Billion available to "eligible businesses" Congress has specifically allocated $17 Billion that shall be made available to "**businesses critical to maintaining national security**." *Id.* §4003(b)(3). The USPS plays a highly important role in national security and continuity of government and is also considered essential to the critical infrastructure of the Nation.

The current National Continuity Policy was issued on July 15, 2016 in Presidential Policy Directive 40 and remains classified, but in its predecessor Directive issued on May 4, 2007 the USPS played an important role in national continuity and national security. The prior directive established National Essential Functions ("NEF"), which are the subset of Government Functions[1] necessary to lead and sustain the country during a catastrophic emergency and therefore must be supported through Continuity of Operations[2] ("COOP") and Continuity of Government[3] ("COG") capabilities.[4] Executive departments and agencies were instructed to identify and submit a list of Primary Mission Essential Functions ("PMEF"), which are essential government functions that must be continuously performed in order to support or implement the uninterrupted performance

[1] "Government Functions" means the collective functions of the heads of executive departments and agencies as defined by statute, regulation, presidential direction, or other legal authority, and the functions of the legislative and judicial branches. National Security Federal Directive 51(2)(g).
[2] "Continuity of Operations," or "COOP," means an effort within individual executive departments and agencies to ensure that Primary Mission-Essential Functions continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies. National Security Federal Directive 51(2)(d).
[3] "Continuity of Government," or "COG," means a coordinated effort within the Federal Government's executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency. National Security Federal Directive 51(2)(c).
[4] National Security Federal Directive 51(1).

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of NEFs before, during, or in the aftermath of an emergency.[5] The delivery of postal services to the American public by the USPS is considered a PMEF.[6]

With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World's mail, the USPS is unquestionably critical to a functioning U.S. and World economy.[7] The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified "postal and shipping workers" as part of the "Essential Critical Infrastructure Workforce" in light of the COVID-19 Pandemic by memorandum dated March 19, 2020.[8]

Furthermore, the USPS is designated as a supporting agency for 8 of the 15 Emergency Support Function annexes and is a cooperating agency for one essential support area under the National Response Framework—specifically the USPS has roles in reporting infrastructure disruptions and damages and also has an important role in distributing medicine, pharmaceuticals and other medical information and supplies.[9]

Because the USPS likely qualifies as an eligible business under the CARES Act, as explained in more detail below, and is unquestionably critical to maintaining the nation's security and continuity, the USPS should apply for and seek additional assistance under §4003 of the CARES Act. Although a portion of the $17 Billion is likely intended for other companies such as Boeing that play a role in national security, the USPS should qualify and be able to share in these funds. One concern we do have with regard to additional loans under §4003 of the CARES Act is the general cap on USPS borrowing in 39 U.S.C. §2005, but we believe a strong case can be made that the cap does not apply to this appropriation given the USPS's integral role in maintaining national security and continuity during a national emergency. Generally where there is an apparent conflict between to statutes, like there may be in this case with the general cap in 39 U.S.C. §2005 and the funds available under §4003 of the CARES Act, courts will attempt to read the two statutes "to give effect to each if [it] can do so while preserving their sense and purpose." *Watt v. Alaska*, 451 U.S. 259, 267 (1981), see also *Morton* v. *Mancari*, 417 U.S. 535, 551 (1974). The general cap and §4003 of the CARES Act can be read to co-exist as the CARES Act is an emergency measure intend to provide for additional funding during the specific COVID-19 Pandemic,

[5] *See* U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, available at: https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf.
[6] *See* List of Validated PMEFs by Department/Agency, available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefs_by_department_v2_fema.pdf.
[7] *See* https://facts.usps.com.
[8] *See* https://www.cisa.gov/sites/default/files/publications/CISA_Guidance_on_the_Essential_Critical_Infrastructure_Workforce_508C_0.pdf.
[9] *See* David, *et al*., The Role of the United States Postal Service in Public Safety and Security, RAND 2008, *available at* https://about.usps.com/universal-postal-service/rand-report.pdf.

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whereas the general cap applied prior to, and will again apply after, the existing national emergency. Moreover, when there is a conflict between two statutes, the statute enacted more recently (the CARES Act in this case) will generally control while preserving all non-conflicting aspects whenever possible. *Smith v. Robinson*, 468 U.S. 992, 1024 (U.S. 1984). We encourage the USPS to immediately engage Treasury in advance of Treasury issuing final guidelines in order to help ensure that such funds could be available to the USPS and to better understand if Treasury will take the position that the general cap still applies to the CARES Act funds.

The framework for the terms and conditions associated with obtaining assistance under §4003 of the CARES Act is included in §§4003 (c) and (d), which includes requirements that businesses demonstrate: (1) they are an eligible business to which credit is not reasonably available at the time of the transaction; (2) the intended obligation is prudently incurred; and (3) the loan or guarantee is sufficiently secured or made at a rate that reflects the risk and, to the extent practicable, is not less than an interest rate based on market conditions for comparable obligations prior to the outbreak of COVID-19.

Additional terms require an applicant to: (1) show, to the extent practicable, the duration of the loan or guarantee will not exceed 5 years; (2) forego buying back stock or paying dividends for common stock (except if contractually obligated to do so) for 12 months after the obligation is no longer outstanding; (3) maintain employment levels as of March 24, 2020, to the extent practicable, until September 30, 2020, and not "in any case" reduce those employment levels by more than 10 percent; (4) certify that the business is "created or organized in the United States or under the laws of the United States and has significant operations in and a majority of its employees based in the United States; and (5) demonstrate that it incurred losses such "that the continued operations of the business are jeopardized."

The Treasury Department has already issued “preliminary” guidance for obtaining funds under §4003 of the CARES Act, which mostly reiterate what was already included in the Act itself. However, the Treasury guidelines define a “Borrower” to include any U.S. Business, including those “critical to maintaining national security” that apply for or receive a loan under §4003 of the CARES Act. The guidance further states that “Borrowers will be able to apply for a loan directly from the Treasury Department, which will disburse the loan directly to borrowers whose applications are approved by the Treasury Department.” The guidance does not expand on the definition of an eligible business, simply stating that “eligible borrowers” include “businesses critical to maintaining national security.”

Although the USPS is not a typical U.S. business, it is an independent federal entity that is self-supporting and operates much like any other business, but is subject to significant federal law and regulations. *See, e.g.,* 39 U.S.C. § 101, *et seq*. Because the USPS receives no tax dollars for its operations and relies on the sale of postage, products and services to fund its operations it likely qualifies under §4003 of the CARES Act as an eligible business and can meet the above criteria.

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Moreover, Treasury guidance recently published for §4003 of the CARES Act explains that being a "U.S. Business" requires a certification that the borrower "is created or organized in the United States or under the laws of the United States and has significant operations in and a majority of its employees based in the United States." The USPS easily meets all of these criteria.

When the Treasury Department publishes additional guidance on regarding funds under §4003 of the CARES Act, including the application, we will provide that to the USPS along with our analysis.

c. Defense Production Act Purchases and Funding

Section 4017 of the CARES Act seeks to increase access to materials and supplies necessary for both national security and recovery from the COVID-19 Pandemic. To accomplish this the CARES expressly utilizes the Defense Production Act of 1950 ("DPA") by lifting certain limits and requirements within the DPA (namely with regard to the President's ability to order the purchase of resources or items of need for government use or resale) and providing $1 Billion of funding[10] for the President to make such purchases.

As explained generally in Michael Best's original memorandum to the USPS dated March 26, 2020 and again in Section II(a) below, the DPA confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the "national defense." The DPA provides the President, or other Executive Branch departments or agencies through delegation, with significant authority to act in the interest of national security and during emergencies, including the ability to require persons, businesses and other entities to allocate the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a). In conjunction with this authority, the DPA allows the President great discretion to make purchases or commitments to purchase important items for its use or resale. 50 U.S.C. §4533(a). The President's purchases under the DPA are typically limited to an existing Defense Production Act Fund, but the CARES Act expands on this funding with the additional $1 Billion. *Id.*, §4534.

By removing conditions and requirements that the President would otherwise have to meet in order to act under the DPA, §4017 of the CARES Act encourages the use of this power by the President. As a result the President has great discretion to order certain companies to manufacture health supplies, including personal protective equipment such as hand sanitizer, masks and gloves and use the funds existing in the Defense Production Act Fund and provided by the CARES Act to purchase these items for the USPS.

[10] The $1 Billion appropriated for purchases under the DPA is not included in Section 4070 of the CARES Act, but is included in an un-numbered section later in the CARES Act.

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This directive can be ordered by the President at any time now that the CARES Act is effective and the USPS should therefore immediately engage the Administration for action on this item.

II. Executive Authority and Action

The CARES Act is not the only resource available to the USPS for both short-term assistance during the COVID-19 Pandemic and long-term solutions for sustainability. The Defense Production Act can be utilized by the President and or his Administration to assist the USPS independently of the CARES Act along with other significant statutory authority. While certain regulatory changes are a possibility under the USPS's rulemaking authority, and executive action through executive orders is limited and subject to the statutory scheme establishing the USPS.

a. Defense Production Act

The Defense Production Act of 1950 ("DPA") confers significant powers on to the Executive Branch to impact, direct, prioritize and incentivize industries as is necessary in the "national defense." The main sections of the DPA were presented in memorandum to the USPS dated March 26, 2020 and are again summarized for your convenience, including (I) Title III: Strengthening Domestic Capability; (II) Title I: Priorities and Allocations; and (III) Title VII: General Provisions.

The DPA expressly provides the Executive Branch with an "array of authorities to shape ***national defense*** preparedness programs and to take appropriate steps to maintain and enhance the domestic industrial base." 50 U.S.C. §4502(a)(4) (emphasis added). The term "national defense" is defined very broadly in the DPA, including many of the functions provided by the USPS; national defense is defined as

> programs for military and energy production or construction, military or critical infrastructure assistance to any foreign nation, homeland security, stockpiling, space, and any directly related activity. Such term includes emergency preparedness activities conducted pursuant to title VI of The Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C. §§5195 et seq.] and critical infrastructure protection and restoration.

50 U.S.C. §4552(14).

"Critical infrastructure" is further broadly defined in the DPA to include "any systems and assets, whether physical or cyber-based, so vital to the United States that the degradation or destruction of such systems and assets would have a debilitating impact on national security, including, but not limited to, national economic security and national public health and safety." 50

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U.S.C. §4552(2). With over 500,000 employees and 187.8 Million items processed and delivered each day, 47% of the World's mail, the USPS is unquestionably critical to a functioning U.S. and World economy.[11] The Department of Homeland Security, Cybersecurity and Infrastructure Security Agency has further classified "postal and shipping workers" as part of the "Essential Critical Infrastructure Workforce" in light of the COVID-19 Pandemic by memorandum dated March 19, 2020.[12] Moreover, the DPA references 42 U.S.C. §5195(a)(3) for the definition of "emergency preparedness" activities, which includes

> all those activities and measures designed or undertaken to prepare for or minimize the effects of a hazard upon the civilian population, to deal with the immediate emergency conditions which would be created by the hazard, and to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by the hazard.

As a result the DPA extends well beyond military preparedness and support and is an important tool for the response and recovery from various types of national emergencies both foreign and domestic, including the current COVID-19 Pandemic. In fact, the essential services provided by the USPS, including the universal service mandate, during times where individuals are quarantined, and in many circumstances isolated from other services, is an important aspect of minimizing the effect of such a hazard upon the public.

i. Title III of the DPA

Title III of the DPA allows the President, or other portions of the Executive Branch through delegation, to provide incentives and assistance, including loans and loan guarantees, to, *inter alia*, "assure that critical components, critical technology items, essential materials, and industrial resources are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency." U.S.C. §4517(b). As explained above, the USPS is part of the "critical infrastructure" of the United States, and the World, and Title III of the DPA allows for assistance and incentives to the USPS to assure that its critical function is provided in both peacetime and during a national emergency such as the COVID-19 Pandemic.

Pursuant to 50 U.S.C. §4531(a) the President has the authority under the DPA to reduce current shortfalls or prevent projected shortfalls of those entities providing critical items by authorizing direct loans or loan guarantees "for the purpose of financing any contractor, subcontractor, ***provider of critical infrastructure***, or other person in support of . . . production and ***deliveries or services essential to the national defense***." *Id.* (emphasis added). Although the DPA typically requires meeting certain conditions and for the President to make certain determinations before the incentives can be provided, if a national emergency is declared by Congress or the

[11] *See* https://facts.usps.com.
[12] *See supra* n. 8.

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President such conditions and determinations do not apply. 50 U.S.C. §4531(2). In the case of the COVID-19 Pandemic, the President has formally declared a national emergency and therefore the conditions and determinations are not required.[13] Regardless of a declaration of national emergency, Congress still must appropriate funds providing authority for such loans or loan guarantees. 50 U.S.C. §4531(3).

Although Congress has limited the borrowing authority of the USPS pursuant to 39 U.S.C. §2005 as explained in Section I of this memorandum the CARES Act includes both an express appropriation of funds for direct loans to the USPS from the U.S. Treasury and other relief for which we believe the USPS could qualify.

ii. Title I of the DPA

Title I of the DPA allows the President, or other portions of the Executive Branch through delegation, to require persons, businesses and other entities to (1) give ***priority*** to certain contracts, orders or other performance as necessary or appropriate to promote the national defense and (2) to ***allocate*** the distribution of supplies, materials, services or even facilities as deemed necessary or appropriate. 50 U.S.C. §4511(a).

The prioritization authority is the most commonly used aspect of the DPA, namely with regard to certain contracts or orders by the Department of Defense, including the B-2 Bomber, Air Force One and certain Mine Resistant Ambush Protected (MRAP) Vehicles.[14] Although less common, other departments and agencies have used DPA prioritization such as the Department of Homeland Security requiring prioritization of manufacturing housing units, food and bottled water during the 2017 disaster season.[15]

The allocation authority is rarely used. The best example of its use is the Civil Reserve Air Fleet (CRAF) whereby civilian aircraft are "allocated" for potential use by the Department of Defense in case needed in a national defense crisis where the existing military air fleet is insufficient. *See* www.dot.gov/ost/oiser/craf.htm.

In these extraordinary times the use of the DPA during the COVID-19 Pandemic to potentially require private corporations to both prioritize and allocate resources towards the immediate production of test kits and other medical supplies is at the forefront of public discussion. In fact, on March 27, 2020 President Trump issued an order under the DPA directing the Secretary of Health and Human Services to "use any and all authority available under the [DPA] to require

[13] *See* https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/.
[14] *See* www.bis.doc.gov/index.php/forms-documents/pdfs/1257-dx-dated-program-list/file.
[15] *See* Department of Homeland Security, *The Defense Production Act Committee: Report to Congress*, Calendar Year 2017 Report, June 18, 2018, p. 10.

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General Motors Company to accept, perform, and prioritize contracts or orders for the number of ventilators that the Secretary determines to be appropriate."[16] As explained in Section I (c) above, the President can use the DPA, including the additional funding provided by the CARS Act for the DPA Fund to make purchases of PPE or other materials and equipment for the USPS.

iii. Title VII of the DPA

Title VII of the DPA includes various miscellaneous provisions that are generally not applicable to the USPS, including, *inter alia*, special preferences for small businesses, 50 U.S.C. §4551, ability to conduct investigations and obtain information regarding the domestic industrial base, 50 U.S.C. §4555, immunity from anti-trust laws where the DPA is used to encourage voluntary agreements between competing companies and interest, 50 U.S.C. §4558, the ability of the President to create a committee of industry executives, 50 U.S.C. §4560, and the creation of a committee on foreign investment, 50 U.S.C. §4565.

b. Other Existing Statutory Authority

There are three major Acts that provide executive authority during times of national emergencies: (i) the National Emergencies Act of 1976; (ii) the Public Health Service Act; and (iii) The Robert T. Stafford Disaster Relief and Emergency Assistance Act. This section contains an overview of each Act and identifies potential executive actions under such legislation that could benefit the USPS.

i. National Emergencies Act of 1976

The National Emergencies Act of 1976 (the "National Emergencies Act") authorizes the President to declare a national emergency. 50 U.S.C. § 1621(a). When the President declares a national emergency, as President Trump has for the COVID-19 Pandemic,[17] various laws conferring executive powers during such an emergency become effective and remain in effect during such emergency. 50 U.S.C. § 1621(b). While the National Emergencies Act does not provide authority for specific executive actions applicable to the USPS, the National Emergencies Act does provide general authority for when, and how long, a national emergency may be declared and allows the President to take certain actions that may benefit the USPS under other law as discussed below.

[16] *See* https://www.whitehouse.gov/presidential-actions/memorandum-order-defense-production-act-regarding-general-motors-company/

[17] Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak (March 13, 2020), *available at: https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/.*

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ii. Public Health Service Act

The Public Health Service Act authorizes the Secretary of Health and Human Services ("HHS") to determine that (i) a disease or disorder presents a public health emergency; or (ii) that a public health emergency, including significant outbreaks of infectious disease or bioterrorist attacks, exists. 42 U.S.C. § 247d(a). If the Secretary of HHS declares a public health emergency, as Secretary Azar has in the case of COVID-19,[18] the Secretary may access the Public Health Emergency Fund (the "Health Fund"), without fiscal year limitations. 42 U.S.C. § 247d(b)(1). Secretary Azar may use the Health Fund to, *inter alia*, (a) facilitate coordination between and among Federal, State, local, Tribal, and territorial entities and public and private health care entities that the Secretary determines may be affected by COVID-19; (b) make grants, provide for awards, enter into contracts, and conduct supportive investigations pertaining to COVID-19; and (c) carry out other activities, as the Secretary determines applicable and appropriate. 42 U.S.C. § 247d(2). The Secretary must report on expenditures made out of the Health Fund not later than 90 days after the end of the fiscal year to certain committees of the House of Representatives and Senate. 42 U.S.C. § 247d(3). As a result of the COVID-19 Pandemic and the declared emergencies the Secretary of HHS has broad authority to utilize the Health Fund to assist the USPS as the Secretary deems appropriate, including providing resources, equipment and other resources.

Additionally, the Public Health Service Act authorizes the Secretary of HHS, in coordination with the Secretary of Homeland Security, to maintain the Strategic National Stockpile ("SNS"). *See* 42 U.S.C. § 247d-6b. The SNS is a national repository of large quantities of medical supplies, including Personal Protective Equipment stored in strategic locations around the nation. The SNS is designed to supplement state and local public health departments in the event of a large-scale public health emergency that causes local supplies to run out. Pursuant to the Public Health Service Act, the Secretary of HHS may deploy the SNS to respond to the COVID-19 Pandemic. 42 U.S.C. § 247d-6b(a)(3)(f)-(g). The USPS may be able to access the SNS to obtain Personal Protective Equipment or other stockpiled equipment and resources for its operations during the COVID-19 Pandemic.

iii. Robert T. Stafford Disaster Relief and Emergency Assistance Act

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the "Stafford Act") establishes certain assistance provided by the federal government to state and local governments to alleviate the suffering and damages caused by disasters. Pursuant to the Stafford Act, federal agencies are reimbursed for services or supplies furnished during disasters and emergencies such as the current COVID-19 Pandemic. 42 U.S.C. § 5147. For purposes of the Stafford Act a "federal agency" includes any department, independent establishment, Government corporation, or other agency of the executive branch of the Federal Government, *including the United States Postal*

[18] *See* https://www.hhs.gov/about/news/2020/01/31/secretary-azar-declares-public-health-emergency-us-2019-novel-coronavirus.html.

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Service . . .” 42 U.S.C. § 5122(9) (emphasis added). In any emergency under the Stafford Act, “the President may:

(i) direct any Federal agency, with or without reimbursement, to utilize its authorities and the resources granted to it under federal law (including personnel, equipment, supplies, facilities, and managerial, technical and advisory services) in support of state and local emergency assistance efforts to save lives, protect property and public health and safety, and lessen or avert the threat of a catastrophe, including precautionary evacuations;

(ii) coordinate all disaster relief assistance (including voluntary assistance) provided by federal agencies, private organizations, and state and local governments; …

(iv) provide emergency assistance through Federal agencies; …

(vii) assist state and local governments in the distribution of medicine, food, and other consumable supplies, and emergency assistance; and

(viii) provide accelerated federal assistance and Federal support where necessary to save lives, prevent human suffering, or mitigate severe damage, which may be provided in the absence of a specific request and in which case the President—

a. shall, to the fullest extent practicable, promptly notify and coordinate with a State in which such assistance or support is provided; and
b. shall not, in notifying and coordinating with a state, delay or impede the rapid deployment, use, and distribution of critical resources to victims of an emergency.” 42 U.S.C. § 5192(a).

Although the Stafford Act contains various requirements for emergency declarations at the federal and state level, this is not a concern given the existing national emergency and various emergencies and disasters declared in virtually every state throughout the nation as a result of COVID-19. The Stafford Act is primarily designed to provide direct federal assistance to state and local governments, but it also includes mechanisms for the President to direct and/or coordinate federal agencies, including the USPS, to provide services in an emergency or disaster. Due to the unique ability of the USPS to reach every residence in the United States, the USPS may be the sole federal agency, as defined under the Stafford Act, to provide emergency assistance to every citizen during the COVID-19 Pandemic. As such, the President may instruct the USPS to provide certain services and take certain actions, including the use of special equipment and protections, which could be directly funded or reimbursed under the Stafford Act by executive order.

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c. Direct Executive Action

i. Federal Continuity Directives and Critical Infrastructure Designation

As identified in Mr. Marshall's letter to Ms. Bonner "Re: Essential Public Service Provided by the Postal Service as a Part of the Nation's Critical Infrastructure," dated March 23, 2020, the USPS carries out an essential function of the federal government and provides critical government services as part of the National Continuity Policy. National Security Presidential Directive 51 ("Directive 51"), issued May 4, 2007, established a comprehensive national policy on the continuity of federal government structures and operations.[19] Directive 51 also established National Essential Functions ("NEF"), which are the subset of Government Functions[20] necessary to lead and sustain the country during a catastrophic emergency and therefore must be supported through Continuity of Operations[21] ("COOP") and Continuity of Government[22] ("COG") capabilities.[23] Executive departments and agencies were instructed to identify and submit a list of Primary Mission Essential Functions ("PMEF"), which are essential government functions that must be continuously performed in order to support or implement the uninterrupted performance of NEFs before, during, or in the aftermath of an emergency.[24] The delivery of postal services to the American public by the USPS is considered a PMEF.[25]

Presidential Policy Directive 40 ("PPD-40"), *National Continuity Policy*, issued on July 15, 2016, replaced Directive 51. PPD-40 remains classified, however certain information has been

[19] National Security Presidential Directive 51, available at: https://fas.org/irp/offdocs/nspd/nspd-51.htm.

[20] "Government Functions" means the collective functions of the heads of executive departments and agencies as defined by statute, regulation, presidential direction, or other legal authority, and the functions of the legislative and judicial branches. National Security Federal Directive 51(2)(g).

[21] "Continuity of Operations," or "COOP," means an effort within individual executive departments and agencies to ensure that Primary Mission-Essential Functions continue to be performed during a wide range of emergencies, including localized acts of nature, accidents, and technological or attack-related emergencies. National Security Federal Directive 51(2)(d).

[22] "Continuity of Government," or "COG," means a coordinated effort within the Federal Government's executive branch to ensure that National Essential Functions continue to be performed during a Catastrophic Emergency. National Security Federal Directive 51(2)(c).

[23] National Security Federal Directive 51(1).

[24] *See* U.S. Department of Homeland Security Federal Emergency Management Agency Federal Continuity Directive 1 at 3, available at: https://www.gpo.gov/docs/default-source/accessibility-privacy-coop-files/January2017FCD1-2.pdf.

[25] *See* List of Validated PMEFs by Department/Agency, available at: https://www.dhs.gov/sites/default/files/publications/list_of_validated_pmefs_by_department_v2_fema.pdf.

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made available through Federal Continuity Directives 1 and 2.[26] PPD-40 directs the Secretary of Homeland Security through the Administrator of the Federal Emergency Management Agency ("FEMA") to coordinate the implementation, execution, and assessment of continuity activities among executive departments and agencies.[27] Specifically, the Administrator of FEMA is directed to develop and promulgate Federal Continuity Directives to establish continuity program and planning requirements for executive departments and agencies.[28] PPD-40 requires departments and agencies to appoint a Continuity Coordinator at the Assistant Secretary level or higher.[29]

Additionally, "postal, parcel, courier, last-mile delivery, and shipping and related workers, to include private companies" are considered essential critical infrastructure workers, as defined in guidance issued by the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency ("CISA").[30] The term critical infrastructure is used to describe "systems and assets, whether physical or virtual, so vital to the United States that the incapacity or destruction of such systems and assets would have a debilitating impact on security, national economic security, national public health or safety, or any combination of those matters."[31]

Although the specific aspects of PPD-40 remain classified, because the USPS provides PMEFs, and postal workers are considered critical infrastructure, the USPS may be able to use PPD-40 and Federal Continuity Directives 1 and 2 to both ensure liquidity as well as obtain personal protective equipment ("PPE") for USPS employees and contractors. The USPS should coordinate with the President, the Secretary of Homeland Security, and the Administrator of FEMA in order to seek possible emergency funds to ensure the USPS remains financially able to continue providing its important services and to obtain the equipment and resources necessary to do so.

ii. Strategic National Stockpile ("SNS")

As discussed above in Section II(b), the Secretary of HHS, in coordination with the Secretary of Homeland Security, maintains the SNS. The President has declared a national

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[26] *See generally* Federal Continuity Directive 1 and Federal Continuity Directive 2, available at: https://www.fema.gov/media-library-data/1499702987348-c8eb5e5746bfc5a7a3cb954039df7fc2/FCD-2June132017.pdf.
[27] Federal Continuity Directive 1, Section I (pg. 3).
[28] *Id.*
[29] *Id*. at Section V (pg. 5).
[30] *See* Department of Homeland Security Cybersecurity and Infrastructure Security Agency, Guidance on the Essential Critical Infrastructure Workforce, available at: https://www.cisa.gov/publication/guidance-essential-critical-infrastructure-workforce.
[31] Presidential Policy Directive (PPD) 21, Critical Infrastructure Security and Resilience, February 12, 2013, p. 12; USA Patriot Act of 2001, Section 1016(e), (42 U.S.C) 5195c(e)).

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emergency as a result of the COVID-19 Pandemic[32] and issued Executive Order 13909 directing the Secretary of HHS to use the prioritization and allocation authorities under section 101 of the DPA with respect to health and medical resources needed to respond to the spread of COVID-19.[33] Additionally, FEMA established the Supply Chain Stabilization Task Force to address limited supply of critical Personal Protective Equipment. The Supply Chain Stabilization Task Force is utilizing a four-prong approach, one prong focuses on the allocation of critical resources. To effectively allocate resources, the FEMA Supply Chain Stabilization Task Force established a National Resource Prioritization Cell to unify prioritization recommendations.[34] The USPS should work with the Secretary of HHS, the Secretary of Homeland Security, and the National Resource Prioritization Cell of the FEMA Supply Chain Stabilization Task Force to obtain equipment and resources through the SNS.

iii. Executive Orders

Executive orders are an extraordinary law making authority vested in the President only under very narrow circumstances and where the legislative and executive branch – through power vested in them by Article I and Article II of the Constitution – have not already spoken. Although significant authority is already vested in the President to take actions described above to protect national security, his constitutional authority does not extend to issue the executive orders sought by the USPS.

The United States Supreme Court has consistently held that the "President's power, if any, to issue [executive orders] must stem from an act of Congress or from the Constitution itself." *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579, 585 (1952). In the landmark case of *Youngstown* President Truman issued an executive order directing the Secretary of Commerce to seize and operate steel mills, which were integral to national security during the Korean War, and avert a strike. *Id.* at 582-83. Despite the undisputed national security need for the steel mills to continue operations, the Supreme Court held that the order was unconstitutional because it did not stem from any act of Congress or the Constitution itself. *Id.* at 585. In fact, the Court expressly rejected arguments that general executive authority and/or general military authority vested in the President by the Constitution supported the executive order. *Id*. at 586-87. The decision in

[32] Proclamation 9994, Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak (March 13, 2020), available at: https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/.
[33] Executive Order 13909, Prioritizing and Allocating Health and Medical Resources to Respond to the Spread of COVID-19 (March 18, 2020), available at: https://www.federalregister.gov/documents/2020/03/23/2020-06161/prioritizing-and-allocating-health-and-medical-resources-to-respond-to-the-spread-of-covid-19.
[34] FEMA Coronavirus (COVID) 19 Pandemic: Supply Chain Stabilization Task Force (March 30, 2020), available at: https://www.fema.gov/news-release/2020/03/30/coronavirus-covid-19-pandemic-supply-chain-stabilization-task-force.

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Youngstown remains applicable law today. See *Sierra Club v. Trump*, 929 F.3d 670, 694 (9th Cir. 2019).

Here, what the USPS seeks not only isn't granted by statutory or constitutional authority but is expressly addressed in statute. Any such orders issued by the President would be counter to the law and thus ineffectual. The President cannot take action that is incompatible with the express or implied will of Congress unless the President has an independent power to do so under the Constitution, *Zivotofsky v. Kerry*, 571 U.S. 1, 15 (2015) (citing *Youngstown*, 343 U.S. at 637). The authority to make the changes the USPS seeks by executive order simply does not exist.

III. Legislative Action

a. Additional "Phase 4" COVID-19 Stimulus

Less than a week after the enactment of the CARES Act, Members of Congress have signaled a desire for yet another "Phase 4" stimulus package. Part of the additional items being suggested by Speaker Nancy Pelosi includes additional investment in infrastructure, the health care system and digital economy.[35]

Even if a fourth round of stimulus is still only a possibility, it is important to make sure that additional assistance and/or reform for the USPS is part of the conversation and under consideration early in the process. In addition to further loans, funding and other resources that could be included in Phase 4, the package could also be a source for long-term legislative reform benefiting the USPS. With adequate time to influence Members of Congress and the President a Phase 4 package could be significantly more beneficial to the USPS than the CARES Act.

b. Long-term Legislative Action

Federal legislation specifically reforming the law governing the USPS is the best long-term solution to liquidity issues faced by the USPS. The USPS has already identified several statutory changes that would greatly improve the ability of the USPS to efficiently operate and obtain more revenue. Namely legislation could be enacted to: (1) eliminate the cap on prices charged by the USPS and allow the Postal Regulatory Commission to engage in an oversight role monitoring the market prices set by the USPS Board of Governors; (2) provide flexibility for the USPS to enter into Negotiated Service Agreements; (3) eliminate Postal Regulatory Commission review of rate changes prior to effective date of the change; (4) provide flexibility for the USPS to offer non-postal services and government services; and (5) eliminate Postal Regulatory Commission review of new postal products and the elimination of existing postal products.

[35] See https://www.cnbc.com/2020/04/01/coronavirus-stimulus-package-white-house-is-not-planning-4th-bill.html.

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The USPS has already provided draft language for proposed amendments to Title 39 of the U.S. Code to accomplish these changes, which are attached hereto as Exhibit A.

Members of the Michael Best & Friedrich Team, including Reince Priebus and Denise Bode, can provide invaluable assistance and guidance both with regard to the potential Phase 4 stimulus package and long-term statutory and regulatory reform to benefit the USPS. In addition to taking immediate action on the above-identified items related to the CARES Act and existing Executive Action, we would like to discuss more specifically how Michael Best can assist the USPS in achieving both its short-term and long-term goals.

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TALKING POINTS

External Statements Regarding USPS Status

Note: These statements are intended to summarize the Postal Service's legal exemption from State and local laws given the Postal Service's status as an entity of the Federal Government, which is providing an essential function. It is intended for use by Postal Service officials in communicating with a variety of audiences. To the extent that you receive a communication from a lawyer, please refer that communication to the Law Department.

Customer/Public:

The Postal Service's provision of mail and package delivery services is not affected by State and local government actions that are restricting commercial and personal activities in response to the Coronavirus Disease 2019 (COVID-19) pandemic. The Postal Service is an entity of the Federal Government whose employees are providing an essential government service for the American people. The restrictions being imposed by State and local governments generally exempt the provision of essential services from their scope. In addition, even if a State or local directive does not contain such an exemption, the performance of the Postal Service's functions is governed by federal law, rather than State or local laws. The Postal Service is therefore continuing to fulfill our critical public service mission by accepting and delivering mail and packages in accordance with federal law. We are working closely with federal, state, and local authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public.

Employees:

Many State and local governments have issued legal directives restricting commercial and personal activities in response to the COVID-19 pandemic, such as requirements to shelter-in-place. These restrictions do not prevent Postal Service employees from reporting to and performing their work. The Postal Service is an entity of the Federal Government whose employees are providing an essential government service for the American people. The restrictions being imposed by State and local governments generally exempt individuals performing essential services from their scope. In addition, even if a State or local directive does not contain such an exemption, the performance of the Postal Service's functions is governed by federal law, rather than State or local laws. The Postal Service is continuing to fulfill our critical public service mission by accepting and delivering mail and packages in accordance with federal law.

Employees who live or work in jurisdictions that have imposed restrictions are therefore not entitled to administrative leave. We are working closely with federal, state, and local health authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public. That said, employees who have been diagnosed with COVID-19, or are experiencing its symptoms, should not come to work, and should take leave, which will be liberally approved. Employees who wish to remain at home in accordance with State or local directives are able to request the use of leave in accordance with applicable postal policies and other federal laws.

State and Local Officials:

The Postal Service's provision of mail and package delivery services is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic, including the directive issued by your jurisdiction. The Postal Service is an entity of the Federal Government whose employees are providing an essential government service for the American people. Our approach is to interpret the restrictions being imposed by State and local governments as either explicitly or impliedly exempting essential federal government services from its scope. In any event, even if a State or local action does not contain such an exemption, the Postal Service's operations are governed by federal law, rather than State or local laws. The Postal Service is therefore continuing to fulfill our public service mission by accepting and delivering mail and packages in accordance with federal law. We are working closely with federal, state, and local health authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public.

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FEDERAL FINANCING BANK

For satisfaction of all currently outstanding obligations issued pursuant to sections 2005 and 2006 of title 39, United States Code, $XX,XXX,XXX,XXX, *Provided*: That no payment shall be required from the United States Postal Service of any additional amount in connection with such currently outstanding obligations.

UNITED STATES POSTAL SERVICE
PAYMENT TO POSTAL SERVICE FUND

For payment to the ''Postal Service Fund'', $25,000,000,000, for necessary expenses to ensure the continued maintenance and development of the services and operations of the United States Postal Service during and following the COVID-19 pandemic, to remain available until expended; and $25,000,000,000, for the modernization of postal infrastructure and operations, including through capital expenditures to purchase delivery vehicles, processing equipment, and other goods, to ensure that the Postal Service is able to continue to provide prompt, reliable, and efficient services adapted to the needs of the United States, to remain available until expended.

* * * * *

SEC. XXX. UNITED STATES POSTAL SERVICE BORROWING AUTHORITY.

(a) BORROWING LIMITS.—Section 2005(a) of title 39, United States Code, is amended—

(1) in paragraph (1), by striking ''In any one fiscal year,'' and all that follows through the period; and—

(B) in paragraph (2)(C), by striking ''fiscal year 1992 and each fiscal year thereafter.'' and inserting in its place ''fiscal years 1992 to 2019; and''; and

(C) by inserting after paragraph (2)(C) the following:

''(D) $25,000,000,000 for fiscal year 2020 and each fiscal year thereafter.''.

(b) RELATIONSHIP BETWEEN THE POSTAL SERVICE AND THE TREASURY.—Section 2006 of title 39, United States Code, is amended to read as follows:

''(a) ISSUANCE OF OBLIGATIONS TO THE SECRETARY OF THE TREASURY.—The Postal Service may require the Secretary of the Treasury to purchase obligations of the Postal Service issued under section 2005 or 2011 of this title, and the Secretary shall purchase such obligations without any administrative charge. Any purchase under this subsection shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29, 2018 (subject to any modifications on which the Postal Service and the Secretary may

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mutually agree), except that no expiration date provided in such note purchase agreement shall apply.

‘‘(b) ISSUANCE OF OBLIGATIONS TO OTHER PARTIES.—Subject to mutual agreement of the Postal Service and the Secretary of the Treasury, the Postal Service may issue and sell obligations to a party or parties other than the Secretary pursuant to sections 2005 and 2011(e) of this title, upon notice to the Secretary and upon consultation with the Secretary as to the date of issuance, maximum rates of interest, and other terms and conditions.”

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 2005(d) of title 39, United States Code, is amended—

(A) in paragraph (4), by striking ‘‘; and’’ and inserting a period; and

(B) by striking paragraph (5).

(2) Section 2011(e)(4) of title 39, United States Code, is amended—

(A) in subparagraph (D), by striking ‘‘; and’’ and inserting a period; and

(B) by striking subparagraph (E).

(3) The Coronavirus Aid, Relief, and Economic Security Act is amended—

(A) in the table of sections, by amending the item related to section 6001 to read as follows:

‘‘Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.’’; and

(B) in section 6001,—

(i) by striking subsection (b); and

(ii) by striking the heading and inserting in its place the following:

‘‘Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.’’.

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April 13, 2020

USPS Proposed Legislative Language

FEDERAL FINANCING BANK

For satisfaction of all currently outstanding obligations issued pursuant to sections 2005 and 2006 of title 39, United States Code, $XX,XXX,XXX,XXX, *Provided*: That no payment shall be required from the United States Postal Service of any additional amount in connection with such currently outstanding obligations.

Explanation: This appropriation language provides an appropriation to the Federal Financing Bank (FFB) to satisfy the Postal Service's outstanding obligations issued under Title 39 of the U.S. Code. The Postal Service currently has $14.4 billion in outstanding debt with the FFB. The exact amount of the appropriation is not currently specified, as it is intended to be sufficient to fully cover the amounts to which FFB is entitled under the outstanding notes because of early payment, as determined at the time the language is enacted.

UNITED STATES POSTAL SERVICE
PAYMENT TO POSTAL SERVICE FUND

For payment to the ''Postal Service Fund'', $25,000,000,000, for necessary expenses to ensure the continued maintenance and development of the services and operations of the United States Postal Service during and following the COVID-19 pandemic, to remain available until expended; and $25,000,000,000, for the modernization of postal infrastructure and operations, including through capital expenditures to purchase delivery vehicles, processing equipment, and other goods, to ensure that the Postal Service is able to continue to provide prompt, reliable, and efficient services adapted to the needs of the United States, to remain available until expended.

Explanation: This appropriation language provides two appropriations to the Postal Service: (1) an appropriation of $25 billion to address the impacts of the COVID-19 pandemic on the Postal Service's near-term financial condition; and (2) an appropriation of $25 billion to help the Postal Service address the long-term impacts of the pandemic and to ensure that we will be positioned on a going-forward basis to provide our essential services as part of the nation's critical infrastructure, by modernizing our infrastructure and operations, including through procuring delivery vehicles and other capital goods from private sector suppliers.

* * * * *

SEC. XXX. UNITED STATES POSTAL SERVICE BORROWING AUTHORITY.

(a) BORROWING LIMITS.—Section 2005(a) of title 39, United States Code, is amended—

AMERICAN OVERSIGHT

(1) in paragraph (1), by striking ‘‘In any one fiscal year,’’ and all that follows through the period; and—

(2) in paragraph (2)(C), by striking ‘‘fiscal year 1992 and each fiscal year thereafter.’’ and inserting in its place ‘‘fiscal years 1992 to 2019; and’’; and

(3) by inserting after paragraph (2)(C) the following:

‘‘(D) $25,000,000,000 for fiscal year 2020 and each fiscal year thereafter.’’.

(b) RELATIONSHIP BETWEEN THE POSTAL SERVICE AND THE TREASURY.—Section 2006 of title 39, United States Code, is amended by striking subsections (a) and (b) and inserting in their place the following:

‘‘(a) ISSUANCE OF OBLIGATIONS TO THE SECRETARY OF THE TREASURY.—The Postal Service may require the Secretary of the Treasury to purchase obligations of the Postal Service issued under section 2005 or 2011 of this title, and the Secretary shall purchase such obligations without any administrative charge. Any purchase under this subsection shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29, 2018 (subject to any modifications on which the Postal Service and the Secretary may mutually agree), except that no expiration date provided in such note purchase agreement shall apply.

‘‘(b) ISSUANCE OF OBLIGATIONS TO OTHER PARTIES.—Subject to mutual agreement of the Postal Service and the Secretary of the Treasury, the Postal Service may issue and sell obligations to a party or parties other than the Secretary pursuant to sections 2005 and 2011(e) of this title, upon notice to the Secretary and upon consultation with the Secretary as to the date of issuance, maximum rates of interest, and other terms and conditions.”

(c) TECHNICAL AND CONFORMING AMENDMENTS.—The Coronavirus Aid, Relief, and Economic Security Act is amended—

(1) in the table of sections, by amending the item related to section 6001 to read as follows:

‘‘Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.’’; and

(2) in section 6001,—

(A) by striking the heading and inserting in its place the following:

‘‘Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.’’;

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(B) by striking subsection (b); and

(C) by renumbering subsection (c) as subsection (b).

Explanation: This provision consolidates ~~revises~~ the Postal Service's current borrowing authority in one statutory section, and revises it in three ways. First, subsection (a) eliminates the $3 billion annual cap on new obligations, and raises the overall cap on outstanding obligations from $15 billion to $25 billion by consolidating the CARES Act borrowing authority into the long-standing Postal Service borrowing provision. Second, subsection (b) requires that Treasury purchase the Postal Service's debt obligations, and makes the terms and conditions of such purchases consistent with the note purchase agreement through which Treasury purchased all Postal Service debt from 1999 until last year. In addition, the Postal Service would retain the right to borrow from the private market (as under current law), though only if the Postal Service and Treasury mutually agree. Third, subsection (c) eliminates the limited additional borrowing authority provided in the CARES Act, which is unnecessary once the Postal Service receives an unconditional $25 billion of borrowing authority, consolidated in the long-standing Postal Service borrowing provision.

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FEDERAL FINANCING BANK

For satisfaction of all currently outstanding obligations issued pursuant to sections 2005 and 2006 of title 39, United States Code, $XX,XXX,XXX,XXX, *Provided*: That no payment shall be required from the United States Postal Service of any additional amount in connection with such currently outstanding obligations.

UNITED STATES POSTAL SERVICE
PAYMENT TO POSTAL SERVICE FUND

For payment to the ''Postal Service Fund'', $25,000,000,000, for necessary expenses to ensure the continued maintenance and development of the services and operations of the United States Postal Service during and following the COVID-19 pandemic, to remain available until expended; and $25,000,000,000, for the modernization of postal infrastructure and operations, including through capital expenditures to purchase delivery vehicles, processing equipment, and other goods, to ensure that the Postal Service is able to continue to provide prompt, reliable, and efficient services adapted to the needs of the United States, to remain available until expended.

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(1) in paragraph (1), by striking ''In any one fiscal year,'' and all that follows through the period; and—

(2) in paragraph (2)(C), by striking ''fiscal year 1992 and each fiscal year thereafter.'' and inserting in its place ''fiscal years 1992 to 2019; and''; and

(3) by inserting after paragraph (2)(C) the following:

''(D) $25,000,000,000 for fiscal year 2020 and each fiscal year thereafter.''.

(b) RELATIONSHIP BETWEEN THE POSTAL SERVICE AND THE TREASURY.—Section 2006 of title 39, United States Code, is amended by striking subsections (a) and (b) and inserting in their place the following:

''(a) ISSUANCE OF OBLIGATIONS TO THE SECRETARY OF THE TREASURY.—The Postal Service may require the Secretary of the Treasury to purchase obligations of the Postal Service issued under section 2005 or 2011 of this title, and the Secretary shall purchase such obligations without any administrative charge. Any purchase under this subsection shall be subject to the terms and conditions of the note purchase agreement between the Postal Service and the Federal Financing Bank in effect on September 29,

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2018 (subject to any modifications on which the Postal Service and the Secretary may mutually agree), except that no expiration date provided in such note purchase agreement shall apply.

‘‘(b) ISSUANCE OF OBLIGATIONS TO OTHER PARTIES.—Subject to mutual agreement of the Postal Service and the Secretary of the Treasury, the Postal Service may issue and sell obligations to a party or parties other than the Secretary pursuant to sections 2005 and 2011(e) of this title, upon notice to the Secretary and upon consultation with the Secretary as to the date of issuance, maximum rates of interest, and other terms and conditions.”

(c) TECHNICAL AND CONFORMING AMENDMENTS.—The Coronavirus Aid, Relief, and Economic Security Act is amended—

(1) in the table of sections, by amending the item related to section 6001 to read as follows:

‘‘Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.’’; and

(2) in section 6001,—

(A) by striking the heading and inserting in its place the following:

‘‘Sec. 6001. Prioritization of Medical Deliveries by the United States Postal Service.’’;

(B) by striking subsection (b); and

(C) by renumbering subsection (c) as subsection (b).

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USPS

Pricing/Cost Analysis of

Contracts with Amazon & Other Major Customers

Scope of Assignment by Independent Firm

- Analyze the economic terms of the contracts between USPS and its 10 largest package customers for the fiscal years 2017, 2018 and 2019.
- Determine the profitability of the contracts considering fixed and variable costs to determine a) their marginal profitability, and b) their profitability after fully allocating all costs.
- Given its legally and regulatorily mandated service, pricing and cost and other obligations, and the competitive environment, determine whether the USPS is pricing these contracts in a fashion designed to optimize both their profitability and the overall profitability of the USPS.
- Provide any additional observations on the costs or profitability of its major package contracts.

April 14, 2020

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USPS

Pricing/Cost Analysis of

Contracts with Amazon & Other Major Customers

Scope of Assignment by Independent Firm

- Analyze the economic terms of the contracts between USPS and its 10 largest package customers for the fiscal years 2017, 2018 and 2019.
- Determine the profitability of the contracts considering fixed and variable costs to determine a) their marginal profitability, and b) their profitability after fully allocating all costs.
- Given its legally and regulatorily mandated service, pricing and cost and other obligations, and the competitive environment, determine whether the USPS is pricing these contracts in a fashion designed to optimize both their profitability and the overall profitability of the USPS.
- Provide any additional observations on the costs or profitability of its major package contracts.

April 14, 2020

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From: Marshall, Thomas J - Washington, DC
To: Brennan, Megan J - Washington, DC; Stroman, Ronald A - Washington, DC
Subject: FW: Response to Senator Charles Schumer"s Request
Date: Thursday, April 16, 2020 7:43:52 PM

Fyi. I had my monthly meeting with the OIG leadership yesterday via ZOOM.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 7:43 PM
To: 'Martin, Lisa' (b)(3), 410(c)(2), (b)
Subject: RE: Response to Senator Charles Schumer's Request

Lisa, as I mentioned yesterday, we believe the direct short-term impacts of the pandemic will increase our net loses over the next 18 months by (b)(5), (b) and over the longer term by (b)(5), (b)(3), . As such, (b)(5), (b)(3). Those asks are as follows:

(b)(5), (b)(3), 410(c)(2)

Finally, because the focus of our ask right now is related to the direct impacts of the COVID-19 pandemic, you are correct that (b)(5), (b)(3), 410(c)(2) . However, we have made it clear that (b)(5), (b)(3), 410(c)(2) We have also emphasized that without both our request related to the direct impacts of the COVID-19 pandemic, and the additional reforms which we need but which we are not seeking now, (b)(5), (b)(3), 410(c)(2)

From: Martin, Lisa [(b)(3), 410(c)(2), (b)(6)
Sent: Thursday, April 16, 2020 3:59 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: [EXTERNAL] RE: Response to Senator Charles Schumer's Request

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
We're trying to summarize your description of the USPS ask on the Hill, but want to be sure we're accurate. Is this correct?

1. $25B in appropriated funds to cover COVID related expenses and losses
2. $25B grant for shovel ready infrastructure improvements, not necessarily attributable to COVID issues

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3. Loan consolidation and forgiveness (forgiving $11B outstanding debt, and combining existing $15B Title 39 and $10B CARES Act borrowing authority and administration)
4. Does not include elimination of outstanding prefunding obligations.

From: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6)
Sent: Thursday, April 16, 2020 3:52 PM
To: Martin, Lisa (b)(3), 410(c)(2), (b)(6) >
Subject: RE: Response to Senator Charles Schumer's Request

No worries, and sorry for my tardiness.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Martin, Lisa [(b)(3), 410(c)(2), (b)(6)
Sent: Thursday, April 16, 2020 3:19 PM
To: Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) >
Subject: [EXTERNAL] RE: Response to Senator Charles Schumer's Request

CAUTION: This email originated from outside USPS. STOP and CONSIDER before responding, clicking on links, or opening attachments.
Thanks, Tom

From: Pangilinan, Regina K - Washington, DC
(b)(3), 410(c)(2), (b)(6) > On Behalf Of Marshall, Thomas J - Washington, DC
Sent: Thursday, April 16, 2020 2:39 PM
To: Joshua_(b)(6)
Cc: (b)(6) Marshall, Thomas J - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Whitcomb, Tammy L. (b)(3), 410(c)(2), (b)(6) ; Martin, Lisa (b)(3), 410(c)(2), (b)(6) >; Calamoneri, Kevin A - Washington, DC (b)(3), 410(c)(2), (b)(6) ; Donahue, Ray E - Washington, DC (b)(3), 410(c)(2), (b)(6)
Subject: Response to Senator Charles Schumer's Request
Importance: High

Good Afternoon,

Please see the attached letter from Thomas J. Marshall, General Counsel for the United States Postal Service. This is in response to Senator Schumer's request that was sent to the Inspector General Tammy Whitcomb on February 10, 2020. Please note, the original letter is being mailed via First Class Mail also.

If you have any questions regarding this letter please contact Ray Donahue via email at (b)(3), 410(c)(2), (b)(6) or (202) 268-3076.

Thank you.

Regina K. Pangilinan
Office of the General Counsel
and Executive Vice President
United States Postal Service

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475 L'Enfant Plaza, SW, Rm 6100
Washington, DC 20260-1100
202-268-2951
(b)(3), 410(c)(2), (b)(6)

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Congress of the United States
Washington, DC 20515

May 5, 2020

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, U.S. Capitol
Washington, D.C. 20510

The Honorable Steven Mnuchin
Secretary
United States Department of Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Leader McCarthy, Majority Leader McConnell, and Secretary Mnuchin:

As you consider legislative priorities in any upcoming stimulus packages to address the coronavirus (COVID-19) pandemic, we urge you to incorporate provisions that will address the needs of the U.S. Postal Service (USPS). Postal management believes that volume and revenue may drop by 50% due to COVID-19. Now is not the time to debate reforms to USPS but rather to provide much needed relief to keep this important service operational.

In March, USPS worked with the Centers for Disease Control and Prevention (CDC) to send a mailer with critical information about COVID-19 and recommendations for every American to prevent the spread of the virus. The Food and Drug Administration (FDA) is currently working on a self-testing nasal swab that must, once available, be efficiently delivered by the Postal Service to 135 million households across the country.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-137) provided $10 billion to the Treasury Department's Federal Finance Bank (FFB). The FFB has tried to impose operational changes to the Postal Service for years and these authorities were augmented in the CARES Act. USPS has not received a taxpayer appropriation (other than for military/overseas voting and free mail for the blind) since the 1980s but this current crisis warrants that change.

We ask that you consider including the following provisions:

1. A "public service" appropriation of at least $25 billion to the Postal Service to alleviate some of the strain caused by the pandemic.

2. An authorization for a continued "public service" appropriation for the difference between USPS revenue and expenses for the duration of this public health crisis.

3. A mechanism to reimburse the Postal Service for any COVID-19 related leave pay provided by the Families First Coronavirus Response Act (P.L. 116-127).

4. Ensure equal treatment for postal employees in any legislation that authorizes, and funds hazard pay for other front-line workers exposed to health risks related to the COVID-19 virus. Such

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legislation should cover postal workers, who face heightened exposure risks to the virus on a daily basis.

Millions of Americans depend on the Postal Service throughout their daily lives but especially during the coronavirus pandemic USPS is serving an important role. Any interruption to service could be detrimental not only to USPS but also to our constituents across the country.

Sincerely,

Brian Fitzpatrick
Member of Congress

David McKinley
Member of Congress

Don Young
Member of Congress

Fred Upton
Member of Congress

Peter King
Member of Congress

Mike Bost
Member of Congress

Christopher H. Smith
Member of Congress

John Katko
Member of Congress

Don Bacon
Member of Congress

Jeff Van Drew
Member of Congress

Rodney Davis
Member of Congress

Pete Stauber
Member of Congress

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Susan W. Brooks
Member of Congress

Tom Cole
Member of Congress

John Shimkus
Member of Congress

Michael T. McCaul
Member of Congress

Joe Wilson
Member of Congress

Paul Cook
Member of Congress

Tom Reed
Member of Congress

Markwayne Mullin
Member of Congress

Steve Stivers
Member of Congress

David P. Joyce
Member of Congress

Jaime Herrera Beutler
Member of Congress

Darin LaHood
Member of Congress

/S/
Mike Turner
Member of Congress

/S/
Will Hurd
Member of Congress

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UNITED STATES POSTAL SERVICE

Essential Service Provider Letter

Law Enforcement Official: The bearer of this letter with an accompanying U.S. Postal Service identification badge provides essential services of the federal government.

The Postal Service is continuing to fulfill its critical public service mission by accepting and delivering mail and packages in accordance with federal law. The Postal Service's provision of mail and package delivery services is not affected by State and local government actions that are restricting commercial and personal activities in response to the COVID-19 pandemic, including the recent order or directive issued for the geographic areas under your jurisdiction.

This exemption includes the employees' and contractors' time traveling to and from their workplaces.

We are working closely with federal, state, and local health authorities to ensure that our continued operations during this time of national emergency are conducted in a manner that protects the safety of our employees and the public.

Confirmation of this individual's status as a Postal Service employee or contractor may be received by contacting the employee's supervisor at [number].

David E. Williams
Chief Operating Officer and Executive Vice President
United States Postal Service

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United States Court of Appeals

FOR THE DISTRICT OF COLUMBIA CIRCUIT

Argued January 13, 2020 Decided April 14, 2020

No. 19-1026

UNITED PARCEL SERVICE, INC.,
PETITIONER

v.

POSTAL REGULATORY COMMISSION,
RESPONDENT

AMAZON.COM SERVICES, INC., ET AL.,
INTERVENORS

On Petition for Review of an Order
of the Postal Regulatory Commission

Kathleen M. Sullivan argued the cause for petitioner. With her on the briefs was *Steig D. Olson*.

Michael Shih, Attorney, U.S. Department of Justice, argued the cause for respondent. With him on the brief were *Michael S. Raab*, Attorney, *David A. Trissell*, General Counsel, Postal Regulatory Commission, *Anne J. Siarnacki*, Deputy General Counsel, and *Reese T. Boone*, Attorney.

Eric P. Koetting and *Morgan E. Rehrig*, Attorneys, U.S. Postal Service, *Michael F. Scanlon*, *John Longstreth*, and *James Pierce Myers* were on the brief for intervenors

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Amazon.com Services, et al. in support of the Postal Regulatory Commission.

Before: HENDERSON and MILLETT, *Circuit Judges*, and EDWARDS, *Senior Circuit Judge*.

Opinion for the Court filed by *Senior Circuit Judge* EDWARDS.

EDWARDS, *Senior Circuit Judge*: This case involves a petition for review filed by United Parcel Service, Inc. ("UPS"), challenging the Postal Regulatory Commission's ("Commission") Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, No. 4963, Dkt. No. RM2017-1 (P.R.C. Jan. 3, 2019) ("Order"), *reprinted in* Joint Appendix ("J.A.") 515-712. The disputed Order modifies Commission regulations that are meant to "ensure that all [of the Postal Service's] competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service." 39 U.S.C. § 3633(a)(3). In making this "appropriate share" determination under § 3633(a)(3), the Commission is obligated to "consider," among other things, "the degree to which any costs are uniquely or disproportionately associated with any competitive products." *Id.* § 3633(b). However, the Commission concluded that "there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products under the Commission's current cost attribution methodology" under § 3633(a)(2). Order at 28, J.A. 547.

The problem is that § 3633(a)(2) only requires the Commission to "ensure that each competitive product covers its costs attributable." The term *costs attributable* is narrowly defined as "the direct and indirect postal costs attributable to [a

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particular competitive] product through reliably identified causal relationships." 39 U.S.C. § 3631(b). However, it is not at all clear that "uniquely or disproportionately associated" costs described under § 3633(b) include only those costs that are attributable "through reliably identified causal relationships." And § 3633(b) makes it clear that "the Commission shall consider . . . the degree to which *any* costs are uniquely or disproportionately associated with any competitive products." *Id.* § 3633(b) (emphasis added). The Commission's Order fails to explain why these seemingly distinct statutory phrases cover the same costs, and further elides the requirements of § 3633(a)(3) and (b) by suggesting that, to the extent these statutory phrases overlap, the Commission need not consider costs under § 3633(b) if it already accounted for them under § 3633(a)(2).

UPS argues that the Commission's position is contrary to law because "the Order fails to consider . . . costs 'uniquely or disproportionately associated with any competitive products,' as the Act requires in section 3633(b)." Br. for Petitioner at 3. UPS also contends that the Commission erred in simply assuming, without adequate explanation, that "there are no institutional costs uniquely or disproportionately associated with competitive products." *Id.* We agree.

Two aspects of the Commission's Order require a remand. First, the Commission has not adequately explained how the statutory phrases "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships" and "costs . . . uniquely or disproportionately associated with any competitive products" can coincide. It is far from clear that these phrases have the same meaning. And the Commission has not demonstrated that, although they have distinct meanings, the phrases nonetheless coincide in application. Second, in focusing on costs attributed

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to competitive products under § 3633(a)(2), the Commission failed to discharge its responsibility under § 3633(b) to "consider . . . the degree to which *any* costs are uniquely or disproportionately associated with any competitive products." 39 U.S.C. § 3633(b) (emphasis added). The Commission must consider *any* costs made relevant by § 3633(b). It does not matter whether the Commission has arguably considered such costs in implementing its responsibilities under § 3633(a)(2). These two points are amplified in the opinion below.

The bottom line is that the Commission's Order is arbitrary and capricious because it is "largely incomprehensible" with respect to the matters in issue. *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015). Therefore, we are constrained to remand the case for further consideration. On remand, the Commission must adhere to the commands of the statute and address the costs specified in § 3633(b) in determining the "appropriate share" under § 3633(a)(3). Following reconsideration of this case, any Commission Order must be coherent and transparent, and it must satisfy the requirements of reasoned and reasonable decision-making. *Id*. at 744, 753. The present Order fails to meet these standards "because it fails to articulate a comprehensible standard," *id*. at 753, regarding the meaning and application of § 3633(a)(3) and (b).

I. BACKGROUND

A. Statutory Background

The Postal Service offers both "market dominant" and "competitive" products. Market-dominant products, like first-class mail, are "those over which the 'Postal Service exercises sufficient market power that it can effectively' raise prices or decrease quality 'without risk of losing a significant level of business to other firms offering similar products.'" *UPS v.*

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PRC, 890 F.3d 1053, 1055 (D.C. Cir. 2018) (quoting 39 U.S.C. § 3642(b)(1)); *see also* 39 U.S.C. § 3621 (listing market-dominant products). Competitive products, on the other hand, like priority mail or parcel post, are "products over which the Postal Service faces meaningful market competition" from companies like UPS. *UPS v. PRC*, 890 F.3d at 1056 (internal quotation marks and citation omitted); *see also* 39 U.S.C. § 3631 (listing competitive products).

In 2006, Congress enacted the Postal Accountability and Enhancement Act, Pub. L. No. 109-435, 120 Stat. 3198 (2006) ("Accountability Act"), to ensure (among other things) that the Postal Service offers its competitive products on fair terms. *See* S. REP. NO. 108-318, at 14-16 (2004). To that end, the Accountability Act requires the Commission to promulgate regulations that ensure that the Postal Service is not "using revenues from market-dominant products subject to its monopoly power to defray costs competitive products would otherwise have to be priced to cover." *UPS v. PRC*, 890 F.3d at 1055.

Specifically, § 3633(a) requires the Commission to issue three sets of regulations:

> (a) In general.—The Postal Regulatory Commission shall, within 18 months after the date of enactment of this section, promulgate (and may from time to time thereafter revise) regulations to—
>
> (1) prohibit the subsidization of competitive products by market-dominant products;
>
> (2) ensure that each competitive product covers its costs attributable; and

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> (3) ensure that all competitive products collectively cover what the Commission determines to be an appropriate share of the institutional costs of the Postal Service.

39 U.S.C. § 3633(a)(1)-(3). As may be seen, the foregoing provisions refer to "costs attributable" and "institutional costs." These terms are important in our consideration of the issues presented in this case.

As explained in the introduction to this opinion, the Accountability Act defines the term "costs attributable" as "the direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships." *Id.* § 3631(b). The Commission, in turn, interprets the term "institutional costs" to mean "residual costs" – that is, the Postal Service's total costs minus its costs attributable under § 3633(a)(2). *See UPS v. PRC*, 890 F.3d at 1055-56, 1061-63 (explaining the relationship between "institutional costs" and "costs attributable").

The Accountability Act calls for the Commission to periodically review its "appropriate share" determination under § 3633(a)(3). The statute also specifies that the Commission "shall consider" the following matters when it conducts that review:

> (b) Review of minimum contribution.—Five years after the date of enactment of this section, and every 5 years thereafter, the Postal Regulatory Commission shall conduct a review to determine whether the institutional costs contribution requirement under subsection (a)(3) should be retained in its current form, modified, or eliminated. In making its determination, the Commission shall consider all

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> relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products.

39 U.S.C § 3633(b).

In effect, then, the Accountability Act requires the Commission to establish a multi-part "price floor" for its competitive products. *See UPS v. PRC*, 890 F.3d at 1055-56. First, the Commission must issue regulations to prevent market-dominant products from subsidizing competitive products. Second, the price of "each competitive product" must be set high enough to cover the "direct and indirect postal costs attributable to such product through reliably identified causal relationships." Third, the Commission must also ensure that "all competitive products collectively" cover what the Commission determines to be an "appropriate share" of the Postal Service's institutional (*i.e.*, unattributed) costs. The Commission, in determining what share is appropriate, "shall consider," among other things, "the degree to which any costs are uniquely or disproportionately associated with any competitive products."

B. The Commission's 2016 Order Addressing § 3633(a)(2)

In 2016, the Commission issued an Order adopting a new method for calculating costs attributable under § 3633(a)(2). *See* Order Concerning United Parcel Service, Inc.'s Proposed Changes to Postal Service Costing Methodologies (UPS Proposals One, Two, and Three), No. 3506, Dkt. No. RM2016-2 (P.R.C. Sept. 9, 2016) (updated Oct. 19, 2016) ("2016 Order"). UPS challenged this 2016 Order on various grounds. In *UPS v. PRC*, 890 F.3d 1053 (D.C. Cir. 2018), we upheld the

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Commission's cost-attribution method as "reasonable and reasonably explained." *Id.* at 1069. Because the court's 2018 decision thoroughly explains the Commission's cost-attribution method, the decision provides important context for the questions at issue in this case.

First, the court's 2018 decision explains several concepts that the Commission uses to sort out the Postal Service's costs. To start, the decision explains that "the Commission distinguishes (albeit necessarily imperfectly) between 'fixed costs,' . . . which remain constant regardless of overall product volume, and 'variable costs,' . . . which vary with the Service's production levels." *Id.* at 1056 (citing 2016 Order at 6). Examples of fixed costs include executive salaries and product-specific fixed costs like advertising. *See id*. In addition, the decision explains that the Commission distinguishes between variable costs that are "volume-variable" – *i.e.,* which vary directly with the marginal cost of the cheapest relevant unit and the total number of units, *id.* at 1057 (citing 2016 Order at 36 n.56) – and variable costs that are not "volume-variable" in this sense, which the Commission calls "inframarginal costs," *id.* at 1058 (citing 2016 Order at 35). The concept of inframarginal costs is not entirely intuitive. The basic idea is that, thanks to economies of scale, marginal costs tend to decrease with volume, and the sum of the differences between the marginal cost of earlier, more expensive units and the marginal cost of the last, cheapest unit is the inframarginal cost. *See id.* at 1057-58; 2016 Order at 35-36.

Second, the court's 2018 decision holds that the Commission's decision to define "institutional costs" as "residual costs" – that is, as any costs not attributed to competitive products through reliably identified causal relationships under § 3633(a)(2) – was based on a permissible reading of the Accountability Act. *UPS v. PRC*, 890 F.3d at

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1061-63. An important upshot of the Commission's choice to treat institutional costs as "residual" is that the composition of the Postal Service's institutional costs will (by definition) depend on how attributed costs are calculated. For example, if the Commission were to attribute to each competitive product its product-specific fixed costs and its volume-variable costs – which is what the Commission did until 2016 – then the Postal Service's institutional costs would include all its other fixed costs and all of its inframarginal costs. *See id.* at 1056-58.

Third, the court's 2018 decision upholds the Commission's revised method for attributing costs under § 3633(a)(2). *See id.* at 1066-69. In short, the Commission adopted a method that enables it to attribute product-specific fixed costs, volume-variable costs, and some (but not all) inframarginal costs to each competitive product. *See id.* at 1060. The Commission is able to tie a portion of the Postal Service's inframarginal costs to specific competitive products through "reliably identified causal relationships" by calculating the "costs that would disappear were the Postal Service to stop offering those products for sale." *Id.* at 1055. This "incremental cost" method accounts for not only a "product's share of volume-variable costs, but also the inframarginal costs that would be removed if the product were not to be provided." *Id.* at 1059 (internal quotation marks omitted) (quoting 2016 Order App'x A at 19). In the Commission's view, "because the portion of inframarginal costs included within a product's incremental cost has a causal relationship with that product, the Accountability Act requires the Postal Service to attribute it." *Id.* at 1059-60 (internal quotation marks omitted) (quoting 2016 Order at 55, 61). The court's 2018 decision finds the Commission's position reasonable and reasonably explained. *Id.* at 1069.

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Fourth, the court's 2018 decision notes that the Commission's cautious cost-attribution method leaves some of the Postal Service's inframarginal costs unattributed. *See id.* at 1060 ("All other costs, including all remaining inframarginal costs, remain classified as institutional."). Indeed, the decision concludes that the Commission's caution was reasonable, given the Accountability Act's requirement that attributed costs have "reliably identified causal relationships" to competitive products. *See id.* at 1068. For example, the 2018 decision rejects the argument that the Commission's approach was arbitrary and capricious for assuming that competitive products are responsible for only the lowest-cost units associated with a given activity. The decision reasons that "[a]ttributing *more* than this amount . . . necessitates guesswork, and the Commission sensibly concluded that such guesswork was inconsistent with its statutory obligation to base attribution on only 'reliably identified causal relationships.'" *Id.* (quoting 39 U.S.C. § 3631(b)).

It is clear, then, that the court's 2018 decision in *UPS v. PRC* upholding the Commission's cost-attribution method under § 3633(a)(2) leaves open important questions that provide context for understanding and assessing the Commission's § 3633(a)(3) determination in this case. These questions include: Are some of the Postal Service's institutional costs – and especially its unattributed inframarginal costs – still related in some meaningful way to competitive products, even if those costs cannot be attributed under § 3633(a)(2)? And if so – if, for instance, some of those institutional costs are "uniquely or disproportionately associated with competitive products," 39 U.S.C. § 3633(b) – might they need to be accounted for when the Commission issues regulations under another provision of the Accountability Act?

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C. The Commission's Disputed Order in this Case

On January 3, 2019, the Commission issued the Order modifying its "appropriate share" determination under § 3633(a)(3) that is the subject of the dispute in this case. In the past, the Commission had determined that "all competitive products collectively" must cover at least 5.5% of the Postal Service's institutional costs. *See* Order at 4-5, J.A. 523-24 (summarizing the Commission's 2007 and 2012 orders). In the 2019 Order, however, the Commission decided that the "appropriate share" of the Postal Service's institutional costs to be covered by "all competitive products collectively" should be set using a dynamic formula. In short, the Commission's formula relies on two primary variables: the "Competitive Contribution Margin" and the "Competitive Growth Differential." These variables are meant to represent the Postal Service's market power and market position. *See id.* at 19-28, J.A. 538-47. The Commission intends to use the formula "to annually update the appropriate share based on prevailing competitive conditions in the market and other relevant circumstances." *Id.* at 19, J.A. 538.

For our purposes, however, the details of the Commission's formula-based approach are not critical. Instead, our focus in this case is on whether the Commission, in making its determination, adequately discharged its obligation under § 3633(b) to "consider all relevant circumstances, including the prevailing competitive conditions in the market, and the degree to which any costs are uniquely or disproportionately associated with any competitive products." Therefore, this background section is similarly focused on the Commission's § 3633(b) analysis and in particular on the Commission's "consider[ation of] . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products."

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In a section of its Order titled "Connection to Section 3633(b) Criteria," the Commission recited the factors that the Accountability Act says it "shall consider," and then explained its position on costs "uniquely or disproportionately associated with" competitive products:

> The Commission has repeatedly found that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products under the Commission's current cost attribution methodology. As a result, the formula-based approach does not separately account for such costs.

Order at 28-29, J.A. 547-48 (citations omitted).

The Commission's conclusion draws on its analysis in earlier notices in the same docket. *See* Notice of Proposed Rulemaking to Evaluate the Institutional Cost Contribution Requirement for Competitive Products, No. 4402, Dkt. No. RM2017-1 (P.R.C. Feb. 8, 2018) ("Initial Notice"); Revised Notice of Proposed Rulemaking, No. 4742, Dkt. No. RM2017-1 (P.R.C. Aug. 7, 2018) ("Revised Notice"). In its Initial Notice, for instance, the Commission offered an explanation of its thinking:

> The Commission finds that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to competitive products. Under the Commission's methodology, any cost that is uniquely or disproportionately associated with any competitive product is identified as an attributable cost because it exhibits a reliably identifiable causal relationship with

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> a specific competitive product. With regard to costs that are disproportionately associated with competitive products, the Commission's cost attribution methodology identifies relationships between costs and cost drivers, which include mail characteristics such as weight and shape (*e.g.*, letters or parcels). . . . In this way, the costs attributed to products reflect any disproportionate association of those costs with any specific products (including any competitive products).
>
> Under the Commission's methodology, the Commission also classifies any cost that is uniquely associated with any product (including any competitive product) as attributable to that product. These costs are often referred to as product-specific costs. For example, advertisements for a specific product and supplies for money orders are unique costs attributed to specific products under the Commission's methodology.
>
> . . . .
>
> For the reasons discussed above, the Commission concludes that its costing methodology already accounts for the "the degree to which any costs are uniquely or disproportionately associated with any competitive products." To the extent that any costs can be attributed to specific competitive products, they are already distributed under the Commission's current costing methodology and are not included in the institutional costs of the Postal Service.

Initial Notice at 43-45, J.A. 147-49; *see also* Revised Notice at 52-53, J.A. 304-05 (summarizing this same point).

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Later, in response to comments from UPS and others, the Commission provided a succinct summary of the position it took in its Initial Notice. *See* Order at 138-162, J.A. 657-81.

> In [the Initial Notice], the Commission found that there are no costs uniquely or disproportionately associated with competitive products that are not already attributed to those products. This is because all costs that are uniquely or disproportionately associated with competitive products exhibit a reliably identified causal relationship with a specific competitive product or group of products and are therefore attributed. The Commission described "unique" costs as product-specific costs and determined that any cost that is uniquely associated with a competitive product is attributed to that product through a reliably identified causal relationship. . . . In addition, the Commission found that any cost disproportionately associated with a competitive product is attributed to that product through the cost methodology's use of cost drivers. . . . In this way, the costs attributed products reflect any disproportionate association of those costs with specific products. As a result, the Commission determined that both types of costs are attributed to the competitive products that cause them.

Order at 138-39, J.A. 657-58 (citing Initial Notice at 43-44).

Finally, in response to UPS's comment suggesting that the Commission's analysis mistakenly conflates the "associated with" standard and the "reliably identified causal relationships" standard, the Commission concluded that "UPS overlooks key terms in section 3633(b), as well as the context of the statutory

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scheme as a whole." Order at 143, J.A. 662. The Commission emphasized the "degree of flexibility . . . inherent in the appropriate share provisions of section 3633" and the lack of any mechanical relationship between the Commission's consideration of the statutory factors and the Commission's ultimate determination. *Id*. at 144, J.A. 663. The Commission continued:

> For the relevant factor at issue, "the degree to which any costs are uniquely or disproportionately associated with any competitive products," UPS focuses on only a portion of the statutory language—"disproportionately associated." However, in reading the relevant factor in its entirety, the use of the words "degree" and "any" plainly contemplate that there may be no uniquely or disproportionately associated competitive product costs. Congress does not require costs to be found; only for the Commission to "consider" whether "any" exist. Nothing in section 3633(b) prevents the Commission from concluding as it has—that all costs uniquely or disproportionately associated with competitive products are, in fact, captured by the costing methodology it currently employs pursuant to section 3633(a)(2).

Order at 144, J.A. 663.

In short, the Commission's position appears to be that the statutory phrase "costs . . . uniquely or disproportionately associated with any competitive products" is no broader than the phrase "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships." And the Commission appears to base that conclusion on the assumption that costs are uniquely or

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disproportionately associated with competitive products only if competitive products can be reliably said to cause such costs.

II. ANALYSIS

A. Standard of Review

"'Because the Congress expressly delegated to the Commission responsibility to implement [the Accountability Act], we review its interpretation' of that statute under the standards enunciated in *Chevron* and its progeny." *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 750 (D.C. Cir. 2015) (quoting *U.S. Postal Serv. v. PRC*, 640 F.3d 1263, 1266 (D.C. Cir. 2011)).

> Under *Chevron*'s First Step, if "Congress has directly spoken to the precise question at issue . . ., that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress." If the statute is ambiguous, *Chevron*'s Second Step then requires us to consider whether the Commission has acted pursuant to delegated authority and, if so, whether its interpretation of the statute is "permissible."

U.S. Postal Serv. v. PRC, 785 F.3d at 750 (quoting *Chevron U.S.A. Inc. v. Nat. Res. Def. Council, Inc.,* 467 U.S. 837, 842-43 (1984)). "Even if the statute is ambiguous and does not foreclose the Commission's interpretation, however, the Commission's exercise of its authority must be 'reasonable and reasonably explained' in order to survive arbitrary and capricious review under the Administrative Procedure Act. *Mfrs. Ry. Co. v. Surface Transp. Bd.*, 676 F.3d 1094, 1096 (D.C. Cir. 2012)." *Id.*; *see also* 39 U.S.C. § 3663 (incorporating APA review under 5 U.S.C. § 706).

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In deciding whether the Commission's Order is arbitrary and capricious, we are "reluctan[t] to interfere with [the Commission's] reasoned judgments about technical questions within its area of expertise." *UPS v. PRC*, 890 F.3d 1053, 1066 (D.C. Cir. 2018) (internal quotation marks omitted) (quoting *All. of Nonprofit Mailers v. PRC*, 790 F.3d 186, 197 (D.C. Cir. 2015)). At the same time, the Commission must adequately "consider" all the factors that the Accountability Act makes relevant, *see Lindeen v. SEC*, 825 F.3d 646, 657 (D.C. Cir. 2016), and the Commission's decision-making must be comprehensible, *see U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015); *Glob. Tel*Link v. FCC*, 866 F.3d 397, 413 (D.C. Cir. 2017).

B. The Commission's Disputed Interpretation and Application of § 3633(a)(3)

The dispositive question before the court in this case is whether the Commission, in reviewing its appropriate share determination, adequately discharged its statutory obligation to "consider" the "degree to which any costs are uniquely or disproportionately associated with any competitive products." We hold that the Commission failed to do this and, therefore, we are constrained to remand the case.

We do not mean to render any decision on what the appropriate share determination under § 3633(a)(3) should be. That is for the Commission to determine in the first instance. At this point, however, the Commission's interpretation and application of § 3633(a)(3) and (b) are incomprehensible and, thus, unreasonable. No deference is due to the Commission's current position because the disputed Order fails to apply the relevant terms of the statute, and it offers no reasoned basis for this failure.

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As detailed above, the Commission's position appears to be that the term "costs . . . uniquely or disproportionately associated with any competitive products" in § 3633(b) is no broader than – and indeed may coincide with – the term "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships," which defines "costs attributable" in § 3633(a)(2). To reach that conclusion, the Commission assumed that "all costs that are uniquely or disproportionately associated with competitive products exhibit a reliably identified causal relationship with a specific competitive product or group of products and are therefore attributed." Order at 138, J.A. 657. The Commission thus reasons that none of the Postal Service's institutional costs – including, apparently, its "remaining inframarginal costs," *UPS v. PRC*, 890 F.3d at 1060 – are uniquely or disproportionately associated with its competitive products in the sense intended in § 3633(b). This leads the Commission to conclude that there are no costs for it to "consider" under § 3633(b). *See, e.g.*, Order at 28-29, J.A. 547-48. The Commission's analysis defies reasoned decision-making.

As noted at the outset of this opinion, there are two significant problems with the Commission's position. First, the Commission has not adequately explained how the statutory phrases "direct and indirect postal costs attributable to [a particular competitive] product through reliably identified causal relationships," 39 U.S.C. § 3631(b), and "costs . . . uniquely or disproportionately associated with any competitive products," *id.* § 3633(b), can effectively coincide. Second, in focusing narrowly on costs attributed to competitive products under § 3633(a)(2), the Commission failed to discharge its responsibility under § 3633(b) to "consider . . . the degree to which *any* costs are uniquely or disproportionately associated

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with any competitive products." *Id.* § 3633(b) (emphasis added). We elaborate on these points in turn.

1. The Commission's Interpretation of Costs "Uniquely or Disproportionately Associated with Competitive Products" Under § 3633(b)

The Commission's current analysis of the relationship between costs "attributed through reliably identified causal relationships" and costs "uniquely or disproportionately associated with" is incomprehensible. In the passages from the Commission's Order reprinted above, the Commission assumes that the Postal Service's costs can be "uniquely or disproportionately associated with" competitive products only if there is a reliably identified causal relationship between those costs and competitive products. *See* Initial Notice at 43-44, J.A. 147-48; Order at 138-39, 657-58. In its brief to this court and at oral argument, however, the Commission's counsel suggests that the Commission gave the phrase "uniquely or disproportionately associated with" a distinct interpretation, and only then proceeded to conclude that there are no costs in that independent category that are not already attributed to competitive products under § 3633(a)(2). *See* Br. for Respondent at 29-32; Tr. of Oral Argument at 54-55. It is an understatement to say that one is hard-pressed to understand what the Commission means to say regarding the meaning of § 3633(b).

At this point, we cannot credit either one of the foregoing interpretations of the Accountability Act. To start, the Commission cannot simply *assume* that the "uniquely or disproportionately associated with" standard is subsumed by the "reliably identified causal relationships" standard. That would impermissibly conflate the language of § 3633(a)(2) – which incorporates the definition of "costs attributed" from

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§ 3631(b) – with the evidently distinct language of § 3633(b). *See BP Energy Co. v. FERC*, 828 F.3d 959, 968 (D.C. Cir. 2016) ("Even under the most deferential standard, an agency cannot read statutory provisions out of existence but must interpret statutes 'so that effect is given to all its provisions . . . [and] no part will be inoperative or superfluous, void or insignificant.'" (alteration in original) (quoting *Corley v. United States*, 556 U.S. 303, 314 (2009))). Instead, the Commission must explain why these two statutory phrases have the same practical reach despite the use of different language.

As noted above, the Commission attempted to offer such an explanation in its brief to this court. The Commission belatedly argues that it did not "equate[]" the two statutory phrases "as an interpretative matter." Br. for Respondent at 34. Rather, the Commission now contends that it gave independent meaning to the statutory terms "uniquely . . . associated with" and "disproportionately associated with," using the ordinary tools of statutory interpretation. *See id.* at 29-34; Tr. of Oral Argument at 54-55. Then, according to counsel, the Commission concluded that "all 'uniquely associated' costs and all 'disproportionately associated' costs satisfy the Commission's independent definition of the 'costs attributable' to a competitive product." Br. for Respondent at 31. This line of argument is hard to discern in what the Commission actually said, and it is somewhat hard to fathom on its own terms. But if that is the Commission's view, it must spell it out.

In any event, as things stand now, "we simply cannot comprehend the [Commission's] reasoning" about the meaning and application of § 3633(b). *Glob. Tel*Link v. FCC*, 866 F.3d 397, 413 (D.C. Cir. 2017). Therefore, the Commission's Order is neither reasoned nor reasonable. "At its core, the Commission's Order is arbitrary and capricious because it fails

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to articulate a comprehensible standard . . . ." *U.S. Postal Serv. v. PRC*, 785 F.3d 740, 753 (D.C. Cir. 2015). "[W]e owe no deference to an agency determination that is 'largely incomprehensible.'" *Id.* (quoting *Coburn v. McHugh*, 679 F.3d 924, 926 (D.C. Cir. 2012)). The bottom line is that the Commission has not adequately explained why the statutory phrases at issue here have similar meanings, nor has it demonstrated that these statutory categories, even if distinct in meaning, nevertheless coincide in application. Therefore, the Commission's application of § 3633(a)(3) and (b) was arbitrary and capricious and must be remanded.

2. The Commission's Consideration of "Any" Such Costs Under § 3633(b)

A second problem with the disputed Order is that, in focusing its analysis on costs attributed to competitive products under 39 U.S.C. § 3633(a)(2), the Commission failed to "consider . . . the degree to which any costs are uniquely or disproportionately associated with any competitive products" as required by 39 U.S.C. § 3633(b). As the plain meaning of that provision suggests, the Accountability Act clearly requires the Commission to consider *any* costs uniquely or disproportionately associated with competitive products at the time it reviews its appropriate share determination under § 3633(a)(3). This includes, but is not limited to, any costs fitting that description that the Commission may have already considered when it promulgated regulations under § 3633(a)(1) or § 3633(a)(2).

The record in this case indicates that the Commission did not follow this statutory mandate. Instead, the Commission, relying on its inadequately explained interpretation of the Accountability Act, focused narrowly on the costs it had considered – and attributed – in promulgating regulations under

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§ 3633(a)(2). At oral argument, counsel for the Commission suggested that by piecing together the Commission's responses to various comments, we could find that the Commission did indeed consider a broader class of costs. Tr. of Oral Argument at 75; *see also* Br. for Respondent at 35-38. Even assuming that is right, however, the Commission's Order does not make it clear or comprehensible, and we cannot fill in the blanks in the Commission's reasoning. The simple point here is that the Commission erred in concluding that it had discharged its responsibility to consider *any* costs uniquely or disproportionately associated with competitive products by virtue of the fact that it had already considered these costs when setting the price floor under § 3633(a)(2).

An agency Order that is at odds with the requirements of the applicable statute cannot survive judicial review. *See, e.g.*, *Michigan v. EPA*, 135 S. Ct. 2699, 2706 (2015). "An agency's failure to consider and address during rulemaking 'an important aspect of the problem' renders its decision arbitrary and capricious. A 'statutorily mandated factor, by definition, is an important aspect of any issue before an administrative agency . . . .'" *Mozilla Corp. v. FCC*, 940 F.3d 1, 60 (D.C. Cir. 2019) (per curiam) (first quoting *Motor Vehicle Mfrs. Ass'n v. State Farm Mut. Auto. Ins. Co.,* 463 U.S. 29, 43 (1983); then quoting *Pub. Citizen v. Fed. Motor Carrier Safety Admin.*, 374 F.3d 1209, 1216 (D.C. Cir. 2004)). On the record before us, the Commission's treatment of § 3633(b) cannot survive judicial review. Therefore, we are constrained to remand the Order to the Commission for further consideration.

On remand, the Commission must consider all costs uniquely or disproportionately associated with competitive products in setting the appropriate share, even if it has already accounted for those costs under § 3633(a)(1) and (a)(2).

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Furthermore, the Commission should fully address the issue left open in the court's 2018 decision in *UPS v. PRC*. The court in that decision recognized that, because the costs attributed test under § 3633(a)(2) is conservative, there may be institutional costs that are "uniquely or disproportionately associated with competitive products," even though they cannot be said to stand in "reliably identified causal relationships" with them. The Commission's Order in this case does not address this.

In addition, the Commission must explain the relevance (if any) of costs it may have considered in implementing § 3633(a)(1). At oral argument, counsel for the Commission suggested that the Commission might not have to further consider costs uniquely or disproportionately associated with competitive products under § 3633(b) because it had already considered them pursuant to § 3633(a)(1). Tr. of Oral Argument at 43-44, 48, 54-55. However, this possibility is offered as nothing more than a fleeting suggestion in the Commission's Order and its brief to the court. *Compare* Order at 144, J.A. 663, and Br. for Respondent at 19 (focusing only on § 3633(a)(2)), *with* Order at 160 n.294, J.A. 679 n.294, and Br. for Respondent at 36 (mentioning the Commission's test under § 3633(a)(1)). If this point is somehow critical to the Commission's analysis, the Commission must make that clear in the first instance. *See SEC v. Chenery Corp.*, 318 U.S. 80, 94-95 (1943).

We do not mean for these examples to exhaust the issues that the Commission must address on remand, only to illustrate some of what a fuller "consider[ation]" of the relevant costs will involve.

* * *

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In sum, the Commission must address the issues highlighted above before we can say whether its formula-based approach to determining the appropriate share under § 3633(a)(3) is permissible and reasonable. On remand, the Commission might decide to revise its judgment regarding the "appropriate share" under § 3633(a)(3). Indeed, at oral argument, counsel for the Commission conceded that the "floor" established under § 3633(a)(3) might need to be adjusted if the Commission found any costs uniquely or disproportionately associated with competitive products. Tr. of Oral Argument at 49-50. It is also possible, however, that the Commission might decide against revising its bottom-line judgment, given the other factors the Commission must consider under § 3633(b) and the latitude that the text affords the Commission in making a final determination.

We take no position on this matter. It is not for this court to say that the Commission must account for costs in any specific way under § 3633(b) or that the Commission must make any particular "appropriate share" determination under § 3633(a)(3). Rather, the judgment of the court is that, on remand, the Commission must consider all the costs referenced under § 3633(b), as the Accountability Act clearly commands. And any decision that the Commission reaches regarding the meaning and application of § 3633(b) in connection with the "appropriate share" determination under § 3633(a)(3) must be consistent with the terms of the statute, must be comprehensible, and must otherwise satisfy the requirements of reasoned decision-making.

III. CONCLUSION

For the reasons set forth above, we grant UPS's petition for review and remand the case to the Commission for further consideration consistent with this opinion.

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The United States Postal Service

Mission Statement adopted by the Board of Governors on April 1, 2020

A. Our History

The United States Postal Service has a storied history as the institution of our Government guaranteeing safe and secure communication among and between the Government and the American people.

Many are familiar with our history, which began with the Second Continental Congress and Benjamin Franklin in 1775 and continued in 1787 when the Postal Clause of the U.S. Constitution empowered Congress to establish post offices and post roads. Congress exercised those powers with the passage of The Post Office Act of 1792, which made the Postal Service a permanent fixture of the Federal Government. The Act included provisions to facilitate freedom of the press, the privacy of personal correspondence, and expand the nation's physical infrastructure, all vital to our nation's growth and prosperity.

These principles and objectives endure. While radio, television and the Internet have irrevocably altered our information-gathering habits, postal correspondence remains the most secure and resilient form of communication, providing the American People with a delivery infrastructure vital to our National Security.

The USPS retains the largest physical and logistical infrastructure of any non-military government institution, providing an indispensable foundation supporting an ever changing and evolving nationwide communication network. Capitalizing on its expertise in scheduling and high-volume sorting, the USPS also serves a vital role enabling digital commerce.

B. Our Mission

- To serve the American people and, through the universal service obligation, bind our nation together by maintaining and operating our unique, vital and resilient infrastructure.

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- To provide trusted, safe and secure communications and services between our Government and the American people, businesses and their customers, and the American people with each other.

- To serve all areas of our nation, making full use of evolving technologies.

C. Carrying Out Our Mission

To meet this Mission we will:

- Remain an integral part of the United States Government, providing all Americans with universal and open access to our unrivalled delivery and storefront network.

- Maintain and enhance our reputation and role as a trusted face of the federal government in every community and provide all levels of government with access to our network and services.

- Provide frequent, reliable, safe and secure delivery of mail, packages and other communications to all Americans.

- Use technology, innovation and where appropriate private sector partnerships, to optimize and adapt our network, operations and business model to meet the changing needs of our customers and delivery recipients, while maintaining our core mission.

- Operate in a modern, efficient and effective manner that allows us to minimize what we charge for our services, consistent with meeting, in a fair way, our obligations to our current and retired employees and other stakeholders.

- Remain an employer of choice, able to attract retain and develop high quality employees that possess the skills necessary to excel in a rapidly changing business environment

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Congress of the United States
Washington, DC 20515

April 3, 2020

Ms. Megan J. Brennan
Postmaster General and Chief Executive Officer
United States Postal Service
475 L'Enfant Plaza, S.W.
Room 4012
Washington, D.C. 20260

Dear Ms. Brennan:

We write with urgent concern about the immediate financial condition and needs of the U.S. Postal Service in light of the coronavirus emergency and resulting decline in economic activity. This crisis has jeopardized the Postal Service's ability to continue providing essential service to every American. We ask that you provide information as soon as possible to ensure that Congress and the public are fully informed about this matter.

On March 20, the Postal Service notified our Committees that due to the coronavirus crisis, it will (b)(3), 410(c)(2) The Postal Service subsequently provided revenue projections indicating that it could lose up to (b)(3), 410(c)(2) in revenues this fiscal year. During the coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including cleaning and disinfecting facilities, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs. Meanwhile, the Postal Service continues to provide universal service in every community across the country, delivering medications, emergency information, home supplies, and more.

On March 27, Congress passed the CARES Act (P.L. 116-136), which authorizes the Department of the Treasury to provide a $10 billion loan to the Postal Service "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The Secretary of the Treasury retains the discretion to make that loan and set terms, which must be mutually agreed upon by the Postal Service.

We strongly urge the Postal Service to assert its proper authorities with regard to the finances and management of the Postal Service and ensure that this loan is made in a timely manner and under conditions acceptable to the Postal Service.

Given the urgent need to fully understand the Postal Service's financial condition, we ask that you produce the following information by April 6, 2020:

1. The most recent financial estimates regarding the Postal Service's finances through the end of the fiscal year, under expected economic conditions, including: projected revenue, expenses, emergency expenses, and cash-on-hand. Such

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estimates should include information about the attendant economic assumptions. We request that you send a copy of the estimates that will be used in discussions with the Treasury Department about borrowing, and continue to send updated estimates as necessary;

2. A clear public statement from the Postal Service regarding its expected financial condition, to inform its customers about its revenues, expenses, and expected solvency; and

3. A statement of the amount of funds the Postal Service intends to request from the Treasury Department under the CARES Act, including the terms requested by the Postal Service for the authorized loan.

Thank you for your attention to this urgent matter. Please direct all questions and correspondence to our staffs at (202) 225-5051 and (202) 224-2627,

Sincerely,

Carolyn B. Maloney
Chairwoman
House Committee on Oversight and Reform

Gary C. Peters
Ranking Member
Senate Committee on Homeland Security and Governmental Affairs

Gerald E. Connolly
Chairman
House Subcommittee on Government Operations

Tom Carper
Ranking Member
Permanent Subcommittee on Investigations

Stephen F. Lynch
Chairman
House Subcommittee National Security

Brenda Lawrence
Member
House Committee on Oversight and Reform

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Enclosure

cc: The Honorable Ron Johnson, Chairman
Senate Committee on Homeland Security and Governmental Affairs

The Honorable Rob Portman, Chairman
Senate Permanent Subcommittee on Investigations

The Honorable Jody B. Hice, Ranking Member
House Subcommittee on National Security

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Responding to Committee Document Requests

1. In complying with this request, produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. Produce all documents that you have a legal right to obtain, that you have a right to copy, or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party.

2. Requested documents, and all documents reasonably related to the requested documents, should not be destroyed, altered, removed, transferred, or otherwise made inaccessible to the Committees.

3. In the event that any entity, organization, or individual denoted in this request is or has been known by any name other than that herein denoted, the request shall be read also to include that alternative identification.

4. The Committees' preference is to receive documents in electronic form (i.e., CD, memory stick, thumb drive, or secure file transfer) in lieu of paper productions.

5. Documents produced in electronic format should be organized, identified, and indexed electronically.

6. Electronic document productions should be prepared according to the following standards:

    a. The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.

    b. Document numbers in the load file should match document Bates numbers and TIF file names.

    c. If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.

    d. All electronic documents produced to the Committees should include the following fields of metadata specific to each document, and no modifications should be made to the original metadata:

        BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH, PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE, SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM, CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE, DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,

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INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION, BEGATTACH.

7. Documents produced to the Committees should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, zip file, box, or folder is produced, each should contain an index describing its contents.

8. Documents produced in response to this request shall be produced together with copies of file labels, dividers, or identifying markers with which they were associated when the request was served.

9. When you produce documents, you should identify the paragraph(s) or request(s) in the Committees' letter to which the documents respond.

10. The fact that any other person or entity also possesses non-identical or identical copies of the same documents shall not be a basis to withhold any information.

11. The pendency of or potential for litigation shall not be a basis to withhold any information.

12. In accordance with 5 U.S.C.§ 552(d), the Freedom of Information Act (FOIA) and any statutory exemptions to FOIA shall not be a basis for withholding any information.

13. Pursuant to 5 U.S.C. § 552a(b)(9), the Privacy Act shall not be a basis for withholding information.

14. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.

15. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) every privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author, addressee, and any other recipient(s); (e) the relationship of the author and addressee to each other; and (f) the basis for the privilege(s) asserted.

16. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (by date, author, subject, and recipients), and explain the circumstances under which the document ceased to be in your possession, custody, or control.

17. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, produce all documents that would be responsive as if the date or other descriptive detail were correct.

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18. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data, or information not produced because it has not been located or discovered by the return date shall be produced immediately upon subsequent location or discovery.

19. All documents shall be Bates-stamped sequentially and produced sequentially.

20. Two sets of each production shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee on Oversight and Reform, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2105 of the Rayburn House Office Building. When documents are produced to the Committee on Financial Services, production sets shall be delivered to the Majority Staff in Room 2129 of the Rayburn House Office Building and the Minority Staff in Room 4340 of the O'Neill House Office Building. When documents are produced to the Permanent Select Committee on Intelligence, production sets shall be delivered to Majority and Minority Staff in Room HVC-304 of the Capital Visitor Center.

21. Upon completion of the production, submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control that reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Definitions

1. The term "document" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, data, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, communications, electronic mail (email), contracts, cables, notations of any type of conversation, telephone call, meeting or other inter-office or intra-office communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape, or otherwise. A document bearing any notation not a

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part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.

2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, mail, releases, electronic message including email (desktop or mobile device), text message, instant message, MMS or SMS message, message application, or otherwise.

3. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information that might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neutral genders.

4. The term "including" shall be construed broadly to mean "including, but not limited to."

5. The term "Company" means the named legal entity as well as any units, firms, partnerships, associations, corporations, limited liability companies, trusts, subsidiaries, affiliates, divisions, departments, branches, joint ventures, proprietorships, syndicates, or other legal, business or government entities over which the named legal entity exercises control or in which the named entity has any ownership whatsoever.

6. The term "identify," when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; (b) the individual's business or personal address and phone number; and (c) any and all known aliases.

7. The term "related to" or "referring or relating to," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with, or is pertinent to that subject in any manner whatsoever.

8. The term "employee" means any past or present agent, borrowed employee, casual employee, consultant, contractor, de facto employee, detailee, fellow, independent contractor, intern, joint adventurer, loaned employee, officer, part-time employee, permanent employee, provisional employee, special government employee, subcontractor, or any other type of service provider.

9. The term "individual" means all natural persons and all persons or entities acting on their behalf.

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BOARD OF GOVERNORS

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 6, 2020

Contact: David Partenheimer
david.a.partenheimer@usps.gov
202-268-2599

Board of Governors Announces Selection of Louis DeJoy to Serve as Nation's 75th Postmaster General

WASHINGTON – The Board of Governors of the United States Postal Service today announced its unanimous selection of Louis DeJoy to serve as the 75th Postmaster General of the United States and Chief Executive Officer of the world's largest postal organization. DeJoy is an accomplished business executive with more than 35 years of experience. As Chairman and CEO of New Breed Logistics, DeJoy spent decades in collaboration with the U.S. Postal Service, Boeing, Verizon, Disney, United Technologies and other public and private companies to provide supply chain logistics, program management and transportation support. He is expected to begin serving in his new role effective June 15th.

"Louis DeJoy understands the critical public service role of the United States Postal Service, and the urgent need to strengthen it for future generations," said Robert M. (Mike) Duncan, chair of the Board of Governors. "The Board appreciated Louis' depth of knowledge on the important issues facing the Postal Service and his desire to work with all of our stakeholders on preserving and protecting this essential institution."

DeJoy becomes the fifth Postmaster General to join the institution from the private sector since the Postal Service became an independent establishment within the Executive Branch in 1971.

"Having worked closely with the Postal Service for many years, I have a great appreciation for this institution and the dedicated workers who faithfully execute its mission. I look forward to working with the supporters of the Postal Service in Congress and the Administration to ensure the Postal Service remains an integral part of the United States government. Postal workers are the heart and soul of this institution, and I will be honored to work alongside them and their unions. It will be an incredible honor to serve as Postmaster General, and I commit myself to upholding the Postal Service's cherished role in our nation," said Mr. DeJoy.

As Chairman and CEO of New Breed Logistics, Inc., he transformed a small, family owned transportation company with 10 employees into a nationwide provider of highly engineered, technology-driven, contract logistics solutions employing more than 9,000 people. New Breed Logistics was a contractor to the U.S. Postal Service for more than 25 years, supplying the Postal Service with logistics support for multiple processing facilities. The company received Quality Supplier Awards from the Postal Service in 1995, 1996, 1997 and 1998.

In 2014, New Breed merged with XPO Logistics, with DeJoy serving as CEO of XPO Logistics' supply chain business in the Americas before retiring in December 2015 as CEO and joining the XPO Logistics board of directors, where he served until 2018.

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DeJoy is a member of the Board of Trustees at Elon University in North Carolina and the Fund for American Studies in Washington, DC. He received his Bachelor of Business Administration from Stetson University. He currently resides in Greensboro, North Carolina with his wife, Dr. Aldona Wos.

DeJoy's appointment comes upon the retirement of Megan Brennan, the nation's 74th Postmaster General, who announced her intent to step down in October 2019. The Board of Governors then began an extensive nationwide search, employing a national executive search firm to conduct the search with additional advisory services from Chelsea Partners. In the ensuing months, the Governors reviewed the records of more than two hundred candidates for the position before narrowing the list to more than fifty candidates to undergo substantial vetting. Subsequently, the Governors interviewed more than a dozen candidates in first round interviews, and invited seven candidates for follow-up interviews. A narrow list of finalists then underwent a final vetting process before the Governors made their decision.

# # #

AMERICAN OVERSIGHT

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
Washington, DC 20215

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20215

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, DC 20210

The Honorable Chuck Schumer
Minority Leader
U.S. Senate
Washington, DC 20210

April 30, 2020

Dear Congressional Leaders:

The undersigned companies, trade associations and consumer advocacy organizations believe it is imperative to save the United States Postal Service. We thank you all for your leadership as the nation confronts this pandemic, and urge you to provide enough funding to enable USPS to survive and serve its customers, the American people, during this exceptionally trying time.

We, along with the postal-reliant industry that generates $1.6 trillion in sales and employs 7.3 million workers, have long supported a self-sufficient Postal Service. But no business entity can withstand a 50% or more externally-imposed drop in business and revenues, as USPS projects due to COVID-19, and long survive. That is why emergency funding must be provided now.

The American people have been reminded during this pandemic of just how fundamental to American life the Postal Service still is. USPS is delivering prescriptions, household and business staples, groceries, Personal Protective Equipment, greeting cards and personal correspondence to bridge social distancing, Paycheck Protection Program, Social Security and tax refund checks, CDC advice cards on keeping oneself and family safe, and newspapers and magazines still vital to informing the American people. It is enabling a new wave of businesses along with the e-commerce sector to survive the pandemic through remote order and fulfillment. Postal Service delivery is essential. And it is of particularly acute need in rural areas of the country, where there are no alternatives, and often not even broadband. USPS is a lifeline there and elsewhere throughout the country during these challenging times.

As to how much is needed, we defer to the experts, the bipartisan Postal Service Board of Governors appointed by the President, and our leaders in Congress. While substantial sums are needed, they amount to a small part of the emergency funds Congress has provided and will continue to provide, including to sustain small businesses, their employees and the economy. The Postal Service is the backbone of businesses large and small in America, and must endure.

The American people, 91% of whom approve of USPS[1], often raise a commotion if a single Post Office is to be closed. Closing the entire system or imposing a major reduction in service during this time of need would magnify that reaction substantially.

[1] Pew Research Center, *Survey of the Public's Views on Federal Agencies* (April 9, 2020). https://www.people-press.org/2020/04/09/public-holds-broadly-favorable-views-of-many-federal-agencies-including-cdc-and-hhs/

AMERICAN OVERSIGHT

We again strongly urge you to save the Postal Service and preserve a fundamental lifeline to millions of Americans.

Thank you.

Sincerely,

Washington, D.C.

Coalition for a 21st Century Postal Service	Washington	D.C.
American Catalog Mailers Assn.	Washington	D.C.
American Property Casual Insurance Assn.	Washington	D.C.
Consumer Action	Washington	D.C.
Greeting Card Association	Washington	D.C.
National Consumers League	Washington	D.C.
National Postal Policy Council	Washington	D.C.
National Retail Federation	Washington	D.C.
Retail Industry Leaders Assn.	Washington	D.C.
Small Business Legislative Council	Washington	D.C.
The Insurance Coalition	Washington	D.C.
The Package Coalition	Washington	D.C.
The Pharmaceutical Care Management Assn.	Washington	D.C.

Alaska

Mushing Magazine	Nome	AK
The Nome Nugget	Nome	AK

Alabama

Clarke County Democrat	Grove Hill	AL
Greenville Advocate	Greenville	AL
Selma Times-Journal	Selma	AL
The Arab Tribune	Arab	AL
The Clayton Record	Clayton	AL
The Cherokee Post-Herald	Centre	AL
The Elba Clipper	Elba	AL
The Florala News	Florala	AL
The Greenville Standard	Greenville	AL
The Lowndes Signal	Fort Deposit	AL
The Luverne Journal	Luverne	AL
The Monroe Journal	Monroeville	AL
The Northport Gazette	Northport	AL
The Outlook	Alexander City	AL
The Tallassee Tribune	Tallassee	AL
The Tuskegee News	Tuskegee	AL
The West Alabama Gazette	Millport	AL
The Wetumpka Herald	Wetumpka	AL
Wilcox Progressive Era	Camden	AL

Arizona

Clippin' the River	Bullhead City	AZ

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Colorado River Real Estate Magazine	Bullhead City	AZ
Entertainer	Bullhead City	AZ
Mohave Valley Daily News	Bullhead City	AZ
Runbeck Election Services, Inc.	Phoenix	AZ
The Bullhead City Booster	Bullhead City	AZ
The Laughlin Times	Bullhead City	AZ
The Wickenburg Sun	Wickenburg	AZ
Western States Printing Alliance	Queen Creek	AZ
Wickenburg Shopper News	Wickenburg	AZ

Arkansas

Arkansas Mailing Services	N. Little Rock	AR
Arkansas Press Association	Little Rock	AR
Dayspring Cards	Siloam Springs	AR
Harrison Daily Times	Harrison	AR
Johnson County Graphic	Clarksville	AR
Newton County Times	Jasper	AR

California

Auburn Direct	Auburn	CA
Auburn Journal	Auburn	CA
Big Bear Grizzly	Big Bear Lake	CA
Brentwood Press	Brentwood	CA
California News Publishers Association	Sacramento	CA
Chino Champion	Chino	CA
CohereOne	San Rafael	CA
Colfax Record	Colfax	CA
Desert Entertainer	Yucca Valley	CA
Desert Mobile Home News	Yucca Valley	CA
eBay Inc.	San Jose	CA
Folsom Lake Entertainer	Folsom	CA
Granite Bay View	Roseville	CA
Grizzly Weekender	Big Bear Lake	CA
Gustine Press-Standard	Newman	CA
Hi-Desert Star	Yucca Valley	CA
Idyllwild Town Crier	Idyllwild	CA
India West	San Leandro	CA
Lincoln News Messenger	Lincoln	CA
Major Mailers Assn.	El Dorado Hills	CA
Mountain News	Lake Arrowhead	CA
Mountain Shopper	Lake Arrowhead	CA
Needles Desert Star (1987)*	Needles	CA
Nevada & Placer County Entertainer	Auburn	CA
Ojai Valley News	Ojai	CA
PacSun, LLC	Anaheim	CA
Patterson Irrigator	Patterson	CA
PLD Group	Thousand Palms	CA
Point Reyes Light	Inverness	CA
Press Banner	Scotts Valley	CA
Printing Industries Assn. of San Diego, Inc.	San Diego	CA

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Printing Industries Assn., Inc. of Southern California	Los Angeles	CA
Shippo	San Francisco	CA
Sky of Blue Cards	Menlo Park	CA
Smith & Noble	Corona	CA
Specialty Equipment Marketing Assn.	Diamond Bar	CA
The Ark	Tiburon	CA
The Desert Trail	Twentynine Palms	CA
The Folsom Telegraph	Roseville	CA
The Loomis News	Roseville	CA
The Malibu Times	Malibu	CA
The Placer Herald	Roseville	CA
The Press-Tribune	Roseville	CA
The San Fernando Valley Sun/el Sol Newspapers	San Fernando	CA
The Shafter Press	Shafter	CA
Title Nine	Emeryville	CA
Tracy Press	Tracy	CA
Very Napa Valley	Sonoma	CA
Visual Media Alliance	San Francisco	CA
Wine Country This Month - Central Coast	Sonoma	CA
Wine Country This Week	Sonoma	CA

Colorado

Blue Mountain Arts	Boulder	CO
Brighton Standard Blade, The	Brighton	CO
Canyon Courier	Evergreen	CO
Clear Creek Courant	Idaho Springs	CO
Commerce City Sentinel-Express	Brighton	CO
CSG Systems International	Denver	CO
Fort Lupton Press	Brighton	CO
Herald Democrat	Leadville	CO
Holyoke Enterprise, The	Holyoke	CO
Leanin' Tree	Boulder	CO
National Assn. of Presort Mailers	Broomfield	CO
Park Co. Republican & Fairplay Blume	Bailey	CO
Path2Response, LLC	Louisville	CO
Rio Blanco Herald Times	Meeker	CO
Robbin Rawlings Designs, Inc.	Boulder	CO
The Chaffee County Times	Buena Vista	CO
The Mountain Mail	Salida	CO
The Pagosa Springs SUN	Pagosa Springs	CO
The Yuma Pioneer	Yuma	CO

Connecticut

BlueCrest, Inc.	Danbury	CT
Colorblends Wholesale Flowerbulbs	Bridgeport	CT
Corporate Mailing Services, LLC	Shelton	CT
New Britain Herald	New Britain	CT
Pitney Bowes Inc.	Stamford	CT
Quadient	Milford	CT
The Bristol Press	Bristol	CT

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The Chronicle	Willimantic	CT
Trumbull Printing, LLC	Trumbull	CT
Wasco Tribune	Wasco	CT

Delaware

Cape Gazette	Lewes	DE
Greater Dover Extra	Dover	DE
Smyrna Extra	Smyrna	DE
Sussex Post	Seaford	DE
The Chronicle	Milford	DE

Florida

Access Mail Processing Services, Inc..	Clearwater	FL
Cedar Key Beacon	Chiefland	FL
Chiefland Citizen	Chiefland	FL
Citrus County Chronicle	Crystal River	FL
Consolidated Mailing Services	Tampa	FL
Direct Mail Impressions	Boca Raton	FL
Florida Graphics Alliance	Orlando	FL
Florida Mail & Print	Ft. Myers	FL
Florida Media Association	Ocala	FL
Florida Press Association	Tallahassee	FL
Gadsden County Times, The	Quincy	FL
Heritage Florida Jewish News	Orlando	FL
Kessler Creative	Jacksonville	FL
Key West Citizen and Free Press	Key West	FL
Lake City Reporter	Lake City	FL
Mail, Print & Packaging Solutions, Inc.	Lutz	FL
Nona Connect	Orlando	FL
Nonahood News	Orlando	FL
North Jax Monthly	Jacksonville	FL
Perry News Herald	Perry	FL
Print Reach, Inc.	Jacksonville Beach	FL
Publishers' Auxiliary	Pensacola	FL
Riverland News	Dunnellon	FL
South Marion Citizen	Dunnellon	FL
St. Augustine Observer	St. Augustine	FL
Sumter County Times	Bushnell	FL
Taco Times	Perry	FL
TC Delivers Mail Solutions & Savings	Jacksonville	FL
Textile Care Allied Trades Assn.	Wesley Chapel	FL
The West Volusia Beacon	DeLand	FL
Valpak	St. Petersburg	FL
Wakulla News, The	Crawfordville	FL
Westside Journal	Callahan	FL
Williston Pioneer Sun-News	Williston	FL
W.S. Badcock Corporation	Mulberry	FL

Georgia

Banks County News	Jefferson	GA

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Barrow News-Journal	Winder	GA
Charlton County Herald	Folkston	GA
Datamatx	Atlanta	GA
Early County News	Blakely	GA
Envelopes & Forms, Inc./SureBill	Duluth	GA
Fayette County News	Fayetteville	GA
Jackson Herald, The	Jefferson	GA
Madison County Journal, The	Jefferson	GA
Mature Living in the South	Baxley	GA
Mature Living in the Southeast	Baxley	GA
Monroe County Reporter	Forsyth	GA
North Georgia News	Blairsville	GA
Printing & Imaging Association of Georgia	Smyrna	GA
The Advance	Vidalia	GA
The Atlanta Voice	Atlanta	GA
The Baxley News-Banner	Baxley	GA
The Lincoln Journal	Lincolnton	GA
The Newnan Times-Herald	Newnan	GA
The News Observer	Blue Ridge	GA
The News-Reporter	Washington	GA
The Post-Searchlight	Bainbridge	GA
The Press-Sentinel	Jesup	GA
The Telfair Enterprise	McRae-Helena	GA
Times-Courier	Ellijay	GA
Towns County Herald	Hiawassee	GA
TSYS Inc.	Columbus	GA
Waycross Journal-Herald	Waycross	GA

Hawaii

Lahaina News	Maui	HI

Idaho

American Mailing Products, Inc.	Meridian	ID
Clearwater Tribune	Orofino	ID
The Arco Advertiser	Arco	ID
The Challis Messenger	Challis	ID
Weekly Mailer	Burley	ID

Illinois

Bal-Tech, Inc. (dba Starship Modeler)	Lake Villa	IL
Barco Products	Batavia	IL
Bunker Hill Gazette- News	Bunker Hill	IL
Carmi Chronicle	Carmi	IL
Carroll County Mirror-Democrat	Mt. Carroll	IL
Design Toscano	Elk Grove Village	IL
Fluence Automation, LLC	Arlington Heights	IL
Franklin County Gazette	Benton	IL
Gazette-Democrat, The	Anna	IL
Hardin County Independent	Elizabethtown	IL
InnerWorkings	Chicago	IL

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Journal-News, The	Hillsboro	IL
KirbyBuilt Products	Batavia	IL
K-Log	Zion	IL
Leader-Union, The	Vandalia	IL
Madison County Chronicle	Worden	IL
McLeansboro Gazette	McLeansboro	IL
Midland Paper Packaging and Supplies	Wheeling	IL
Mt. Olive Herald, The	Mount Olive	IL
Navigator and Journal Register, The	Albion	IL
North American Assn of Food Equipment Mfrs	Chicago	IL
Olney Gazette	Olney	IL
OSM Worldwide	Glendale Heights	IL
Quicksilver Mailing Services	Springfield	IL
Raymond News, The	Raymond	IL
Republic-Times Group, LLC	Waterloo	IL
R.R. Donnelley	Chicago	IL
Southwestern Journal News, The	Brighton	IL
The Carroll County Review	Thomson	IL
The Galena Gazette	Galena	IL
The Prairie News	Toulon	IL
The Sidell Reporter	Sidell	IL
The Vienna Times	Vienna	IL
The Weekly Post	Elmwood	IL
The Woodstock Independent	Woodstock	IL
TreeTop Products	Batavia	IL
Unison	Chicago	IL
Vienna Times, The	Vienna	IL
Weekly Press, The	Pinckneyville	IL

Indiana

Carroll County Comet	Delphi	IN
Crothersville Times	Crothersville	IN
Data Mail, Inc.	Evansville	IN
Engineering Innovation, Inc.	Lafayette	IN
Ferdinand News	Ferdinand	IN
Indiana Minority Business Magazine	Indianapolis	IN
Journal Review	Crawfordsville	IN
LaGrange News	LaGrange	IN
LaGrange Standard	LaGrange	IN
LSC Communications	Indianapolis	IN
Middlebury Independent	Middlebury	IN
Montpelier Weekly	Montpelier	IN
Mount Vernon Democrat	Mount Vernon	IN
Nat'l Assn of Mutual Insurance Companies	Indianapolis	IN
North Vernon Plain Dealer	North Vernon	IN
Online Data	South Bend	IN
Paper of Montgomery County	Crawfordsville	IN
Parke County Sentinel	Rockville	IN
Perry County News	Tell City	IN
Spencer County Journal-Democrat, The	Rockport	IN
Sullivan Daily Times	Sullivan	IN

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The Daily Clintonian	Clinton	IN
The Goshen News	Goshen	IN
The Mail Group	Lafayette	IN
The Mail-Journal	Syracuse	IN
The North Vernon Sun	North Vernon	IN
The Osgood Journal	Versailles	IN
The Press-Dispatch	Petersburg	IN
The Versailles Republican	Versailles	IN
The Vincennes Sun-Commercial	Vincennes	IN
Western Wayne News	Cambridge City	IN
Whitewater Publications	Brookville	IN

Iowa

Ackley World Journal	Ackley	IA
Algona Upper Des Moines, The	Algona	IA
Bedford Times-Press	Bedford	IA
Belmond Independent	Belmond	IA
Bloomfield Democrat	Bloomfield	IA
Charles City Press	Charles City	IA
Coon Rapids Enterprise	Coon Rapids	IA
Cresco Times Plain Dealer	Cresco	IA
Dayton Leader Newspaper	Dayton	IA
Denver Forum	Denver	IA
Doon Press	Doon	IA
Dysart Reporter	Dysart	IA
Edgewood Reminder	Edgewood	IA
Hartley Sentinel-Everly/Royal News	Hartley	IA
Humboldt Independent	Humboldt	IA
Iowa Falls Times-Citizen	Iowa Falls	IA
Jesup Citizen Herald	Jesup	IA
Knowles Publishing Corp.	Carroll	IA
Kossuth County Advance	Algona	IA
Mail Communications Grp, LLC/MCG Parent, LLC	Des Moines	IA
Mail Services, LLC	Urbandale	IA
Mapleton Press	Mapleton	IA
Missouri Valley Times-News	Missouri Valley	IA
Mount Ayr Record News	Mount Ayr	IA
New Century Press	Rock Rapids	IA
Nora Springs Rockford Register	Rockford	IA
North Scott Press	Eldridge	IA
North Warren Town & County News	Norwalk	IA
Northern Sun Print	Gladbrook	IA
Opinion-Tribune	Glenwood	IA
Red Oak Express, The	Red Oak	IA
Reinbeck Courier	Reinbeck	IA
Strategic America	West Des Moines	IA
Tama County Shopper	Tama	IA
Tama News-Herald	Tama	IA
Telegraph Herald	Dubuque	IA
The Akron Hometowner	Akron	IA
The Anita Tribune Co., Inc.	Anita	IA

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The Carlisle Citizen	Carlisle	IA
The Charles City Press	Charles City	IA
The Columbus Gazette	Columbus Junction	IA
The Daily Iowan	Iowa City	IA
The Gowrie News	Gowrie	IA
The Manilla Times	Manilla	IA
The Observer	Westside	IA
The Ocheyedan Press-Melvin News	Ocheyedan	IA
The Seymour Herald	Seymour	IA
The Sun News	Lowden	IA
The Times Republican	Corydon	IA
The Tipton Conservative	Tipton	IA
Times-Republican	Marshalltown	IA
Toledo Chronicle	Toledo	IA
T-R Plus	Marshalltown	IA
Traer Star-Clipper	Traer	IA
West Branch Times	West Branch	IA
West Liberty Index	West Liberty	IA
Wilton-Durant Advocate News	Wilton	IA
Woolverton	Des Moines	IA

Kansas

Coffeyville Journal	Coffeyville	KS
Colby Free Press	Colby	KS
Ellsworth County Independent-Reporter	Ellsworth	KS
Eudora Times	Eudora	KS
Good News Press	Caney	KS
Independence Daily Reporter	Independence	KS
Kansas Press Association	Topeka	KS
Labette Avenue	Oswego	KS
Lineage	Lenexa	KS
Mail Works	Kansas City	KS
Marquette Tribune	Marquette	KS
Montgomery County Chronicle	Caney	KS
Mulvane News	Mulvane	KS
Prairie Star	Sedan	KS
Rawlins County Square Deal	Atwood	KS
Rose Hill Reporter	Rose Hill	KS
The Anthony Republican	Anthony	KS
The Cedar Vale Lookout	Cedar Vale	KS
The Cowley Courier Traveler	Arkansas City	KS
The Eureka Herald	Eureka	KS
The Goodland Star-News	Goodland	KS
The Holton Recorder	Holton	KS
The Marysville Advocate	Marysville	KS
The Monitor Journal	Little River	KS
The Norton Telegram	Norton	KS
The Oberlin Herald	Oberlin	KS
The Saint Francis Herald & Bird City Times	Saint Francis	KS
The Wabaunsee County Signal-Enterprise	Alma	KS
Universal Engraving, Inc.	Overland Park	KS

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Kentucky

Anderson News, The	Lawrenceburg	KY
Casey County News, The	Liberty	KY
Central Kentucky News-Journal	Campbellsville	KY
ElToro.com	Louisville	KY
Georgetown News-Graphic	Georgetown	KY
Henry County Local	Eminence	KY
Kentucky New Era	Hopkinsville	KY
Kentucky Standard, The	Bardstown	KY
LaRue County Herald News, The	Hodgenville	KY
Lebanon Enterprise, The	Lebanon	KY
News-Enterprise	Elizabethtown	KY
Oldham Era, The	La Grange	KY
Pioneer News, The	Shepherdsville	KY
Record, The	Leitchfield	KY
Record-Herald	Greensburg	KY
Sentinel-News, The	Shelbyville	KY
Spencer Magnet, The	Taylorsville	KY
Springfield Sun, The	Springfield	KY
The Cadiz Record	Cadiz	KY
The Cynthiana Democrat	Cynthiana	KY
The Eagle Post	Oak Grove	KY
The Grant County News	Williamstown	KY
The Harrison Shopper	Cynthiana	KY
The Licking Valley Courier	West Liberty	KY
The News-Democrat	Carrollton	KY
The News-Herald	Owenton	KY
The River City Trading Post	Carrollton	KY
The State Journal	Frankfort	KY
The Trimble Banner	Bedford	KY
Troublesome Creek Times	Hindman	KY
Vtility.com	Louisville	KY

Louisiana

American Press	Lake Charles	LA
Bogalusa Daily News	Bogalusa	LA
Bossier Press Tribune	Bossier City	LA
Cameron Parish Pilot	Cameron	LA
Catahoula News Booster	Jonesville	LA
Central Speaks Newspaper	Central	LA
DeQuincy News	DeQuincy	LA
DMS Mail Management, Inc.	Baton Rouge	LA
Jennings Daily News	Jennings	LA
LaPlace L'Observateur	LaPlace	LA
Ruston Daily Leader	Ruston	LA
Southwest Daily News	Sulphur	LA
The Avoyelles Journal	Avoyelles	LA
The Bienville Democrat	Arcadia	LA
The Bunkie Record	Bunkie	LA

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The Louisiana Weekly	New Orleans	LA
The Marksville News	Marksville	LA

Maine

Calyx Flowers, Inc.	Yarmouth	ME
Cuddledown	Yarmouth	ME
Ellsworth American	Ellsworth	ME
J.S. McCarthy	Augusta	ME
Mount Desert Islander	Bar Harbor	ME
Snowman Group	Hermon	ME

Maryland

Country Casual Teak	Gaithersburg	MD
Healthy Directions	Bethesda	MD
Ocean City Digest	Ocean City	MD
Ocean City Today	Ocean City	MD
Pet Industry Distributors Association	Abingdon	MD
Printing and Graphics Association MidAtlantic	Columbia	MD
Tire Industry Association	Bowie	MD
USAE Weekly Newspaper	Bethesda	MD

Massachusetts

Christianbook, LLC	Peabody	MA
Coldwater Creek	Hingham	MA
Daily Times Chronicle	Woburn	MA
Healy List Marketing	Beverly	MA
Integrated Systems Associates, Inc.	Swansea	MA
Legacy Publishing Group	Clinton	MA
Potpourri Group, Inc.	North Billerica	MA
Printing Industries of New England	Southborough	MA
The Manchester Cricket	Manchester-by-the-Sea	MA
Trainer's Warehouse	Natick	MA
Window Book, Inc.	Cambridge	MA

Michigan

Alcona County Review	Harrisville	MI
Ann Arbor Observer	Ann Arbor	MI
Assn. for Mail Electronic Enhancement	Newaygo	MI
Battle Creek Shopper News	Battle Creek	MI
Baudville Brands	Grand Rapids	MI
Bronner's Christmas Wonderland	Frankenmuth	MI
Cadillac News	Cadillac	MI
Clare County Cleaver	Harrison	MI
Clarkston News	Clarkston	MI
Community Papers of Michigan	Potterville	MI
Detroit Legal News	Detroit	MI
Extend Your Reach	Lansing	MI
Great American Media Services	Sparta	MI
Grosse Pointe News	Grosse Pointe	MI
Hastings Banner	Hastings	MI

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Hastings Reminder	Hastings	MI
Houghton Lake Resorter	Houghton Lake	MI
Kent Communications, Inc.	Grand Rapids	MI
Koeze Company	Grand Rapids	MI
Lake Orion Review	Lake Orion	MI
Lakewood News	Hastings	MI
Leelanau Enterprise	Lake Leelanau	MI
Lett Direct, Inc.	Williamsburg	MI
Lowell Buyers Guide	Lowell	MI
Lowell Ledger	Lowell	MI
Mail Room Service Center, Inc.	Saginaw	MI
Maple Valley News	Hastings	MI
Marshall/Chronicle	Marshall	MI
Oxford Leader	Oxford	MI
Save on Everything, LLC	Troy	MI
TGI Direct, Inc.	Flint	MI
The Citizen	Ortonville	MI
The Climax Crescent Newspaper	Climax	MI
The Clinton Local	Clinton	MI
The Independent	Dundee	MI
The Pinconning Journal	Pinconning	MI
The Record	Washington	MI
The Saginaw News	Saginaw	MI
The Tecumseh Herald	Tecumseh	MI
The Yale Expositor	Yale	MI

Minnesota

Belle Plaine Herald	Belle Plaine	MN
Benton County News	Foley	MN
Bloodwood Forum	Proctor	MN
Cardsource	Minneapolis	MN
Citizen Publishing Co., Inc	Windom	MN
Clara City Herald	Clara City	MN
Clifton Larson Allen	Minneapolis	MN
Comfrey Times	Comfrey	MN
Country Acres	Sauk Centre	MN
Crosby-Ironton Courier, Inc.	Crosby	MN
Dairy Star	Sauk Centre	MN
Eden Valley-Watkins Voice	Eden Valley	MN
Ely Echo	Ely	MN
Exponent, TheEast	Grand Forks	MN
Fergus Falls Daily Journal	Fergus Falls	MN
Floodwood Forum	Floodwood	MN
Graphic Finishing	Minneapolis	MN
Hanska Herald	Madelia	MN
Hermantown Star	Hermantown	MN
IdealPrinters	St. Paul	MN
Inkjet Insight, LLC	Minneapolis	MN
Jackson County Pilot	Jackson	MN
Japs-Olson	St. Louis Park	MN
Lafayette Nicollet Ledger	Lafayette	MN

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Madelia Times-Messenger	Madelia	MN
Meyers Printing	Minneapolis	MN
Minnesota Newspaper Association	Minneapolis	MN
Minnesota Women's Press	Minneapolis	MN
Nahan Printing	St. Cloud	MN
National Checking	Minneapolis	MN
New Babbitt Weekly News	Babbitt	MN
Northeaster	Minneapolis	MN
Northern Light Region, The	Baudette	MN
On-Trac International	Brighton	MN
Page 1 Publications, Inc.	East Grand Forks	MN
Paynesville Press	Paynesville	MN
Pelican Press	Pelican Rapids	MN
Pope County Tribune	Glenwood	MN
Printing Industry Midwest	Minneapolis	MN
Proctor Journal	Proctor	MN
Proprint	Duluth	MN
Pure Gold	Madelia	MN
Rock County Star Herald	Luverne	MN
Sartell-St. Stephen Newsleader	St. Joseph	MN
Saturation Mailers Coalition	Minneapolis	MN
Sauk Centre Herald	Sauk Centre	MN
Sauk Rapids Herald	Sauk Rapids	MN
Spicer - Lakes Area Review	New London	MN
St. Joseph Newsleader	St. Joseph	MN
St. Paul Voice	St. Paul	MN
Standard Dynamics	Minneapolis	MN
Star Publications, LLC	Sauk Centre	MN
Star Shopper	Sauk Centre	MN
The Appleton Press	Appleton	MN
The Battle Lake Review	Battle Lake	MN
The Kerkhoven Banner	Kerkhoven	MN
The Middle River Honker	Middle River	MN
The Observer	Belgrade	MN
The Star Post	Albany	MN
Timberjay	Tower	MN
Tracy Area Headlight Herald	Tracy	MN
Valley News	Browns Valley	MN
Wheaton Gazette	Wheaton	MN

Mississippi

Emmerich Newspapers	Jackson	MS
Jacobs Properties	Brookhaven	MS
The Charleston Sun-Sentinel	Charleston	MS
The Franklin Advocate	Meadville	MS
The Star-Herald	Kosciusko	MS
The Wayne County News	Waynesboro	MS

Missouri

Advertiser-Courier	Hermann	MO

AMERICAN OVERSIGHT

Arnold-Imperial Leader	Festus	MO
Bowling Green Times	Bowling Green	MO
Buffalo Reflex	Buffalo	MO
Cabool Enterprise	Cabool	MO
Centralia Fireside Guard	Centralia	MO
Christian County Headliner-News	Ozark	MO
Elsberry Democrat	Elsberry	MO
Eureka Leader	Festus	MO
Excelsior Springs Standard	Excelsior Springs	MO
Gasconade County Republican	Owensville	MO
Hallmark	Kansas City	MO
Hathaway & Lane Direct, LLC	O'Fallon	MO
Houston Herald	Houston	MO
Jefferson County Leader	Festus	MO
Lake Gazette, The	Monroe City	MO
Lincoln County Journal	Troy	MO
Louisiana Press-Journal	Louisiana	MO
Maginating	Kirkwood	MO
Maries County Advocate	Vienna	MO
Marshfield Mail, The	Marshfield	MO
MCH Strategic Data	Sweet Springs	MO
Midwest Mailing Service	Columbia	MO
Montgomery Standard	Montgomery City	MO
Newstime	Lake Saint Louis	MO
Nixa Xpress	Nixa	MO
Ozark County Times	Gainesville	MO
Ozark Mailing Service	Springfield	MO
Peruvian Connection, LLC	Kansas City	MO
Phelps County Focus	Rolla	MO
Presort, Inc.	St. Louis	MO
Print Media Association	Chesterfield	MO
Sage Information Services	Jefferson City	MO
Sedalia Democrat, The	Sedalia	MO
Stockton Cedar County Republican	Stockton	MO
The Labor Tribune	St. Louis	MO
The Laclede County Record	Lebanon	MO
The Mansfield Mirror	Mansfield	MO
The Mountain Grove News Journal	Mountain Grove	MO
The Richmond News	Richmond	MO
The Salem News	Salem	MO
Town and Country Leader	Excelsior Springs	MO
Troy Free Press	Troy	MO
Unterrified Democrat	Linn	MO
US Toy Company	Grandview	MO
Vandalia Leader, The	Vandalia	MO
Warren County Record	Warrenton	MO
Washington Missourian	Washington	MO
West Plains Daily Quill	West Plains	MO
West Side Leader, The	Festus	MO

Montana

AMERICAN OVERSIGHT

Cut Bank Pioneer Press	Cut Bank	MT
Daniels County Leader	Scobey	MT
Glacier Reporter	Browning	MT
Mailing Technical Services, Inc.	Billings	MT
Shelby Promoter	Shelby	MT
The Laurel Outlook	Laurel	MT
The Valierian	Valier	MT
Tobacco Valley News	Eureka	MT

Nebraska

Ainsworth Star-Journal	Ainsworth	NE
Albion News	Albion	NE
Barnhart Press	Omaha	NE
Blair Pilot-Tribune	Blair	NE
Business Farmer	Scottsbluff	NE
CapStone Technologies, LLC	Lincoln	NE
Cedar County News	Hartington	NE
Citizen	Arlington	NE
Crete News	Crete	NE
Douglas County Post-Gazette	Elkhorn	NE
Friend Sentinel, The	Friend	NE
Grant County News	Hyannis	NE
Grant Tribune-Sentinel, The	Grant	NE
Gretna Guide and News	Gretna	NE
Hastings Tribune	Hastings	NE
Hooker County Tribune	Mullen	NE
Humphrey Democrat	Humphrey	NE
Imperial Republican, The	Imperial	NE
Lyons Mirror-Sun	Lyons	NE
McPherson County News	Tryon	NE
Milford Times	Milford	NE
Nebraska Press Association	Lincoln	NE
North Bend Eagle	North Bend	NE
Oakland Independent	Oakland	NE
Petersburg Press	Petersburg	NE
Pierce County Leader	Pierce	NE
Seward County Independent	Seward	NE
Springview Herald	Springview	NE
St. Edward Advance	St Edward	NE
Summerland Advocate-Messenger	Clearwater	NE
The Arnold Sentinel	Arnold	NE
The Clay County News	Sutton	NE
The Elgin Review	Elgin	NE
The Stapleton Enterprise	Stapleton	NE
The Voice News	Hickman	NE
The Voice of Western Nebraska	Morrill	NE
Thomas County Herald	Thedford	NE
Valentine Midland News	Valentine	NE
Washington County Enterprise	Blair	NE
Wauneta Breeze	Wauneta	NE
Wilber Republican, The	Wilber	NE

AMERICAN OVERSIGHT

Nevada

Battle Mountain Bugle	Battle Mountain	NV
Gardnerville Record Courier	Gardnerville	NV
Humboldt Sun	Winnemucca	NV
Lahontan Valley News	Fallon	NV
Las Vegas Review Journal	Las Vegas	NV
Lovelock Review Miner	Lovelock	NV
Moapa Valley Progress	Overton	NV
Nevada Appeal	Carson City	NV
Nevada Press Association	Carson City	NV
Nevada Rancher	Winnemucca	NV
Northern Nevada Business Weekly	Reno	NV

New Hampshire

Eastern Marketing Services	Portsmouth	NH
InterTown Record	North Sutton	NH
Littleton Coin Company, Inc.	Littleton	NH
Valley News	West Lebanon	NH

New Jersey

A Smyth Co.	Haddon Township	NJ
Community News Service	Lawrence	NJ
Edmund Optics	Barrington	NJ
Maljon LLC	Flanders	NJ
OSG Billing	Ridgefield Park	NJ
Page Three Consulting	Haddonfield	NJ
The Advertiser-News	Vernon	NJ
The Sentinel of Gloucester County	Malaga	NJ
The Sparta Independent	Sparta	NJ
The Township Journal	Newton	NJ
The West Milford Messenger	West Milford	NJ
West Essex Tribune	Livingston	NJ

New Mexico

Cibola Citizen	Grants	NM
Hobbs News Sun	Hobbs	NM
Las Vegas Optic	Las Vegas	NM
Los Alamos Monitor	Los Alamos	NM

New York

Adirondack Daily Enterprise	Saranac Lake	NY
All Island Media Inc.	Edgewood	NY
Bee Group Newspapers	Buffalo	NY
Belardi Wong, ALC, LLC	New York City	NY
Charleston Gardens	New York City	NY
Chelsea Clinton News	New York City	NY
Chelsea News	New York City	NY
Cross Country Computer	East Islip	NY
FPH Communications	New York City	NY

AMERICAN OVERSIGHT

Great Arrow Graphics	Buffalo	NY
Genesee Valley Publications	Avon	NY
Lake Placid News	Saranac Lake	NY
Lindenmeyr Central (Member of Central Nat'l Gottesman, Inc.) Purchase		NY
MeritDirect	Rye Brook	NY
Mid-Hudson Times	Newburgh	NY
New York Press Association	Albany	NY
Northern Safety & Industrial	Utica	NY
Our Town	New York City	NY
Our Town Downtown	New York City	NY
Patient Press Greeting Cards	Rochester	NY
Printing Industries Alliance	Amherst	NY
Publishers Clearing House	Jericho	NY
Ray Slyper Associates	New York City	NY
Southern Ulster Times	Milton	NY
The Altamont Enterprise & Albany County Post	Altamont	NY
The Chronicle	Goshen	NY
The Freeman's Journal	Cooperstown	NY
The Highlands Current	Cold Spring	NY
The Photo News	Monroe	NY
The Warwick Advertiser	Warwick	NY
Uncommon Goods	Brooklyn	NY
Wallkill Valley Times	Walden	NY
Westsider	New York City	NY
West Side Spirit	New York City	NY

North Carolina

Bowe Systec	Raleigh	NC
Brunswick Beacon, The	Shallotte	NC
Carteret County News-Times	Morehead City	NC
Cherokee Scout	Murphy	NC
Clay County Progress	Hayesville	NC
eVanguard Solutions, Inc (dba MailXstream)	Wilmington	NC
Fresh Angle Communications	Holden Beach	NC
National Wholesale, Inc.	Lexington	NC
Scottish Gourmet USA, LLC	Greensboro	NC
Stokes News	King	NC
The Graham Star	Robbinsville	NC
The Mount Airy News	Mount Airy	NC
The News Reporter	Whiteville	NC
The Printing Industry of the Carolinas, Inc.	Charlotte	NC
The Tribune	Elkin	NC
Yadkin Ripple	Yadkinville	NC

North Dakota

Adams County Record	Hettinger	ND
Ashley Tribune	Ashley	ND
Beulah Beacon	Beulah	ND
Billings County Pioneer	Medora	ND
Bottineau Courant	Bottineau	ND

AMERICAN OVERSIGHT

Carson Press	Elgin	ND
Center Republican	Washburn	ND
Central McLean News Journal	Underwood	ND
Emmons County Record	Linton	ND
Enderlin Independent	Enderlin	ND
Golden Valley Beach News	Beach	ND
Grant County News	Elgin	ND
Hazen Star, The	Hazen	ND
Kulm Messenger	Kulm	ND
Lamoure Chronicle	Lamoure	ND
Larimore Leader/Tribune	Larimore	ND
Litchville Bulletin	Litchville	ND
McClusky Gazette	McClusky	ND
McKenzie County Farmer	Watford City	ND
McLean County Independent	Garrison	ND
Mountrail County Record	New Town	ND
Napoleon Homestead	Napoleon	ND
New Town News	New Town	ND
North Dakota Newspaper Association	Bismarck	ND
Presort Plus	Bismarck	ND
Recreation Supply Company	Bismarck	ND
The Forum of Fargo-Moorhead	Fargo	ND
The Herald	New England	ND
The Jamestown Sun	Jamestown	ND
The Journal	Crosby	ND
The Walsh County Record	Grafton	ND
Tioga Tribune	Tioga	ND
Tri-County News	Gackle	ND
Valley News & Views	Drayton	ND
Washburn Leader-News	Washburn	ND
Wishek Star	Wishek	ND

Ohio

American Greetings	Cleveland	OH
Archbold Buckeye	Archbold	OH
Bluestone Perennials	Madison	OH
Chagrin Valley Times	Chagrin Falls	OH
Farm and Dairy	Salem	OH
Farmland News	Archbold	OH
Gardens Alive!	Tipp City	OH
Geauga Times Courier	Chardon	OH
Graphic Media Alliance	Westerville	OH
Mail Automation, Inc.	Baltimore	OH
Midwest Direct	Cleveland	OH
Millers Print and Mail, Inc.	Akron	OH
Nationwide Insurance	Columbus	OH
Ohio News Media Association	Columbus	OH
Solon Times	Solon	OH
Sporty's/Sportsman's Market, Inc.	Batavia	OH
Summit Racing Equipment	Tallmadge	OH
The Crestline Advocate	Crestline	OH

AMERICAN OVERSIGHT

The Good News	Middlefield	OH
The Progressor-Times/Mohawk Leader	Carey	OH
Town Money Saver	Lucas	OH
Up With Paper	Mason	OH
Vermilion Photojournal	Vermilion	OH
Westlife	Westlake	OH

Oklahoma

Beckham County Record	Sayre	OK
Blanchard News	Blanchard	OK
Bristow News	Bristow	OK
Buffalo Weekly News	Buffalo	OK
Cheyenne Star	Cheyenne	OK
Clinton Daily News	Clinton	OK
Cordell Beacon	Cordell	OK
Country Connection News	Eakly	OK
Cushing Citizen	Cushing	OK
Drumright Gusher	Drumright	OK
Eastern Times Register, The	Vian	OK
Elk City News	Elk City	OK
Eufaula Indian Journal, The	Eufaula	OK
Garvin County News Star	Maysville	OK
Geary Star	Geary	OK
Harper County Leader	Laverne	OK
Henryetta Free-Lance	Henryetta	OK
Hinton Record	Hinton	OK
Johnston County Sentinel	Tishomingo	OK
Kiowa County Democrat	Snyder	OK
Lincoln County News	Chandler	OK
Madill Record	Madill	OK
McIntosh County Democrat	Eufaula	OK
Okarche Warrior	Okarche	OK
Okmulgee Times	Okmulgee	OK
Piedmont Gazette	Piedmont	OK
Ponca City News, The	Ponca City	OK
Presort First Class	Oklahoma City	OK
Sequoyah County Times	Sallisaw	OK
Southwest Ledger	Lawton	OK
Stilwell Democrat Journal	Stilwell	OK
Stroud American	Stroud	OK
Tahlequah Daily Press	Tahlequah	OK
Target Marketing Print and Mail Solutions	Broken Arrow	OK
The Apache News	Apache	OK
The Comanche Times	Comanche	OK
The Examiner	Hugo	OK
The Fairfax Chief	Fairfax	OK
The Hooker Advance	Hooker	OK
The Newcastle Pacer	Newcastle	OK
The Newkirk Herald Journal	Newkirk	OK
The Purcell Register	Purcell	OK
The Walters Herald	Walters	OK

AMERICAN OVERSIGHT

The Wynnewood Gazette	Wynnewood	OK
Tonkawa News, The	Tonkawa	OK
Tri-County Herald	Meeker	OK
Vian Tenkiller News	Vian	OK
Vici Vision	Vici	OK
Walters Herald	Walters	OK
Watonga Republican	Watonga	OK
Weatherford Daily News	Weatherford	OK
Wylie Communications, Inc.	Oologah	OK
Yukon Progress	Yukon	OK

Oregon

Baker City Herald	Baker City	OR
Blue Mountain Eagle	John Day	OR
Boundaryless Enterprises, LLC	Medford	OR
Burns Times-Herald	Burns	OR
Capital Press	Salem	OR
Columbia Gorge News	Columbia River Gorge	OR
East Oregonian	Pendleton	OR
Hermiston Herald	Hermiston	OR
Hood River News	Hood River	OR
Keizertimes	Keizer	OR
La Grande Observer	La Grande	OR
Lake County Examiner	Lakeview	OR
Mailbox Merchants	Portland	OR
News-Register	McMinnville	OR
Pacific Printing Industries Association	Portland	OR
Redmond Spokesman	Redmond	OR
Seaside Signal	Seaside	OR
Signature Graphics	Portland	OR
The Astorian	Astoria	OR
The Bulletin	Bend	OR
The Chronicle	Creswell	OR
The Dalles Chronicle	Dalles	OR
TOO Magazine	Pendleton	OR
Wallowa County Chieftain	Enterprise	OR
White Salmon Enterprise	White Salmon	OR

Pennsylvania

Asendia	Folcraft	PA
Crayola	Easton	PA
Graphic Arts Association	Trevose	PA
Philadelphia Gay News	Philadelphia	PA
Printing Industries of America	Warrendale	PA
The New Republic	Meyersdale	PA
The Pike County Courier	Milford	PA
The Savings Guide	Mechanicsburg	PA
The Spirit	Glenolden	PA

Rhode Island

AMERICAN OVERSIGHT

Calypso Cards	Providence	RI
Cathedral Corporation	Lincoln	RI
The Block Island Times	Block Island	RI

South Carolina

Carolina Gateway	Lancaster	SC
Domtar	Fort Mill	SC
Island News	Beaufort	SC
Lancaster News, The	Lancaster	SC
Lexington County Chronicle & The Dispatch-News	Lexington	SC
News & Reporter, The	Chester	SC
Pageland Progressive-Journal	Pageland	SC
The Catholic Miscellany	Charleston	SC
The Gaffney Ledger	Gaffney	SC
The Twin-City News	Batesburg	SC
The Voice of Blythewood & Fairfield County	Blythewood	SC

South Dakota

Clear Lake Courier	Clear Lake	SD
Custer County Chronicle	Custer	SD
Dakota Dunes/North Sioux City Times	North Sioux City	SD
Highmore Herald	Highmore	SD
Hill City Prevailer New	Hill City	SD
Lakota Times	Martin	SD
Prairie Pioneer	Pollock	SD
Qualified Presort Service, LLC	Sioux Falls	SD
Sisseton Courier	Sisseton	SD
South Dakota Newspaper Association	Brookings	SD
Southern Union County Leader Courier	Elk Point	SD
Times-Advocate	Gregory	SD
True Dakotan	Wessington Springs	SD
Winner Advocate	Winner	SD

Tennessee

Action Mail Presort, Inc.	Chattanooga	TN
Carroll County News Leader	Huntingdon	TN
Citizen Tribune	Morristown	TN
Elk Valley Times, The	Fayetteville	TN
Exchange media Group	Fayetteville	TN
Grundy County Herald	Tracy City	TN
Herald Chronicle, The	Winchester	TN
International Paper	Memphis	TN
LaFollette Press	La Follette	TN
Manchester Times	Manchester	TN
Moore County News, The	Lynchburg	TN
Morgan County News	Wartburg	TN
Printing Industry Association of the South, Inc.	Nashville	TN
Roane County News	Kingston	TN
The Paris Post-Intelligencer	Paris	TN
The Standard Banner	Jefferson City	TN

AMERICAN OVERSIGHT

Tullahoma News	Tullahoma	TN

Texas

Ad Pages Solutions	Plano	TX
Alpine Avalanche	Alpine	TX
Aransas Pass Progress	Aransas Pass	TX
Atlanta Citizens Journal	Atlanta	TX
Bay City Tribune	Bay City	TX
Big Bend Sentinel	Marfa	TX
Big Sandy-Hawkins Journal	Big Sandy	TX
Blanco County News	Blanco	TX
Brady Standard-Herald	Brady	TX
Breckenridge American	Breckenridge	TX
Brenham Banner	Brenham	TX
Burnet Bulletin	Burnet	TX
Carrizo Springs Javelin	Carrizo Springs	TX
Centerville News	Centerville	TX
Cleburne Times Review	Cleburne	TX
Clifton Record	Clifton	TX
Coleman Chronicle and Democrat Voice	Coleman	TX
Copperas Cove Leader-Press	Copperas Cove	TX
Dalhart Texan	Dalhart	TX
Direct Merchandising, Inc.	Carrollton	TX
Double Mountain Chronicle	Rotan	TX
Dripping Springs Century News	Dripping Springs	TX
Dublin Citizen	Dublin	TX
El Campo Leader-News	El Campo	TX
Ennis News	Ennis	TX
Fairfield Recorder	Fairfield	TX
Focus Daily News	DeSoto	TX
Fort Stockton Pioneer	Fort Stockton	TX
Fredericksburg Standard-Radio Post	Fredericksburg	TX
Frio-Nueces Current	Pearsall	TX
Gainesville Daily Register	Gainesville	TX
Gatesville Messenger	Gatesville	TX
Gladewater Mirror	Gladewater	TX
Gonzales Inquirer	Gonzales	TX
Great American Business Products	Houston	TX
Groesbeck Journal	Groesbeck	TX
Half Price Books	Dallas	TX
Hays Free Press	Kyle	TX
Herald-Banner	Greenville	TX
Hill Country News	Cedar Park	TX
Horseshoe Bay	Horseshoe Bay	TX
Ingleside Index	Aransas Pass	TX
Jacksboro Herald-Gazette	Jacksboro	TX
Jackson County Herald-Tribune	Edna	TX
J.C. Penney Corporation, Inc.	Plano	TX
Johnson City Record-Courier	Johnson City	TX
Journal-Spectator	Wharton	TX
Kaufman Herald	Kaufman	TX

AMERICAN OVERSIGHT

Lamb County Leader-News	Littlefield	TX
Lindale News & Times	Lindale	TX
Lindsay Letter	Lindsay	TX
Llano News, The	Llano	TX
Madisonville Meteor	Madisonville	TX
Mail Presort	Fort Worth	TX
Mason County News	Mason	TX
Mineral Wells Index	Mineral Wells	TX
Mount Pleasant Tribune	Mount Pleasant	TX
Mount Vernon Optic-Herald	Mount Vernon	TX
Muenster Enterprise	Muenster	TX
Murphy Monitor	Murphy	TX
Nocona News	Nocona	TX
Orange Leader	Orange	TX
Ozona Stockman	Ozona	TX
Palacios Beacon	Palacios	TX
Panhandle Presort Services, Ltd.	Amarillo	TX
Park Cities People	Dallas	TX
Plains Presort Services, LLC	Lubbock	TX
Pleasanton Express	Pleasanton	TX
Polk County Enterprise	Livingston	TX
Port Aransas South Jetty Newspaper	Port Aransas	TX
Port Arthur Daily News	Port Arthur	TX
Port Isabel/South Padre Press	Port Isabel	TX
Presidio International	Marfa	TX
Presort EMS	Frisco	TX
Preston Hollow People	Dallas	TX
Printing & Imaging Assn. of MidAmerica	Dallas	TX
Printing Industries of the Gulf Coast, Inc.	Houston	TX
Promotional Products International	Irving	TX
Rockwall Herald Banner	Rockwall	TX
Royal Alliances	Irving	TX
Royse City Herald Banner	Royse City	TX
San Benito News	San Benito	TX
San Marcos Daily Record	San Marcos	TX
San Saba News	San Saba	TX
Sealy News	Sealy	TX
Seguin Gazette	Seguin	TX
Sergeant Bluff Advocate	Sergeant Bluff	TX
Steel Country Bee	Daingerfield	TX
Teague Chronicle	Teague	TX
Texas Jewish Post	Dallas-Fort Worth	TX
The Alvin Sun & Advertiser	Alvin	TX
The Banner Press Newspaper	Columbus	TX
The Baytown Sun	Baytown	TX
The Big Lake Wildcat	Big Lake	TX
The Bowie News	Bowie	TX
The Cameron Herald	Cameron	TX
The Canadian Record	Canadian	TX
The Castro County News	Dimmitt	TX
The Clarendon Enterprise	Clarendon	TX

AMERICAN OVERSIGHT

The Community News	Aledo	TX
The Cuero Record	Cuero	TX
The Daily Sentinel	Nacogdoches	TX
The Devil's River News	Sonora	TX
The Eldorado Success	Eldorado	TX
The Farmersville Times	Farmesville	TX
The Fayette County Record	La Grange	TX
The Fort Bend Herald	Rosenberg	TX
The Galveston County Daily News	Galveston	TX
The Graham Leader	Graham	TX
The Hansford County Reporter-Statesman	Spearman	TX
The Henderson News	Henderson	TX
The Highlander	Marble Falls	TX
The Katy Times	Katy	TX
The Liberty Hill Independent	Liberty Hill	TX
The Light and Champion	Center	TX
The Lufkin Daily News	Lufkin	TX
The Marlin Democrat	Marlin	TX
The Marshall News Messenger	Marshall	TX
The Meridian Tribune	Meridian	TX
The Mexia News	Mexia	TX
The Normangee Star	Normangee	TX
The Panola Watchman	Carthage	TX
The Paris News	Paris	TX
The Picayune	Marble Falls	TX
The Pittsburg Gazette	Pittsburg	TX
The Port Lavaca Wave	Port Lavaca	TX
The Princeton Herald	Princeton	TX
The Rockport Pilot	Rockport	TX
The Rosebud News	Rosebud	TX
The Sachse News	Sachse	TX
The Snyder News	Snyder	TX
The Thorndale Champion	Thorndale	TX
The Whitewright Sun	Whitewright	TX
The Wylie News	Wylie	TX
Uvalde Leader-News	Uvalde	TX
VariVerge, LLC	Dallas	TX
Vernon Record	Vernon	TX
Wallis News-Review	Wallis	TX
Weatherford Democrat	Weatherford	TX
White Oak Independent	White Oak	TX
Whitesboro News-Record	Whitesboro	TX
Wimberley View	Wimberley	TX
Wise County Messenger	Decatur	TX
Yorktown-News View	Yorktown	TX

Utah

Basin Nickel Ads	Vernal	UT
Beaver County Journal	Beaver	UT
Chronicle Progress	Delta	UT
Cottonwood Heights Journal	Cottonwood Heights	UT

AMERICAN OVERSIGHT

Davis Clipper	Bountiful	UT
Draper Journal	Draper	UT
ETV News	Price	UT
Herriman Journal	Herriman	UT
Holladay Journal	Holladay	UT
Intermountain Catholic	Salt Lake City	UT
International Bridge Inc.	Provo	UT
Midvale Journal	Midvale	UT
Millcreek Journal	Millcreek	UT
Murray Journal	Murray	UT
Olive & Cocoa, LLC	Salt Lake City	UT
Presort Essentials	Salt Lake City	UT
Riverton Journal	Riverton	UT
Sandy Journal	Sandy	UT
South Jordan Journal	South Jordan	UT
South Salt Lake Journal	Salt Lake City	UT
Southern Utah News	Kanab	UT
Sugar House Journal	Salt Lake City	UT
Taylorsville Journal	Taylorsville	UT
The Intermountain Commercial Record and the Salt Lake Times	Salt Lake City	UT
The Pyramid	Mt. Pleasant	UT
The Reaper Extra	Richfield	UT
The Richfield Reaper	Richfield	UT
The Times-Independent	Moab	UT
The Wayne & Garfield County Insider	Escalante	UT
Uintah Basin	Roosevelt	UT
Utah Press Association	West Jordan	UT
Vernal Express	Vernal	UT
West Jordan Journal	West Jordan	UT
West Valley City Journal	West Valley City	UT

Vermont

Colchester Sun	Colchester	VT
Essex Reporter	Colchester	VT
International Coins & Currency	Montpelier	VT
Lane Press	South Burlington	VT
Milton Independent	Milton	VT
News & Citizen	Morrisville	VT
Saint Albans Messenger	Saint Albans	VT
Shelburne News	Shelburne	VT
Shine Strategy, LLC	Manchester Center	VT
South Burlington Other Paper	South Burlington	VT
Stowe Reporter	Stowe	VT
The Citizen	Charlotte	VT
The Valley Reporter	Waitsfield	VT
The Vermont Teddy Bear Company, Inc.	Shelburne	VT
The White River Valley Herald	Randolph	VT
Vermont Country Store	Manchester Center	VT
Vermont Press Association	Colchester	VT

AMERICAN OVERSIGHT

Virginia

AICC, The Independent Packaging Assn.	Alexandria	VA
Alexander & Company, LLC	Williamsburg	VA
American Subcontractors Assn.	Alexandria	VA
Association for Postal Commerce (Postcom)	Alexandria	VA
Assurety Consulting, Inc.	Sterling	VA
Bedford Bulletin	Bedford	VA
BMS Direct	Lynchburg	VA
Carroll News	Hillsville	VA
Central Virginian, The	Louisa	VA
Declaration, The	Galax	VA
Gazette, The	Galax	VA
Gloucester-Mathews Gazette-Journal	Gloucester	VA
International Mailers Advisory Group	Arlington	VA
News Media Alliance	Arlington	VA
Northern Neck News	Warsaw	VA
Northumberland Echo	Heathsville	VA
Parcel Shippers Assn.	Alexandria	VA
Petroleum Marketers Assn. of America	Arlington	VA
Rappahannock Record	Kilmarnock	VA
Southside Sentinel	Urbanna	VA
The CEP Group	Arlington	VA
The News-Gazette	Lexington	VA
The Recorder	Monterey	VA
The Southwest Times	Pulaski	VA
Westmoreland News	Warsaw	VA
Worth, Higgins & Associates, Inc.	Norfolk	VA

Washington

Amazon	Seattle	WA
Chinook Observer	Long Beach	WA
ComputerGear	Woodinville	WA
Eddie Bauer, LLC	Bellevue	WA
Ferndale Record	Ferndale	WA
Lynden Tribune	Lynden	WA
Northern Kittitas County Tribune	Cle Elum	WA
Sendle	Seattle	WA
Sun Precautions	Seattle	WA
Thrift Books Global, LLC	Seattle	WA

West Virginia

The Morgan Messenger	Berkeley Springs	WV

Wisconsin

4Imprint	Oshkosh	WI
Arandell Corporation	Menomonee Falls	WI
Campbellsport News	Campbellsport	WI
Courier Sentinel	Cornell	WI
Dodge County Pionier	Mayville	WI

AMERICAN OVERSIGHT

Elmwood Sun-Argus	Spring Valley	WI
Great Lakes Graphics Association	Pewaukee	WI
Kewaskum Statesman	Campbellsport	WI
L&M Mail and Courier	Eau Claire	WI
MadMen3, LLC	DeForest	WI
National Business Furniture	Milwaukee	WI
North Woods Trader	Eagle River	WI
Nueske's Applewood Smoked Meats	Wittenberg	WI
Ozaukee Press	Port Washington	WI
Quad, Inc.	Sussex	WI
Record Review	Edgar	WI
Silver Star Brands	Oshkosh	WI
Star Journal	Rhinelander	WI
Star News	Medford	WI
The Democrat Tribune	Mineral Point	WI
The Dodgeville Chronicle	Dodgeville	WI
The Pecatonica Valley River	Argyle	WI
The Plymouth Review	Plymouth	WI
The Sheboygan Falls News	Sheboygan Falls	WI
The Sounder	Random Lake	WI
The Star News	Medford	WI
The Three Lakes News	Three Lakes	WI
The Woodville Leader	Woodville	WI
Tomahawk Leader	Tomahawk	WI
Tribune Phonograph	Abbottsford	WI
Tribune Record Gleaner	Loyal	WI
Vilas County News-Review	Eagle River	WI
Walsworth/Ripon	Ripon	WI
Waupaca County Post-East	Waupaca	WI
Waupaca County Post-West	Waupaca	WI
Wisconsin Community Papers	Fond du Lac	WI

Wyoming

Bridger Valley Pioneer	Lyman	WY
Cheyenne Minuteman	Cheyenne	WY
Cody Enterprise	Cody	WY
Douglas Budget	Douglas	WY
Gillette News-Record	Gillette	WY
Glenrock Independent	Glenrock	WY
Guernsey Gazette	Guernsey	WY
Jackson Hole News & Guide	Jackson	WY
Kemmerer Gazette	Kemmerer	WY
Lingle Guide	Lingle	WY
Lusk Herald	Lusk	WY
Moorcroft Leader	Moorcroft	WY
Pinedale Roundup	Pinedale	WY
Pirate Ship	Jackson	WY
Platte County Record-Times	Wheatland	WY
Powell Tribune	Powell	WY
Sublette Examiner	Pinedale	WY
Sundance Times	Sundance	WY

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Thermopolis Independent Record	Thermopolis	WY
Torrington Telegram	Torrington	WY
Uinta County Herald	Evanston	WY
Wyoming Livestock Roundup	Casper	WY
Wyoming Pioneer	Hulett	WY

cc: The Honorable Carolyn Maloney
The Honorable Jim Jordan
The Honorable Ron Johnson
The Honorable Gary Peters

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UNITED STATES POSTAL SERVICE®

Headquarters COVID Town Hall

April 28th, 2020

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COVID 19 CORONAVIRUS DISEASE

USPS-20-1215A009723

Opening Remarks

Megan J. Brennan

Postmaster General and Chief Executive Officer

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USPS-20-1215-A-009724

General Election outreach to States

- Expected surge in absentee ballots
- Contact all 50 states, prioritizing 19 states with excuse required to vote with absentee ballot
- Educate states on absentee ballot envelope design and mailing requirements
- Election Mail Teams will be comprised of HQ, Area, and District staff with election mail expertise
- Efforts in progress to support increased use of absentee ballots for primaries

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Legal Landscape

(b)(5)

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UNITED STATES POSTAL SERVICE ®

Employee Response

Continue to support our employees as the nation ramps back up for business

- Employee health, safety and wellness
- Partnership with Unions and Management Associations
- Targeted fast track hiring
- Telework approach

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Operational Continuity

Continue to deliver vital goods and services as we help the country transition

- Economic Impact Payment
- Medications
- Package platform utilization
- Manage to workload and employee availability

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USPS-20-1215-A-009728

Technology Enabled

Continue to leverage technology to enable the Postal Service to achieve its mission

- (b)(3), 410(c)(2)

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USPS-20-1215-A-009729

Business Continuity

Continue to ensure health of critical business processes to drive Postal operations

(b)(3), 410(c)(2)

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Customer Continuity

Continue to meet our customers where they are to provide creative, meaningful and effective mailing & shipping solutions

- (b)(3), 410(c)(2)

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Communications

Continue to communicate with our employees, customers and stakeholders

- COVID-19 Blue and LiteBlue sites
- HERO Messaging
- Field Positive Feedback
- Social Media
- Media Stories

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Continue to support and coordinate all of Postal response to COVID-19

- Integrated transition plan
- Coordinated & prioritized solutions
- Speed & thoroughness in decision making
- Removal of barriers & allocation of resources
- Navigating the new normal

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Thank You

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 27, 2020

M-20-24

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Russell T. Vought
Acting Director

SUBJECT: Implementing the Presidential Transition Act

This Memorandum provides guidance to all Executive departments and agencies ("agencies") on assisting the Presidential transition activities required by the Presidential Transition Act of 1963, as amended (3 U.S.C. § 102 note).

Background

The Presidential Transition Act promotes the orderly transfer of Executive powers in connection with the expiration of the term of office of a President and the inauguration of a new President. The activities required by the Act are also helpful to prepare for leadership transitions that occur between the first and second terms of Administrations.

The Act requires the establishment of a White House Transition Coordinating Council, an Agency Transition Directors Council, and designation of a General Services Administration (GSA) Federal Transition Coordinator. The Act sets up a timetable for agencies to name points of contact to assist with transition efforts and develop succession plans and establishes responsibilities for the Agency Transition Directors Council.

Timetable of Required Agency Actions

1. By May 1, 2020, each agency identified in Enclosure 1 shall name its Agency Transition Director. The Agency Transition Director should be a senior career representative whose responsibilities include leading Presidential transition efforts within the agency. Agencies shall provide the name, title, email address, and telephone number for their Agency Transition Directors to GSA's Federal Transition Coordinator at PresidentialTransition2020@gsa.gov. These individuals will serve on the Agency Transition Directors Council, co-chaired by the Federal Transition Coordinator and the Deputy Director for Management of the Office of Management and Budget (OMB).

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2. By May 1, 2020, each agency identified in Enclosure 2 shall identify a point of contact for communication purposes related to Presidential transition efforts. Agencies shall provide the name, title, email address, and telephone number for their communication coordination to GSA's Federal Transition Coordinator at PresidentialTransition2020@gsa.gov.

3. Not later than September 15, 2020, and in accordance with subchapter III of chapter 33 of title 5, United States Code, the head of each agency[1] shall ensure that a succession plan[2] is in place for each senior non-career position in the agency.

Responsibilities

The Agency Transition Directors Council shall:

i. Ensure the Federal Government has an integrated strategy for addressing interagency challenges and responsibilities around Presidential transitions and turnover of non-career appointees;
ii. Coordinate transition activities among the Executive Office of the President, agencies, and the transition team of eligible candidates and the President-elect and vice-President-elect;
iii. Draw on guidance provided by the White House Transition Coordinating Council and lessons learned from previous Presidential transitions in carrying out its duties;
iv. Assist the Federal Transition Coordinator in identifying and carrying out the responsibilities of the Federal Transition Coordinator relating to a Presidential transition;
v. Provide guidance to agencies in gathering briefing materials and information relating to the Presidential transition that may be requested by eligible candidates;
vi. Ensure materials and information described in subparagraph (v) above are prepared not later than November 1 of the year during which a Presidential election is held;
vii. Ensure agencies adequately prepare career employees who are designated to fill non-career positions during a Presidential transition; and
viii. Consult with the President's Management Council, or any successor thereto, in carrying out its duties.

OMB and GSA intend to hold an Agency Transition Directors Council meeting on May 27, 2020. Calendar invitations will be distributed to the Agency Transition Directors in advance of the meeting.

[1] As used in this memorandum, the term 'agency' means an Executive agency, as defined in section 105 of title 5, United States Code.
[2] Required pursuant to the Presidential Transition Enhancements Act of 2019 (Pub. L. 116-121).

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If you have any questions regarding this Memorandum, please contact Mary Gibert, Federal Transition Coordinator at GSA (mary.gibert@gsa.gov).

Enclosures:

1. List of Agencies to Provide Agency Transition Director
2. List of Agencies to Provide Presidential Transition Communication Point of Contact Information
3. Text of Presidential Transition Act of 1963, as amended (3 U.S.C. 102 note)

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Enclosure 1

List of Agencies to Provide Agency Transition Director

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Environmental Protection Agency
National Aeronautics and Space Administration
Office of Personnel Management
Office of Government Ethics
National Archives and Records Administration

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Enclosure 2

List of Agencies to Provide Presidential Transition Communication Point of Contact Information

Ability One
Access Board
Administrative Conference of the U.S.
Advisory Council on Historic Preservation
African Development Foundation
Alaska Natural Gas
American Battle Monuments Commission
American National Red Cross
Amtrak (National Railroad Passenger Corporation)
Appalachian Regional Commission
Barry Goldwater Scholarship and Excellence in Education Foundation
Broadcasting Board of Governors
Chemical Safety Board
Christopher Columbus Fellowship Foundation
Commission for the Preservation of America's Heritage Abroad
Commission on Civil Rights
Commission on Fine Arts
Commodity Futures and Trading Commission
Consumer Financial Protection Bureau
Consumer Product Safety Commission
Corporation for National and Community Service
Corporation for Public Broadcasting
Council of Governors
Defense Nuclear Facilities Safety Board
Delta Regional Authority
Denali Commission
District of Columbia Commission on Judicial Disabilities and Tenure
Dwight D. Eisenhower Memorial Commission
Election Assistance Commission
Equal Employment Opportunity Commission
Export Import Bank of the United States
Farm Credit Administration
Federal Agricultural Mortgage Corporation (Farmer Mac)
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Election Commission
Federal Energy Regulatory Commission
Federal Housing Finance Agency
Federal Labor Relations Authority
Federal Maritime Commission
Federal Mediation and Conciliation Service

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Federal Mine Safety and Health Review Commission
Federal Permitting Improvement Steering Council
Federal Reserve Board
Federal Retirement Thrift Investment Board
Federal Trade Commission
Gulf Coast Ecosystem Restoration Council
Harry S. Truman Scholarship Foundation
Institute of American Indian Arts
Institute of Museum and Library Services
Interagency Council on Homelessness
Inter-American Foundation
Inter-American Tropical Tuna Commission
International Boundary and Water Commission
International Pacific Halibut Commission
Interstate Commission on the Potomac River Basin
J. William Fulbright Foreign Scholarship Board
James Madison Memorial Fellowship Foundation
John F. Kennedy Center for the Performing Arts
Legal Services Corporation
Marine Mammal Commission
Merit Systems Protection Board
Metropolitan Washington Airports Authority
Mickey Leland National Urban Air Toxic Research Committee
Millennium Challenge Corporation
Mississippi River Commission
Morris K. Udall and Stewart L. Udall Foundation
National Capital Planning Commission
National Consumer Cooperative Bank
National Council on Disability
National Credit Union Administration
National Endowment for the Arts
National Endowment for the Humanities
National Indian Gaming Commission
National Institute of Building Sciences
National Labor Relations Board
National Mediation Board
National Science Foundation
National Transportation Safety Board
Northern Border Regional Commission
Nuclear Regulatory Commission
Nuclear Waste Technical Review Board
Occupational Safety and Health Review Commission
Office of Navajo and Hopi Indian Relocation
Office of the Director of National Intelligence
Overseas Private Investment Corporation
Peace Corps

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Pension Benefit Guaranty Corporation
Postal Regulatory Commission
President's Commission on White House Fellowships
President's Committee on the Arts and the Humanities
Presidio Trust
Privacy and Civil Liberties Oversight Board
Railroad Retirement Board
Selective Service System
Small Business Administration
Smithsonian Institution
Social Security Administration
Social Security Advisory Board
State Justice Institute
Tennessee Valley Authority
U.S. Agency for International Development
U.S. Institute of Peace
U.S. International Trade Commission
U.S. Mission to the United Nations
U.S. Office of Special Counsel
U.S. Postal Service
U.S. Securities and Exchange Commission
U.S. Trade and Development Agency
United Service Organizations
United States Commission on International Religious Freedom
United States Holocaust Memorial Museum
United States Patent & Trademark Office
Utah Reclamation Mitigation and Conservation Commission
Vietnam Education Foundation
Woodrow Wilson International Center for Scholars (Board of Trustees)
World War I Centennial Commission

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Enclosure 3

Text of Presidential Transition Act of 1963, as amended (3 U.S.C. 102 note)

https://www.govinfo.gov/content/pkg/PLAW-114publ136/pdf/PLAW-114publ136.pdf

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AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

Public Law 114–136
114th Congress

An Act

To improve the process of presidential transition.

Mar. 18, 2016
[S. 1172]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Edward 'Ted' Kaufman and Michael Leavitt Presidential Transitions Improvements Act of 2015.
5 USC 101 note.

SECTION 1. SHORT TITLE.

This Act may be cited as the "Edward 'Ted' Kaufman and Michael Leavitt Presidential Transitions Improvements Act of 2015".

SEC. 2. PRESIDENTIAL TRANSITION IMPROVEMENTS.

(a) IN GENERAL.—The Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(1) by redesignating sections 4, 5, and 6 as sections 5, 6, and 7, respectively; and

(2) by inserting after section 3 the following:

"SEC. 4. TRANSITION SERVICES AND ACTIVITIES BEFORE ELECTION.

"(a) DEFINITIONS.—In this section—

"(1) the term 'Administrator' means the Administrator of General Services;

"(2) the term 'agency' means an Executive agency, as defined in section 105 of title 5, United States Code;

"(3) the term 'eligible candidate' has the meaning given that term in section 3(h)(4); and

"(4) the term 'Presidential election' means a general election held to determine the electors of President and Vice President under section 1 or 2 of title 3, United States Code.

"(b) GENERAL DUTIES.—The President shall take such actions as the President determines necessary and appropriate to plan and coordinate activities by the Executive branch of the Federal Government to facilitate an efficient transfer of power to a successor President, including by—

"(1) establishing and operating a White House transition coordinating council in accordance with subsection (d); and

"(2) establishing and operating an agency transition directors council in accordance with subsection (e).

"(c) FEDERAL TRANSITION COORDINATOR.—The Administrator shall designate an employee of the General Services Administration who is a senior career appointee to— Designation.

"(1) carry out the duties and authorities of the General Services Administration relating to Presidential transitions under this Act or any other provision of law;

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"(2) serve as the Federal Transition Coordinator with responsibility for coordinating transition planning across agencies, including through the agency transition directors council established under subsection (e);

"(3) ensure agencies comply with all statutory requirements relating to transition planning and reporting; and

"(4) act as a liaison to eligible candidates.

"(d) WHITE HOUSE TRANSITION COORDINATING COUNCIL.—

Deadline.

"(1) ESTABLISHMENT.—Not later than 6 months before the date of a Presidential election, the President shall establish a White House transition coordinating council for purposes of facilitating the Presidential transition.

"(2) DUTIES.—The White House transition coordinating council shall—

"(A) provide guidance to agencies and the Federal Transition Coordinator regarding preparations for the Presidential transition, including succession planning and preparation of briefing materials;

"(B) facilitate communication and information sharing between the transition representatives of eligible candidates and senior employees in agencies and the Executive Office of the President; and

"(C) prepare and host interagency emergency preparedness and response exercises.

"(3) MEMBERSHIP.—The members of the White House transition coordinating council shall include—

"(A) senior employees of the Executive branch selected by the President, which may include the Chief of Staff to the President, any Cabinet officer, the Director of the Office of Management and Budget, the Administrator, the Director of the Office of Personnel Management, the Director of the Office of Government Ethics, and the Archivist of the United States;

"(B) the Federal Transition Coordinator;

"(C) the transition representative for each eligible candidate, who shall serve in an advisory capacity; and

"(D) any other individual the President determines appropriate.

"(4) CHAIRPERSON.—The Chairperson of the White House transition coordinating council shall be a senior employee in the Executive Office of the President, designated by the President.

"(e) AGENCY TRANSITION DIRECTORS COUNCIL.—

Establishment.

"(1) IN GENERAL.—The President shall establish and operate an agency transition directors council, which shall—

"(A) ensure the Federal Government has an integrated strategy for addressing interagency challenges and responsibilities around Presidential transitions and turnover of noncareer appointees;

"(B) coordinate transition activities between the Executive Office of the President, agencies, and the transition team of eligible candidates and the President-elect and Vice-President-elect; and

"(C) draw on guidance provided by the White House transition coordinating council and lessons learned from previous Presidential transitions in carrying out its duties.

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"(2) DUTIES.—As part of carrying out the responsibilities under paragraph (1), the agency transition directors council shall—

"(A) assist the Federal Transition Coordinator in identifying and carrying out the responsibilities of the Federal Transition Coordinator relating to a Presidential transition;

"(B) provide guidance to agencies in gathering briefing materials and information relating to the Presidential transition that may be requested by eligible candidates;

"(C) ensure materials and information described in subparagraph (B) are prepared not later than November 1 of a year during which a Presidential election is held;

"(D) ensure agencies adequately prepare career employees who are designated to fill non-career positions under subsection (f) during a Presidential transition; and

"(E) consult with the President's Management Council, or any successor thereto, in carrying out the duties of the agency transition directors council.

"(3) MEMBERSHIP.—The members of the agency transition directors council shall include—

"(A) the Federal Transition Coordinator and the Deputy Director for Management of the Office of Management and Budget, who shall serve as Co-Chairpersons of the agency transition directors council;

"(B) other senior employees serving in the Executive Office of the President, as determined by the President;

"(C) a senior representative from each agency described in section 901(b)(1) of title 31, United States Code, the Office of Personnel Management, the Office of Government Ethics, and the National Archives and Records Administration whose responsibilities include leading Presidential transition efforts within the agency;

"(D) a senior representative from any other agency determined by the Co-Chairpersons to be an agency that has significant responsibilities relating to the Presidential transition process; and

"(E) during a year during which a Presidential election will be held, a transition representative for each eligible candidate, who shall serve in an advisory capacity.

"(4) MEETINGS.—The agency transition directors council shall meet— Time periods.

"(A) subject to subparagraph (B), not less than once per year; and

"(B) during the period beginning on the date that is 6 months before a Presidential election and ending on the date on which the President-elect is inaugurated, on a regular basis as necessary to carry out the duties and authorities of the agency transition directors council.

"(f) INTERIM AGENCY LEADERSHIP FOR TRANSITIONS.— Deadlines.

"(1) OVERSIGHT AND IMPLEMENTATION OF TRANSITION.—Not later than 6 months before the date of a Presidential election, the head of each agency shall designate a senior career employee of the agency and a senior career employee of each major component and subcomponent of the agency to oversee and implement the activities of the agency, component, or subcomponent relating to the Presidential transition. Designation.

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Deadline.

"(2) ACTING OFFICERS.—Not later than September 15 of a year during which a Presidential election occurs, and in accordance with subchapter III of chapter 33 of title 5, United States Code, for each noncareer position in an agency that the head of the agency determines is critical, the head of the agency shall designate a qualified career employee to serve in the position in an acting capacity if the position becomes vacant.

"(g) MEMORANDUMS OF UNDERSTANDING.—

Deadline.

"(1) IN GENERAL.—Not later than November 1 of a year during which a Presidential election occurs, the President (acting through the Federal Transition Coordinator) shall, to the maximum extent practicable, negotiate a memorandum of understanding with the transition representative of each eligible candidate, which shall include, at a minimum, the conditions of access to employees, facilities, and documents of agencies by transition staff.

"(2) EXISTING RESOURCES.—To the maximum extent practicable, the memorandums of understanding negotiated under paragraph (1) shall be based on memorandums of understanding from previous Presidential transitions.

"(h) EQUITY IN ASSISTANCE.—Any information or other assistance provided to eligible candidates under this section shall be offered on an equal basis and without regard to political affiliation.

"(i) REPORTS.—

"(1) IN GENERAL.—The President, acting through the Federal Transition Coordinator, shall submit to the Committee on Oversight and Government Reform of the House of Representatives and the Committee on Homeland Security and Governmental Affairs of the Senate reports describing the activities undertaken by the President and agencies to prepare for the transfer of power to a new President.

"(2) TIMING.—The reports under paragraph (1) shall be provided 6 months and 3 months before the date of a Presidential election.".

(b) OTHER IMPROVEMENTS.—Section 3 of the Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(1) in subsection (a)—

(A) in paragraph (8)—

(i) in subparagraph (A)(i)—

(I) by inserting "and during the term of a President" after "during the transition"; and

(II) by striking "after inauguration"; and

(ii) in subparagraph (B), by inserting "or Executive agencies (as defined in section 105 of title 5, United States Code)" before the period; and

(B) in paragraph (10), by inserting "including, to the greatest extent practicable, human resource management system software compatible with the software used by the incumbent President and likely to be used by the President-elect and Vice President-elect" before the period;

(2) in subsection (b)(2), by striking "30 days" and inserting "180 days";

(3) in subsection (g), by inserting "except for activities under subsection (a)(8)(A)," before "there shall be no"; and

(4) in subsection (h)(2), by adding at the end the following:

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"(D) An eligible candidate shall have a right to the services and facilities described in this paragraph until the date on which the Administrator is able to determine the apparent successful candidates for the office of President and Vice President.".

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 3 of the Pre-Election Presidential Transition Act of 2010 (3 U.S.C. 102 note) is repealed.

(2) The Presidential Transition Act of 1963 (3 U.S.C. 102 note) is amended—

(A) in section 3—

(i) in subsection (a)(4)(B), by striking "section 6" and inserting "section 7";

(ii) in subsection (b), in the matter preceding paragraph (1), by striking "section 3 of this Act" and inserting "this section"; and

(iii) in subsection (h)(3)(B)(iii), by striking "section 5" each place it appears and inserting "section 6";

(B) in section 6, as redesignated by subsection (a) of this section, by striking "section 6(a)(1)" each place it appears and inserting "section 7(a)(1)"; and

(C) in section 7(a)(2), as redesignated by subsection (a) of this section, by striking "section 4" and inserting "section 5".

(3) Section 8331(1)(K) of title 5, United States Code, is amended by striking "section 4" and inserting "section 5".

(4) Section 8701(a)(10) of title 5, United States Code, is amended by striking "section 4" and inserting "section 5".

(5) Section 8901(1)(I) of title 5, United States Code, is amended by striking "section 4" and inserting "section 5".

SEC. 3. NATIONAL ARCHIVES PRESIDENTIAL TRANSITION.

Section 2203(g) of title 44, United States Code, is amended—

(1) by redesignating paragraph (3) as paragraph (4); and

(2) by inserting after paragraph (2) the following:

"(3) When the President considers it practicable and in the public interest, the President shall include in the President's budget transmitted to Congress, for each fiscal year in which the term of office of the President will expire, such funds as may be necessary for carrying out the authorities of this subsection.".

SEC. 4. REPORTS ON POLITICAL APPOINTEES APPOINTED TO NON-POLITICAL PERMANENT POSITIONS. 5 USC 3101 note

(a) DEFINITIONS.—In this section—

(1) the term "agency" has the meaning given the term "Executive agency" in section 105 of title 5, United States Code;

(2) the term "covered civil service position" means a position in the civil service (as defined in section 2101 of title 5, United States Code) that is not—

(A) a temporary position; or

(B) a political position;

(3) the term "former political appointee" means an individual who—

(A) is not serving in an appointment to a political position; and

(B) served as a political appointee during the 5-year period ending on the date of the request for an appointment to a covered civil service position in any agency;

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(4) the term "political appointee" means an individual serving in an appointment to a political position; and

(5) the term "political position" means—

(A) a position described under sections 5312 through 5316 of title 5, United States Code (relating to the Executive Schedule);

(B) a noncareer appointment in the Senior Executive Service, as defined under paragraph (7) of section 3132(a) of title 5, United States Code; or

(C) a position in the executive branch of the Government of a confidential or policy-determining character under schedule C of subpart C of part 213 of title 5, Code of Federal Regulations.

(b) REPORTING ON CURRENT OR RECENT POLITICAL APPOINTEES APPOINTED TO COVERED CIVIL SERVICE POSITIONS.—

(1) ANNUAL REPORT.—Except as provided in paragraph (2), the Director of the Office of Personnel Management shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives an annual report regarding requests by agencies to appoint political appointees or former political appointees to covered civil service positions. Each report shall cover one calendar year and shall—

(A) for each request by an agency that a political appointee be appointed to a covered civil service position during the period covered by the report, provide—

(i) the date on which the request was received by the Office of Personnel Management;

(ii) subject to subsection (c), the name of the individual and the political position held by the individual, including title, office, and agency;

(iii) the date on which the individual was first appointed to a political position in the agency in which the individual is serving as a political appointee;

(iv) the grade and rate of basic pay for the individual as a political appointee;

(v) the proposed covered civil service position, including title, office, and agency, and the proposed grade and rate of basic pay for the individual;

(vi) whether the Office of Personnel Management approved or denied the request; and

(vii) the date on which the individual was appointed to a covered civil service position, if applicable; and

(B) for each request by an agency that a former political appointee be appointed to a covered civil service position during the period covered by the report, provide—

(i) the date on which the request was received by the Office of Personnel Management;

(ii) subject to subsection (c), the name of the individual and the political position held by the individual, including title, office, and agency;

(iii) the date on which the individual was first appointed to any political position;

(iv) the grade and rate of basic pay for the individual as a political appointee;

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(v) the date on which the individual ceased to serve in a political position;

(vi) the proposed covered civil service position, including title, office, and agency, and the proposed grade and rate of basic pay for the individual;

(vii) whether the Office of Personnel Management approved or denied the request; and

(viii) the date on which the individual was first appointed to a covered civil service position, if applicable.

(2) QUARTERLY REPORT IN CERTAIN YEARS.—In the last year of the term of a President, or, if applicable, the last year of the second consecutive term of a President, the report required under paragraph (1) shall be submitted quarterly and shall cover each quarter of the year, except that the last quarterly report shall also cover January 1 through 20 of the following year.

(c) NAMES AND TITLES OF CERTAIN APPOINTEES.—If determined appropriate by the Director of the Office of Personnel Management, a report submitted under subsection (b) may exclude the name or title of a political appointee or former political appointee—

(1) who—

(A) was requested to be appointed to a covered civil service position; and

(B) was not appointed to a covered civil service position; or

(2) relating to whom a request to be appointed to a covered civil service position is pending at the end of the period covered by that report.

SEC. 5. REPORT ON REGULATIONS PROMULGATED NEAR THE END OF PRESIDENTIAL TERMS.

(a) DEFINITIONS.—In this section:

(1) The term "covered presidential transition period" means each of the following:

(A) The 120-day period ending on January 20, 2001.

(B) The 120-day period ending on January 20, 2009.

(C) The 120-day period ending on January 20, 2017.

(2) The term "covered regulation" means a final significant regulatory action promulgated by an Executive department.

(3) The term "significant regulatory action" means any regulatory action that is likely to result in a rule that may—

(A) have an annual effect on the economy of $100,000,000 or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;

(B) create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(C) materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(D) raise novel legal or policy issues.

(4) The term "Executive department" has the meaning given that term under section 101 of title 5, United States Code.

(b) REPORT.—

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(1) IN GENERAL.—The Comptroller General of the United States shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Oversight and Government Reform of the House of Representatives a report regarding covered regulations promulgated during each covered presidential transition period.

(2) CONTENTS OF REPORT.—The report required under paragraph (1) shall, to the extent feasible, for each covered presidential transition period—

Time periods.

(A) compare the number, scope, and impact of, and type of rulemaking procedure used for, covered regulations promulgated during the covered presidential transition period to the number, scope, and impact of, and type of rulemaking procedure used for, covered regulations promulgated during the 120-day periods ending on January 20 of each year after 1996, other than 2001, 2009, and 2017;

Determination.

(B) determine the statistical significance of any differences identified under subparagraph (A) and whether and to what extent such differences indicate any patterns;

Evaluation.

(C) evaluate the size, scope, and effect of the covered regulations promulgated during the covered presidential transition period; and

Assessment.

(D) assess the extent to which the regularly required processes for the promulgation of covered regulations were followed during the covered presidential transition period, including compliance with the requirements under—

(i) chapter 8 of title 5, United States Code (commonly known as the "Congressional Review Act");

(ii) the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 601 note);

(iii) sections 202, 203, 204, and 205 of the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1532–1535);

(iv) chapter 6 of title 5, United States Code (commonly known as the "Regulatory Flexibility Act"); and

(v) chapter 35 of title 44, United States Code (commonly known as the "Paperwork Reduction Act").

SEC. 6. ANALYSIS OF THREATS AND VULNERABILITIES.

Deadline. Reports.

(a) IN GENERAL.—Not later than February 15, 2016, the Secretary of Homeland Security shall submit to the Committee on Homeland Security and Governmental Affairs of the Senate and the Committees on Oversight and Government Reform and Homeland Security of the House of Representatives a report analyzing the threats and vulnerabilities facing the United States during a presidential transition, which—

(1) shall identify and discuss vulnerabilities related to border security and threats related to terrorism, including from weapons of mass destruction;

(2) shall identify steps being taken to address the threats and vulnerabilities during a presidential transition; and

(3) may include recommendations for actions by components and agencies within the Department of Homeland Security.

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USPS-20-1215-A-009750

(b) FORM.—The report submitted under subsection (a) shall be prepared in unclassified form, but may contain a classified annex.

Approved March 18, 2016.

LEGISLATIVE HISTORY—S. 1172:
HOUSE REPORTS: No. 114–384, Pt. 1 (Comm. on Oversight and Government Reform).
SENATE REPORTS: No. 114–94 (Comm. on Homeland Security and Governmental Affairs).
CONGRESSIONAL RECORD:
Vol. 161 (2015): July 30, considered and passed Senate.
Vol. 162 (2016): Feb. 29, considered and passed House, amended.
Mar. 8, Senate concurred in House amendment.

○

AMERICAN OVERSIGHT
USPS-20-1215-A-009751

Congress of the United States
Washington, DC 20515

April 28, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
U.S. Capitol H-232
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
U.S. Capitol S-230
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
U.S. Capitol H-204
Washington, DC 20515

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
U.S. Capitol S-221
Washington, DC 20515

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader McConnell, and Minority Leader Schumer:

The coronavirus crisis is wreaking havoc on the U.S. Postal Service. Without immediate help, the Postal Service — a vital staple of American society since 1775 — could cease to function by this summer. This crisis is also affecting the State of New York more than any other. There were 287 confirmed cases of coronavirus and 14 deaths among postal workers in New York as of April 20, 2020.[1]

As a direct result of the coronavirus crisis, first class and business mail volume across the country has dropped at an alarming rate. Mail volume is down by more than 30% from the same period last year. Over the next ten years, the Postal Service estimates that losses caused by the coronavirus crisis would be $54 billion.[2]

This is a national emergency. The American people rely on the Postal Service to deliver crucial goods and services every day, including more than a billion life-saving medications last year alone, millions of economic stimulus checks and unemployment benefits to help during this crisis, and 2020 Census forms for every household in America.

In New York, the Postal Service delivers to 7.7 million addresses and has more than 1,800 Post Offices. In our state, the Postal Service employed 44,675 people and paid close to $3

[1] Email from the Office of Congressional and Intergovernmental Affairs, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 20, 2020).

[2] Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

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billion in wages in 2018.[3] New York also will rely heavily on the Postal Service to conduct its primary on June 23, 2020, during which no-excuse absentee ballots will be accepted.[4]

The Postal Service is a fundamental component of America's economic infrastructure, providing affordable, universal delivery of mail and e-commerce packages to more than 160 million households and businesses. The Postal Service propels a $1.6 trillion mailing industry that employs 7.3 million people. It does all of this while operating as a business and receiving next to nothing in taxpayer dollars.[5]

Both Democrats and Republicans supported large infusions of liquidity for other industries and companies that are critical to our nation's economy, and we must do the same now to save the Postal Service.

The Postal Board of Governors has asked for a package that includes $25 billion in emergency appropriations to offset coronavirus-related losses, $25 billion for "shovel-ready" projects to modernize the Postal Service, and access to $25 billion in unrestricted borrowing authority from the Treasury.[6]

To be clear, these requests were put forth unanimously by a Board of Governors with a Republican majority—all of whom were appointed by President Trump.

The Postal Service is an indispensable component of America's critical infrastructure, and its workers are on the frontlines every single day delivering information and packages to the American people. We strongly support emergency funding for the Postal Service and urge you to do the same.

Sincerely,

Carolyn B. Maloney

Peter T. King

[3] U.S. Postal Service, *The United States Postal Service Economic Impact: The State of New York* (July 2019).

[4] New York Governor Andrew Cuomo, *Executive Order No. 202.15: Continuing Temporary Suspension and Modification of Laws Relating to the Disaster Emergency* (Apr. 9. 2020) (online at: www.governor.ny.gov/news/no-20215-continuing-temporary-suspension-and-modification-laws-relating-disaster-emergency).

[5] U.S. Postal Service, *Sizing It Up* (online at https://facts.usps.com/size-and-scope).

[6] Briefing by Megan J. Brennan, Postmaster General and Chief Executive Officer, U.S. Postal Service, to Committee on Oversight and Reform (Apr. 9, 2020).

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Anthony Brindisi

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John Katko

Sean Patrick Maloney

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Grace Meng

Joseph D. Morelle

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Alexandria Ocasio-Cortez

Kathleen M. Rice

Max Rose

José E. Serrano

Thomas R. Suozzi

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Elise M. Stefanik

Paul D. Tonko

Nydia M. Velázquez

cc: The Honorable Nita Lowey, Chairwoman of the House Committee on Appropriations;
The Honorable Kay Granger, Ranking Member of the House Committee on Appropriations

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PostCom

Issue N° 16-20
April 16, 2020

BULLETIN THE JOURNAL OF POSTAL COMMERCE

HIGHLIGHTS

» First-Line Supervisor Retention Gets High Marks

The U.S. Postal Service has done a good job of retaining first-line supervisors, with an average national attrition rate of only 1 percent for fiscal years (FYs) 2016-2018. See Page 2.

» No, Trump Isn't Trying to Kill the Postal Service

Op-ed written by Kevin Kosar, Vice President, Research Partnerships, R Street Institute. Kevin diffuses rumors surrounding the Trump Administration and the demise of the U.S. Postal Service. See Page 3.

» Political Mail In A COVID-19 World

Op-ed written by Mark Fallon, President & CEO of The Berkshire Company. Mark discusses the strong outlook for political mail this year. See Page 4.

PRESIDENT'S CORNER

Rescue Mission

This week's PostCom bulletin includes several guest submissions regarding the future of the Postal Service (see below). There are different perspectives represented, not only because the Postal Service seems to draw interest from all corners, but because there is still so much that nobody knows. What we do know is that the Postal Service is already experiencing significant volume losses and that – at least so far – financial assistance from the government has been limited.

We should expect much more debate about the Postal Service and its future in the coming months. At a virtual House Oversight and Government Reform Committee hearing last week, the Postal Service asked Congress for support including:

- A $25Bn appropriation to offset expected revenue losses through FY 2021
- A $25Bn grant for postal modernization investments that likely include new vehicles and facility improvements
- $25Bn in unrestricted borrowing authority

Even when Congress is spending at unprecedented rates, that is a lot of money; $75Bn is more – in nominal terms – than the Postal Service has ever generated in a fiscal year. While there is almost a consensus (there is a very important source of dissent) that the Postal Service is deserving of some support, they're not likely to get everything they ask for.

For one thing, Congress generally does not dole out billions of dollars without expecting something in return. Corporations and industries that are receiving funding from Coronavirus relief spending are having to accept sometimes burdensome conditions. Furthermore, we are approaching the anniversary of a heated exchange between then-Congressman Mark Meadows and the PMG over the Postal Service's ten-year plan (link unavailable). If Congress had valid concerns about the future direction of the Postal Service last year, those concerns have probably not lessened in the last twelve months.

Given the looming damage to the US economy from the Coronavirus pandemic, and the importance of the Postal Service, some type of short-

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term postal relief is warranted. At the same time, the USPS faces long-term structural challenges that require careful examination and will entail balancing of interests among competing stakeholders. Emergency spending legislation that attempts to prop up the US economy while simultaneously targeting multiple industries is not the right vehicle to achieve these twin aims. The Postal Service maintains that their recent funding request is separate from their ongoing mission to achieve legislative and regulatory reform. Unfortunately, the decision makers who will shape the next round of economic relief probably won't see it that way, and by asking for so much, USPS risks having its allies on the Hill use the current crisis to enact half-baked postal reform that will buy time but little else.

IN DEPTH ANALYSIS

First-Line Supervisor Retention Gets High Marks

The U.S. Postal Service has done a good job of retaining first-line supervisors, with an average national attrition rate of only 1 percent for fiscal years (FYs) 2016-2018, but timely hiring and qualifications of new supervisors are issues management should address, according to a new audit report. *First-Line Supervisor Recruitment and Retention*, 19SMG008HR000-R20.

First-line supervisors are a significant portion of the USPS workforce: during FY 2018, the Postal Service had 18,433 permanent first-line supervisors —13,049 in retail facilities and 5,384 in mail processing facilities – with another 4,394 employees detailed to perform supervisory duties and responsibilities.

In one of a serious of audits concerning first-line supervisors, the U.S. Postal Service Office of Inspector General (OIG) found that despite the solid retention rate, when vacancies did occur, 88 percent of those examined were open for more than the within-60-days hiring target.

Also, USPS hiring officials did not complete and maintain required supporting documentation for 68 percent of first-line supervisor positions. Missing documentation included signed and dated requirements matrices that determine whether potential hires met qualifications. Because this information was missing, the OIG could not determine whether these first-line supervisors met the qualifications outlined in vacancy announcements.

POSTAL PREVIEWS

Cancelled! June 2 – 3, 2020
PostCom Study Day and Board Meeting *Alexandria, VA* *Study Day to become a series of webinars and the Board Meeting to become virtual*

June 8-10, 2020
MailCom 2020 *Atlantic City, NJ* ***Rescheduled***

June 23 – 24, 2020
Leaders in Logistics: Post and Parcel North America *VA* *PostCom Members receive a 10% discount with code: POSTCOM10*

July 28 – 29, 2020
Mailers Technical Advisory Committee *Washington, DC*

September 8-10, 2020
13th Annual ACMA National Forum *Washington, DC* ***Rescheduled***

October 6 – 7, 2020
PostCom Study Day and Board Meeting *Alexandria, VA*

October 13 – 15, 2020
Parcel & Post Expo *Vienna, Austria*

October 27 – 28, 2020
Mailers Technical Advisory Committee *Washington, DC*

December 2-5, 2020
CRRI's 28th Conference on Postal and Delivery Economics *Rome, Italy* ***Rescheduled and New Location***

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Based on this issue, the OIG identified $16.4 million in unsupported questioned costs related to the pay increase for promotion to first-line supervisor. The watchdog group recommended USPS management develop controls to ensure timely hiring and that district and facility officials prepare and maintain hiring documentation as required.

Management agreed with the findings, monetary impact, and need for controls over hiring documentation. But it argued that controls exist now for officials to complete their hiring responsibilities.

GUEST ARTICLES

No, Trump Isn't Trying to Kill the Postal Service

Op-ed written by Kevin Kosar, Vice President, Research Partnerships, R Street Institute, a non-profit public policy research organization. This article was originally published on The American Spectator and reprinted with permission. Views and opinions reflected in the article are of the author's and do not necessarily reflect the views and opinions of PostCom.

Over the weekend, #postalservice began trending on Twitter. That's weird, seeing as the Post Office is, well, the Post Office. And I say that as someone who has spent 17 years studying postal policy. (Thank you for your sympathy.)

The Twitter-steria stemmed from a report that the Trump administration opposed giving the U.S. Postal Service (USPS) a bailout. House of Representatives Democrats had tried to slip a more than $30 billion bailout into the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Trump and company rejected the bill and told Congress they beleaguered agency could have a $10 billion loan instead.

All of this should have been old news — Trump signed the law on March 27. But the *Washington Post*'s story went viral, with other newspapers and media picking it up. Thence to social media, and then craziness erupted.

Three different conspiracies emerged, and all of them slapped evil horns on the president:

-Trump wants to bankrupt the agency so he can sell it off and privatize it.

-Trump wants to kill the Postal Service to hurt Jeff Bezos, whose Amazon.com uses USPS to deliver some of its parcels.

-Trump wants to shut down the Postal Service so that people cannot vote by mail.

The outrage has been burning for days, stoked by the usual suspects, like John Dean and the Daily Kos.

It is difficult to express just how inane these claims are.

For one, hardly anyone wants to privatize the Postal Service. Certainly not President Trump. His postal reform commission expressly rejected privatization. Besides, who exactly would want to buy the Postal Service? It is an

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agency with $130 billion in unfunded pension and retiree health-care obligations. By law the USPS has a heavily unionized workforce who every four years negotiate more expensive compensation contracts. And demand for USPS's services have plunged over the past decade. Mail volume is down more than 30 percent. There is a reason only the USPS delivers paper mail to nearly every home in America along with the Virgin Islands, Guam, and Puerto Rico — it is not lucrative.

And the notion that the president wants the Postal Service to cease operations is so absurd that it should not require comment. But here we are. The president, as everyone knows, really wants to get reelected, and he cares about his ratings. So why exactly would he kill an agency that is, as the Gallup pollsters note, "America's favorite federal agency"?

Then there is the matter of Trump's base. He is especially popular among the elderly, veterans, and residents of rural areas. What do they all have in common beyond their affection for Trump? They like the Postal Service and depend on it.

Try closing a rural post office, and rural residents will grab their pitchforks. The elderly depend on the USPS to deliver prescription drugs and the paper mail — often preferred over digital communications. The elderly — and Republicans generally — vote by mail disproportionately. Oh, and by the way, the president himself votes by mail.

Lastly, it also is the case that the USPS hires lots of veterans. The agency reports it has 100,000 of them.

What the Left fails to understand is pretty rudimentary: throwing money at an agency running structural deficits is stupid. Yes, the Postal Service needs an infusion to help it deal with a massive drop in mail volume due to COVID-19.

But more than that, the agency desperately needs reform. The Trump administration gets this point, and in the next few months we may well see a deal where the USPS gets an infusion to help it weather the COVID-19 storm and the changes it needs to survive in the digital 21st century.

Political Mail In A COVID-19 World

Op-ed written by Mark Fallon, President & CEO of The Berkshire Company, an independent management consulting firm that specializes in the print-mail industry. Article was originally published on the Consumer Postal Council's website and reprinted with permission. Views and opinions reflected in the article are of the author's and do not necessarily reflect the views and opinions of PostCom.

The first political campaign I worked on took place in 1990. I'd just returned to Massachusetts after serving in the Army. Elections were taking place for state-wide offices, including the governor, attorney general and treasurer. I'd worked in the Massachusetts State House while in graduate school and had met several of the people running for office. While looking for permanent employment, I volunteered for a couple of candidates.

My duties were fairly simple – make phone calls to prospective donors and voters, hold signs outside rallies and assemble mass mailings. Those same functions still take place today, however emails and social media either supplement or replace the phone calls and mailings.

But will those tactics be effective in 2020? Will the COVID-19 pandemic significantly change campaign messaging strategies?

While television ads will continue, the prospective audience is shrinking with on-demand shows and streaming services. Social media remains omnipresent but becomes less trustworthy with each scandal. Cellular service providers have improved detecting spam, reducing the effectiveness of robocalls.

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The United States Postal Service (USPS) uses the designation "political mail" for campaigns' marketing mail. Even with the increased use of email and social media, the USPS has seen significant increases in volumes and revenue over the last three election cycles. In 2014, campaigns spent $375 million to send 1.9 billion pieces of political mail. For the 2018 mid-term elections, that increased to over $573 million on three billion pieces.

The reason? Voters find hard-copy mail, delivered to their homes by the USPS, more credible than any other form of advertising – and that includes in-person visits by candidates or campaign workers. Social media ads, phone calls and text messages aren't considered trustworthy.

Early in this election cycle – the USPS started an aggressive push to promote the use of mail in political campaigns. With a self-described "obsessive, relentless and compulsive" training program, they created a political strategy team. In addition to analysts, key staff have been designated as strategists in each of the seven USPS areas. A special website – deliverthewin.com – was launched.

The USPS has participated in American Association of Political Consultants (AAPC) and Campaigns & Elections (C&E) events with both speaking opportunities and exhibit booths. They've also sponsored articles, email blasts, Facebook Live interviews and webinars to promote political mail. As with online shopping, the USPS is showing candidates that physical mail is a key component of omni-channel marketing campaigns.

This sales pitch will hold even more weight during and after the pandemic. Many rallies are being cancelled and there's uncertainty around future events. Campaigns will have greater than normal challenges to find volunteers willing to walk door-to-door. And even when they do, many doors will remain shut.

These changes don't mean an automatic "win" for the USPS. Many printers and mail service providers are struggling during the COVID-19 crisis, and some won't be able to weather the economic downturn. The decline in overall mail volumes has escalated during the shutdown. Planned in-person seminars and similar events have been cancelled.

Working with political consultants, webinars are being scheduled to continue to educate campaign managers. Those are being supplemented with additional online training for service providers through the National Postal Customer Council Advisory Committee. That message will need to be amplified as businesses reopen and the economy recovers.

Political mail won't replace the volumes of mail lost due to the current crisis. However, fewer pieces mean that what's delivered will stand out, improving the effectiveness of mail campaigns. That may help politicians see the value of the USPS. In turn, that may gain the USPS political allies for much needed legislative reform.

In 2020, there are 35 Senate races (including two special elections), 435 House of Representatives races, and gubernatorial races in 11 states. Additionally, there are thousands of races for state representatives, mayors and town selectmen. Every candidate needs to get their message out to donors and voters.

It's up to the USPS to help them see mail as a critical component of their campaign.

About the Author: Mark Fallon is President & CEO of The Berkshire Company, an independent management consulting firm that specializes in the print-mail industry. For additional information visit www.berkshire-company.com.

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POSTAL NEWS

Postmaster General Warns House Committee of Dire Consequences Without Congressional Action- Trump's Own Hand Picked Board of Governors Says USPS Needs $75B

PostalNews Today, Postmaster General Megan J. Brennan provided a video briefing to Members of the Committee on Oversight and Reform and Reform on the devastating impact the coronavirus crisis has had on the finances of the Postal Service and the steps Congress and the President must take to ensure continued delivery of essential information, packages, and services. The Postal Service is fighting for its survival, putting in jeopardy the careers and paychecks of its 650,000 employees—as well as the more than $1.7 trillion mailing industry that employs more than 7.5 million people," **Government Operations Subcommittee Chairman Gerald E. Connolly said.** "We cannot allow the Postal Service to collapse. To do so would deepen our nation's economic crisis and eliminate an important lifeline for individuals who rely on the Postal Service's 1 billion deliveries of lifesaving prescription deliveries and eviscerate the very infrastructure we need to administer the upcoming elections."

Consumer Price Index Summary

BLS In March, the Consumer Price Index for All Urban Consumers fell 0.4 percent on a seasonally adjusted basis; rising 1.5 percent over the last 12 months, not seasonally adjusted. The index for all items less food and energy fell 0.1 percent in March (SA); up 2.1 percent over the year (NSA).

More Than 600,000 People Sign A Petition Demanding Hazard Pay For Postal Workers After 19 Die Of Coronavirus And 6,000 More Are Forced Into Self-Quarantine Across US

DailyMail More than 600,000 have signed a petition demanding the government give hazard pay to all of its USPS workers continuing to brave the outside during the coronavirus lockdown. It comes as 19 postal workers have died of coronavirus, while 500 have tested positive and another 6,000 have had to self-isolate, USPS leaders told Congress last week. The petition claims that USPS staff have not been given adequate protective equipment as they work 12-hour overtime shifts, packing and loading potentially contaminated packages and letters. 'As of this present time, there have been upwards of more than 40 confirmed cases of coronavirus within the United States Postal Service,' the Change.org petition written on March 16 says.

Trump's War Against The Postal Service Could Have Another Casualty: Tens Of Thousands Of Military Veterans With Disabilities

BusinessInsider The tenuous situation for the Postal Service puts its employees, many of whom are military veterans, in an uncertain position. USPS is one of the largest employers of veterans nationwide and dwarfs its competitors in hiring numbers: Nearly 100,000 military veterans are employed by the agency, or roughly 15% of its entire workforce of 600,000 employees, according to a spokesperson. One internal estimate showed how a subset of veterans could be disproportionately affected by cuts. Though the exact numbers were not immediately available, USPS estimated that at least 60% of its veteran employees have some sort of disability rating.

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Postal Workers Say USPS Isn't Telling Them When Colleagues Test Positive for COVID-19, Despite Promising To

Propublica The U.S. Postal Service appears to be continuing its checkered response to the coronavirus. Workers across the country say they're not being informed when colleagues have tested positive for COVID-19, despite a Postal Service policy to do so. At the end of March, after workers complained, the Postal Service told its employees they would be notified if someone "in your workplace is confirmed to have COVID-19." But workers at 11 locations told ProPublica they found out about cases through colleagues or were only told by management days after word had already gotten out.

NRLCA and USPS Sign MOU Concerning Temporary Workplace Changes to Promote Social Distancing

PostalNews From the National Rural Letter Carriers Association: Your National Board agrees that the social distancing recommendations of the Centers of Disease Control and Prevention (CDC) are important measures which should be practiced as much as possible to slow the spread of the coronavirus (COVID-19). Some of those social distancing recommendations for the workplace include increasing physical space between workers, staggering work schedules, limiting large work-related gatherings and reducing or eliminating travel. With that in mind, the NRLCA and the USPS have agreed to a MOU with temporary changes to promote social distancing. The terms of this MOU will minimize the possibility of exposure to the coronavirus or the possibility of unknowingly spreading the coronavirus to a larger portion of the workforce.

China » China.org

The arrival of the first train of a new postal rail service to Europe here opened up a new reliable and efficient logistics channel between Lithuania and China...Departing from southwest China's Chongqing Municipality on April 3, the "China Post" CR Express 1st block train, loaded with much-needed medical supplies and 42 TEUs of parcels, arrived on April 12 in Vilnius. The parcels will be later transferred to other European countries. "With this new route, especially during a difficult pandemic period, we are turning a new page towards a closer cooperation to meet consumer expectations -- assessing not only delivery time or price, but also environmental requirements," wrote the minister.

France » BBC

Amazon has been ordered to limit its deliveries in France to essential goods only, amid claims it is failing to protect its workers from coronavirus. A court in Nanterre, near Paris, ordered the online retail giant to deliver only food, hygiene and medical products in the country from Tuesday. This is to allow officials to assess whether Amazon is taking adequate precautions to protect its staff. Amazon has not commented on the court ruling.

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India » Post&Parcel

With train and bus services shut, India Post is relying on its own Mail Motor Services (MMS) to carry out delivery services within the state and in adjacent states while airlines are being used to deliver parcels in the metros, reports Hindustan Times. Rajguru Nagar branch sub-post office master Sarita Madaan said the branch had booked 85 parcels of medicine since the lockdown. "Before the lockdown, we rarely received bookings for medicines as people mainly relied on private courier companies but now we deliver medicines on a regular basis. People have medicines delivered within the state and to neighbouring states."

Ireland » Post&Parcel

An Post, in partnership with Children's Books, Ireland have distributed a free 24-page #ImagineNation playbook to children all over Ireland to enjoy. The campaign is aimed at helping families confined to their homes by COVID-19. The #ImagineNation playbook is full of drawing, writing and mindfulness exercises from leading Irish children's authors and illustrators including Oliver Jeffers, Chris Haughton, Sarah Crossan, Don Conroy, Niall Breslin, Niamh Sharkey and many more. The book will be accessible to all children to download as well as being delivered free by An Post to thousands of houses around the country.

Isle of Jersey » Parcel&Post

From today, Jersey Post will be delivering free postcards to all residential addresses to launch its Island-wide, Connecting Jersey campaign. From Tuesday 14 April, every Island household will receive two free postcards: • Thank you • Thinking of you. Households can send the cards free of charge to any address in Jersey throughout April.

United Kingdom » Post&Parcel

The UK Drone Delivery Group, the new drone industry initiative, established to provide guidance on the steps required for the UK to accelerate the growth of the UK drone industry, has today released its 'White Paper' for public consultation. The White Paper calls for the development of new testing grounds, which are expected to significantly transform the UK's potential to achieve world-leading status in the fast-moving drone industry.

Zimbabwe » Herald

The country's postal and courier services is continuing on a downward trend with latest figures showing a 32 percent dip during the year to December 2019 on e-substitution as technology is providing an alternative channel for transmission of information. According to the regulator, the Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ) postal and courier services went down 32 percent to 5,3 billion items in 2019 compared to 7,8 billion recorded in the prior year. The service has halved in the past five years from 10 billion recorded in 2015.

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USPS POSTAL CUSTOMER UPDATE

Federal Register: **Postal Regulatory Commission** - Periodic Reporting, 21130–21131 [2020–07974]; New Postal Product, 21277 [2020–08014]; **Postal Service -** Sunshine Act, 20533 [2020–07782]; Product Change: First-Class Package Service Negotiated Service Agreement, 21278 [2020–07990]; Priority Mail Negotiated Service Agreement, 21278 [2020–07988], 21278 [2020–07989], 21278 [2020–07991]

Industry Alert: **New Processes for Bulk Hold Mail and Forwarding Requests by Businesses** The United States Postal Service has implemented two new processes to allow businesses to submit Hold Mail requests in bulk (10 or more), as well as requests to forward mail from many locations (10 or more) to one. The new processes allow businesses with 10 or more requests to provide the Postal Service with an Excel spreadsheet with the addresses and relevant information for their hold or forwarding requests. Businesses must provide the information in a specific Excel file format. The Sales Representative will coordinate directly with the customer to obtain the required information. There are currently no changes to the maximum timeframe for holding mail (30 days). Businesses should contact their Sales Representative if they would like to request Bulk Hold Mail (10 or more) for 30 Days or to Forward Mail from many locations (10 or more) to one.

Industry Alert: **COVID-19 CONTINUITY OF OPERATIONS UPDATE Mailability of Hand Sanitizer Update** The March 26, 2020, Link article titled "Hands Off" described the mailing requirements for hand sanitizers and disinfecting wipes containing flammable alcohols such as ethanol and/or isopropanol (rubbing alcohol). As stated in the article, small quantities of these potentially flammable hand sanitizers and alcohol wipes are permitted in domestic mail via surface transportation. To better support our customers during this period of increased demand, mailers can obtain an exception through the Manager, Product Classification to increase the quantity of these items containing ethyl and isopropanol alcohol sent via surface transportation. Additionally, mailers can also be granted an authorization by the Manager, Product Classification to ship limited quantities of ethanol alcohol in domestic air transportation. As several mailers have been provided with written approvals from the Manager, Product Classification for products that are eligible for domestic air shipments or an increase in quantity limits in surface transport, the information below is provided as a guidance to assist in determining eligible mailings. If a mailer holds a valid authorization or an exception from the Manager, Product Classification, the following criteria must be met upon acceptance of the items:

- Upon their first mailing at each postal facility, the mailer must provide a copy of a signed letter from Headquarters, Product Classification. The letter will contain the mailer's unique approval number and applicable mailing requirements. **Note**: It is suggested that the facility maintains copies of such letters on file for future reference.

- The outer package must have the appropriate text marking "Contains xxx" followed by their assigned unique authorization number that will begin with either HSA, HSB, HSD, HSE or HSS. **Note**: This information is included in the letter and may be hand or type written prominently on the package. Examples of text markings:

  "Contains Air-Eligible Ethyl Alcohol - Authorization No. HSA - xxxxxx"
  "Contains Air-Eligible Ethyl Alcohol - Authorization No. HSB - xxxxxx"
  "Contains Surface Eligible Ethyl Alcohol - Exception No. HSE - xxxxxx"

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"Contains Surface Eligible Isopropyl Alcohol - Exception No. HSD - xxxxxx"
"Contains Surface Eligible Alcohol Solids – Exception No. HSS – xxxxxx"

Please note that these materials are strictly prohibited in international mail, Army Post Office (APO), Fleet Post Office (FPO) and Diplomatic Post Office (DPO) destinations.

Industry Alert: **International Service Impacts as of April 17, 2020** Effective April 17, 2020, the Postal Service™ will temporarily suspend international mail acceptance to destinations where transportation is unavailable due to impacts related to the COVID-19 pandemic and restrictions into the area. Customers are asked to refrain from mailing items addressed to any of the following countries, **until further notice**:

- Bermuda
- Cape Verde
- Oman
- South Sudan
- Swaziland (Eswatini)
- Yemen

These service disruptions affect Priority Mail Express International® (PMEI), Priority Mail International® (PMI), First-Class Mail International® (FCMI), First-Class Package International Service® (FCPIS®), International Priority Airmail®(IPA®), International Surface Air Lift® (ISAL®), and M-Bag® items.

For already deposited items, other than Global Express Guarantee (GXG®), Postal Service employees will endorse the items as "Mail Service Suspended — Return to Sender" and then place them in the mail stream for return.

For any returned item bearing a customs form, the Postal Service will, upon request, refund postage and fees on mail returned due to the suspension of service.

For all other returned items not bearing a customs declarations form, the Postal Service will, upon request, refund postage and fees on mail returned due to the suspension of service, or the sender may re-mail them with the existing postage once service has been restored. When remailing under this option, customers must cross out the markings "Mail Service Suspended — Return to Sender."

Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

USPS is closely monitoring the situation and will continue to update customers until the situation returns to normal. Please visit our International Service Alerts page for the most up to date information https://about.usps.com/newsroom/service-alerts/international/?utm_source=residential&utm_medium=link&utm_campaign=res_to_intl

Industry Alert: **UPDATE 23: International Mail Service Disruptions Due to COVID-19** On April 15, 2020, the Postal Service™ received notifications from various postal operators regarding changes in international mail services due to the novel coronavirus (COVID-19).

The following countries have suspended certain mail services:

Honduras *UPDATE*: Empresa de Correos de Honduras (Honducor) has advised that they are extending the suspension of mail services until April 19, 2020, or a later date to be communicated in due course.

Mauritius *UPDATE*: Mauritius Post has advised that they are extending the suspension of mail services until May 4, 2020.

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Nepal *UPDATE*: Nepal Post has advised that they are extending the suspension of mail services until April 30, 2020.

Sri Lanka *UPDATE*: Department of Posts has advised that they are extending the suspension of mail services until April 20, 2020.

Unless otherwise noted, service suspensions to a particular country do not affect delivery of military and diplomatic mail.

The following countries have announced service disruptions:

Colombia *UPDATE:* Servicios Postales Nacionales S.A. 4-72, has advised that, owing to the emergency resulting from the spread of the novel coronavirus (COVID-19), there continues to be significant delays in all of its international inbound and outbound letter-post, parcel-post and Express Mail Service (EMS) items.

Georgia *UPDATE*: Georgian Post has advised that the Government of Georgia has decided to extend the measures aimed at reducing the spread of COVID-19 until May 10, 2020. This includes the suspension of signature service and suspension of service standards.

Ireland *UPDATE*: An Post, has advised that owing to the cancellation of numerous international flights, it is currently limited in its ability to send outbound mail (letter-post, parcel-post and EMS items) to some countries and ceasing to accept mail destined for those countries until further notice. Details of these destinations can be found at https://www.anpost.com/Coronavirus/Mails-Parcels-services. As of April 15, An Post is sending only letters, large envelopes and packets to the United States; no parcels.

Italy *UPDATE*: Poste Italiane has advised that the Italian Government has extended the measures aimed at minimizing the spread of COVID-19 until May 3, 2020. This includes the suspension of signature service and service standards; limitations on the size and weight of parcels; and changes to the number delivery attempts that will be made before a package is returned to sender.

Jamaica *UPDATE*: Jamaica Post has advised that the suspension of service standards has been extended until further notice.

United Arab Emirates *UPDATE*: Emirates Post has advised that it is carrying out contactless deliveries during the COVID-19 pandemic. Deliveries to the addressee's home require the courier to confirm the recipient's name by asking to see ID, recording name and releasing item to recipient.

These service disruptions affect Priority Mail Express International® (PMEI), Priority Mail International® (PMI), First-Class Mail International® (FCMI), First-Class Package International Service® (FCPIS®), International Priority Airmail® (IPA®), International Surface Air Lift® (ISAL®), and M-Bag® items.

The DMM Advisory will continue to update mailers regarding new service disruptions as they are received. For a full list of international service disruptions, please visit https://about.usps.com/newsroom/service-alerts/international/welcome.htm

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UPCOMING POSTCOM WEBINARS

Due to the Covid-19 Health Crisis and the importance of distributing critical information to the entire industry, the following webinars will not be limited to members only

PostCom Webinar on Coronavirus Updates – April 24, 2 pm ET Register

May Member Webinar – May 12, 2 pm ET Register

Members – Did you know you have full access to all archived Webinars (slides and recordings) and Bulletins on our website? Login to the member section using your email as your username and choose a new password.

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USPS-20-1215-A-009767

PARCEL SHIPPERS ASSOCIATION

320 South West Street
Suite 110
Alexandria, Virginia 22314

(703) 989-0789
jim@parcelshippers.org

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

During this national emergency, the U.S. Postal Service (USPS) continues to deliver critical goods to every address, including those in hard-hit urban cities as well as difficult to reach rural areas. The services being provided by the Postal Service include the delivery of prescription drugs, household goods, election materials, census material, Coronavirus-related information, testing kits, medical equipment, and eventually vaccines. However, without immediate financial assistance, these services will not continue.

We understand House and Senate negotiators agreed to a $13 billion appropriation during consideration of the CARES Act. We further understand this appropriation was dropped when it was opposed by the Administration. It is now obvious that much more is needed.

Yesterday the USPS Board of Governors (appointed by President Trump), notified Congress that, due to the Coronavirus emergency, it will run out of cash before September 30, the end of this fiscal year (see attached release). The bipartisan Board of Governors requested the following:

- $25 billion emergency appropriation to offset coronavirus-related losses.
- $25 billion grant to fund "shovel-ready" projects to modernize the Postal Service.
- Access to $25 billion in unrestricted borrowing authority from the Treasury.

We write in support of the USPS Board of Governors' request. In addtion, Treasury should never seek to impose operational changes and policy conditions on any of the Postal Service's new or existing borrowing authorities—changes and policies that by law are set by the USPS Board of Governors and Congress.

The over 600,000 men and women of the Postal Service, who have been on the front lines each and every day, represent the only workforce servicing every single household and open business across the nation. Unfortunately, given the lack of emergency funding, it appears they have been abandoned by the Administration. The Postal Service and the corporate members of the Parcel Shippers Association stand-out with their commitment and execution in support of the administrations efforts to keep the economy moving as it struggles throughout this pandemic.

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There is a mistaken impression promoted by at least one competitor that the Postal Service undercharges for its package delivery services. This claim has been widely debunked by independent commissions, experts, and virtually everyone who has looked at it (see attached Bibliography). Unfortunately, the postal task force that you chaired accepted this view, choosing to ignore the information provided by USPS and the Postal Regulatory Commision, and proposed the costing methodology changes advocated by that competitor in its final report.

Now is NOT the time to demand structural changes in the way the Postal Service operates or prices its products as a condition to access funds vital for it to continue the extraordinary service they provide the American people. Now is the time to help the Postal Service do what they have done for over 240 years—to Bind the Nation, Enable Commerce, and most importantly, support the Administration in the economic recovery of this nation.

Sincerely,

Jim Cochrane
Chief Executive Officer
Parcel Shippers Association

Attachments:

Members and Senators letter
Senate Testimony
Related articles, testimony, court and PRC decisions

Congress of the United States
Washington, DC 20510

AMERICAN OVERSIGHT

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the $10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.[1] The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will "run out of cash due to a potential decline in revenue of $8-$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to $12.6 billion in revenues this fiscal year as a result of the pandemic. During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.[2]

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

[1] Pub. L. No. 116-136 (2020).

[2] See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usus.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

AMERICAN OVERSIGHT

mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a $1.4 trillion mailing industry that employs more than 7.5 million people.[3]

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional $10 billion from the Department of the Treasury (Treasury) "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The terms of this loan are to be "mutually agreed upon by the Secretary and the Postal Service."[4] In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made "at the Treasury rate." This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of "the power of the Postal Service,"[5] appoint or remove the Postmaster General, and "direct and control the expenditures and review the practices and policies of the Postal Service."[6] We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service's statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

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[3] U.S. Postal Service*, Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

[4] Pub. L. 116-136 (2020).

[5] 39 U.S.C. § 202(a)(1).

[6] 39 U.S.C. § 202(c); 39 U.S.C. §205(a).

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- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all "term sheets" and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,

Gary C. Peters
Ranking Member
Senate Committee on Homeland Security and Governmental Affairs

Carolyn B. Maloney
Chairwoman
House Committee on Oversight and Reform

Tom Carper
Ranking Member
Senate Permanent Subcommittee on Investigations

Gerald E. Connolly
Chairman
House Subcommittee on Government Operations

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UNITED STATES
POSTAL REGULATORY COMMISSION
Washington, D.C. 20268-0001

FORM 8-K

CURRENT REPORT
PURSUANT TO 39 U.S.C. § 3654 AND SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): April 30, 2020

UNITED STATES POSTAL SERVICE

(Exact name of registrant as specified in its charter)

Washington, D.C.	41-0760000
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 L'Enfant Plaza, S.W. Washington, D.C.	20260
(Address of principal executive offices)	(ZIP Code)

(202) 268-2000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Not applicable	Not applicable	Not applicable

The number of shares of common stock outstanding as of April 30, 2020: N/A

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Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

David C. Williams announced his resignation from the Board of Governors effective April 30, 2020. Governor Williams's term had expired on December 8, 2019, and he had continued to serve as a Governor in a holdover year.

AMERICAN OVERSIGHT

Signature

Pursuant to the requirements of the Postal Accountability and Enhancement Act of 2006, the Postal Service has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

United States Postal Service

By: /s/ Thomas J. Marshall
Thomas J. Marshall,
General Counsel and
Executive Vice President

Date: May 4, 2020

AMERICAN OVERSIGHT

May 5, 2020

The Honorable Robert M. Duncan
Chairman
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable John M. Barger
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable Ron A. Bloom
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

The Honorable Roman Martinez IV
Governor
USPS Board of Governors
475 L'Enfant Plaza, SW
Washington, D.C. 20260

Dear Mr. Chairman and Governors:

On behalf of the Postal Service's 500,000 craft employees, we write to express our appreciation for the leadership you have shown during the current national crisis caused by the COVID-19 pandemic and to urge you to resist inappropriate interference by the Treasury Department in the management and operations of the Postal Service.

As our members across the country in post offices, on delivery routes, and in processing plants and other facilities face down the dangers of providing essential services during a pandemic, we thank you for fighting for the survival of the Postal Service -- a national treasure and a truly essential public service.

We specifically applaud your unanimous endorsement of immediate legislative relief to help the Postal Service survive this crisis so that we can continue to help America fight this pandemic and eventually recover from the deep recession it has caused. Our members are proud to be delivering goods to families that are sheltering in place, medicines and supplies to those who are sick, relief checks to suffering citizens and vital public health information to the entire country. And the industry – mailers, shippers and suppliers – is committed to respond to and fulfill these critical public needs, and work with the Postal Service to deliver them as well. The assistance you are seeking from Congress will allow us to serve these vital functions. We want to continue to deliver for the Nation.

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We also urge you to continue to resist inappropriate efforts by the Department of Treasury to interfere with the management of the Postal Service or to place conditions on access to credit provided by the Postal Reorganization Act or the CARES Act -- conditions that would weaken the legal authorities of the Board of Governors and the Postal Regulatory Commission. It is the role of a democratically elected Congress to set postal policy in this country, and it is the role of the Board and the PRC to implement that policy with the managerial and regulatory discretion provided by law. The Treasury Department has no authority to re-write the law or impose its policy preferences on the Postal Service – or the country.

In a few years' time, when this pandemic and this economic crisis are behind us, the Postal Service will celebrate its 250th anniversary. If we all work together to preserve the institution that we love and depend upon, on that anniversary we will be able to look back at this time as being among the finest in the long proud history of the Postal Service.

Thanks again for your leadership.

Sincerely,

Fredric V. Rolando
President
National Association of Letter Carriers

Mark Dimondstein
President
American Postal Workers Union

Ronnie Stutts
President
National Rural Letter Carriers Association

Paul Hogrogian
President
National Postal Mail Handlers Union

Cc: Postmaster General Megan Brennan
Deputy Postmaster General Ronald Stroman

AMERICAN OVERSIGHT

THOMAS J. MARSHALL
GENERAL COUNSEL
AND EXECUTIVE VICE PRESIDENT

UNITED STATES
POSTAL SERVICE

April 17, 2020

Lori Rectanus
Director, Physical Infrastructure Issues
Government Accountability Office

RE: U.S. Postal Service: Congressional Action to Enable a Sustainable Business Model Is Essential (Draft Report No. GAO-20-385)

Dear Ms. Rectanus:

On behalf of the United States Postal Service, this letter responds to your invitation to comment on the draft of the Government Accountability Office's (GAO's) audit report number GAO-20-385, which was transmitted to us for review on March 12.

Following the receipt of your draft report, the onset of the Coronavirus Disease 2019 (COVID-19) pandemic has had profound impacts both on the Nation, and the Postal Service. The pandemic has demonstrated the vital nature of the public services that the Postal Service performs, as Americans are being asked to shelter in place and to work from home. We operate by statute as a "basic and fundamental service" provided by the Federal Government to the American people, and the continued provision of postal services is designated as an essential function of the Government during times of emergency pursuant to the framework of the National Continuity Policy. The postal sector is also part of the nation's critical infrastructure. Every day, the men and women of the Postal Service accept, process, transport, and deliver vital mail and packages to all communities in the Nation, including important governmental information and benefits such as Census materials, social security checks, and materials advising the public on COVID-19; materials relating to elections, including ballots and political mail; materials that are essential to the functioning of our economy, such as transactional mail; and packages containing vital necessities, including medicines and other goods that sustain us that are purchased online.

While the criticality of the services the Postal Service provides has never been more evident, and we are committed to continuing to fulfill our universal service mission, the pandemic has also had drastic impacts on our financial condition. We have experienced significant and sudden declines in mail volume and revenue due to the pandemic. The result is a liquidity crisis that requires immediate action by Congress to ensure our continued ability to operate in the near term.

While short-term action by Congress is critical, the Postal Service's financial situation has long been unsustainable due to a combination of declining mail volumes and an inflexible statutory and regulatory structure that limits our ability to reduce costs and increase revenue. Therefore, Congress must also adopt financial and/or structural reforms to our business model, in order to ensure the Postal Service's long-term financial viability, as discussed in your report. As discussed below, we generally concur with your discussion of the structural challenges facing the Postal Service and the general policy options for addressing them, albeit with some clarifications.

As an initial matter, we concur with the National Bankruptcy Conference's thorough legal analysis, which concludes that the Federal bankruptcy laws do not apply to the Postal Service as an entity of the Federal Government. We further agree that attempting to apply a bankruptcy-like legal process meaningfully to the Postal Service would face significant legal hurdles, given that the central flaws in

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AMERICAN OVERSIGHT

our business model derive from statute. In this regard, bankruptcy is a process to address outstanding debts, not significant future liabilities caused by statutory obligations. To place the Postal Service on a sustainable footing requires not only addressing our unpaid past liabilities, but also, more fundamentally, reform of statutorily determined aspects of our business model. Therefore, as the National Bankruptcy Conference and GAO note (e.g., at page 36 of the draft report), "all roads for [restructuring the Postal Service's existing and future obligations] lead back to Congress."

The essential policy issues for Congress can be boiled down to two questions: what does Congress want the Postal Service to do, and how should those mandates be paid for? The former question requires Congress to consider, in particular, the level of universal postal service that is appropriate to meet the evolving needs of the American people (which is particularly important to consider in times like these), and the compensation and benefits structure that should apply to the men and women who provide that essential, fundamental service. The latter question requires Congress to consider how the costs incurred by the Postal Service should be funded, whether through the sale of postal products and services, taxpayer appropriations, or other sources.

Over the past decade, the Postal Service has aggressively pursued opportunities within its control to reduce costs and sustain revenue, some of which are discussed in your report. Yet those opportunities remain insufficient to close the current gap between our costs and revenues. The Postal Service has therefore advocated for financial and structural reforms to our business model to rebalance costs and revenue, and to sustain that balance going forward, by giving the Postal Service greater pricing and product flexibility and greater ability to reduce costs.

The central aspect of our proposal has been to rationalize our post-retirement benefits structure by ensuring that our retiree health benefits program is appropriately integrated with Medicare. As your report notes (on page 13 of the draft), most companies do not offer retiree health benefits, and the number that do has declined over time. What is not specifically mentioned in your report is that, for the minority of employers that do continue to offer a retiree health benefits program, the universal practice is to integrate that program with Medicare. Doing so would wipe out most of the Postal Service's remaining retiree health benefits prefunding liability. While Medicare integration would shift some cost to Medicare, the increase would be very small when considering the Medicare program as a whole: it would increase Medicare spending by a small fraction of one percent. In addition, other options regarding our retirement benefits would not require taxpayer support, such as changes in liability calculation methods and diversified investment of fund assets.

Beyond these policy issues, GAO also recommends that Congress consider whether to retain the Postal Service's status as an independent establishment, or to adopt a different institutional structure. We agree with GAO that this topic could logically be part of a comprehensive examination of the Postal Service's business model by Congress. We understand the purpose of the GAO report is to not make any specific recommendations to Congress in this regard, but simply to lay out the various theoretical and practical effects of various possible institutional forms; our feedback on this matter was offered in the same spirit, and as a part of your intellectual exercise. Ultimately, Congress, with input from our Board of Governors and other interested stakeholders, would need to determine whether changing the Postal Service's institutional structure is necessary or appropriate to ensure the continued provision of prompt, reliable, and efficient universal postal services to the American people.

Given Congress's constitutional responsibility over postal services and the critical nature of the postal system to the functioning of the American economy and society, particularly in times like these, Congress would have to address the basic policy questions noted above regardless of whether the Postal Service remains an independent establishment or were recast in some other form. For example, even where foreign postal operators have been privatized, they remain – uniquely among letter and package delivery providers in their countries – legally obligated to provide universal service under statutory and regulatory conditions that constrain their autonomy over rates and costs. In those countries, privatization processes have involved legislative decisions about

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service levels, revenue diversification, labor and employment laws, ratemaking authority, governmental assumption of costs (e.g., pension liabilities in Germany and the United Kingdom, as well as operation of the post office network in the United Kingdom), and other taxpayer support (e.g., tax exemptions in various countries, and £ 1.1 billion in appropriated modernization funding in the United Kingdom). The draft report notes that the same was true of the privatization of Conrail in this country. And even established private automobile manufacturers and airlines have required Federal assistance and legal reforms in order to continue operating, pursuant to Congress's determination of the critical role of those industries in the American economy.

Hence, the core motivation of a sustainable postal service for the nation does not hinge on the provider's institutional form. Rather, that motivation – and the attendant legislative support – should apply so long as Congress deems postal services necessary to the nation's current and future needs. That said, it bears noting, when assessing how institutional form can affect institutional incentives, that a Government entity will necessarily prioritize the achievement of its service mission set forth in statute, while a privatized entity would have obligations to its shareholders.

At the same time, it should also be noted that (contrary to pages 34-35 of the draft report), institutional form in itself is not determinative regarding efficiency incentives. Although an independent establishment of the Executive Branch rather than a Government or private corporation, the Postal Service has long been recognized as at the forefront of postal operators – ahead of several cited in the draft report – in terms of operating efficiency. Many of the efficiency gains achieved by corporatized and privatized foreign postal operators in recent years essentially represent efforts to catch up to what the Postal Service has already done for decades (e.g., worksharing and automated delivery-point sequencing) or to keep pace with recent changes that the Postal Service began implementing before them (e.g., consolidation of its processing network and introduction of two-tier wage schedules). For example, the Postal Service was the first postal operator in the world to automate delivery sequencing (Royal Mail and La Poste followed more than a decade later). A change in institutional form is therefore clearly unnecessary to incent the Postal Service to be efficient.

In that regard, and particularly considering the highly competitive nature of the marketplace in which we operate for all of our products, we consider the drive to operate efficiently to be a part of the DNA of the Postal Service, and that would remain an inherent part of our culture irrespective of our institutional form. For that reason, we do not believe corporatization or privatization would somehow unlock new efficiency potential that the Postal Service purportedly lacks under the current structure; only reform in the laws governing Postal Service's cost structure can do that, and they would do so whether or not the Postal Service remains an independent establishment. Finally, for the reasons noted above, we also do not believe that a change in our status to a more typical federal agency that is more reliant on appropriations would result in disincentives for us to be efficient.
Thank you once again for providing us with the opportunity to comment. We would be pleased to assist your office with further information or discussion of this matter if you believe it would be helpful.

Sincerely,

Thomas J. Marshall

Attachment

cc: Corporate Audit & Response Management
Ms. Haring
Ms. Simmons

AMERICAN OVERSIGHT

Congress of the United States

Washington, DC 20510

April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with urgent concerns regarding the financial condition of the U.S. Postal Service and the $10 billion loan Congress authorized the Department of the Treasury to provide to the Postal Service in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.[1] The Coronavirus emergency and resulting decline in economic activity have jeopardized the Postal Service's ability to continue providing essential services to every American. We urge you to make this loan as soon as possible, with terms that respect the Postal Service's status and authorities as an independent establishment of the executive branch. We cannot afford to lose this vital infrastructure at a time when it is most needed to continue delivering prescription drugs, critical packages to households and businesses, Coronavirus-related information, vote-by-mail materials, testing kits, medical equipment, and eventually vaccines across this nation.

On March 20, the Postal Service notified our Committees that due to the Coronavirus emergency it will "run out of cash due to a potential decline in revenue of $8-$10 billion and may have to limit or cease operations by the end of this fiscal year." The Postal Service subsequently provided revenue projections indicating that it could lose up to $12.6 billion in revenues this fiscal year as a result of the pandemic. During the Coronavirus pandemic, the Postal Service is incurring additional costs as it continues to provide safe deliveries and services to every member of the public, including costs of additional facility cleanings, purchasing critical supplies, and training staff on new procedures, in addition to regular operating costs.[2]

Meanwhile, the Postal Service continues to provide universal, essential services in every community across the nation, delivering medications, emergency information, home supplies, and more. The Postal Service is a lifeline for seniors and for people in rural areas, who often have less access to other services, particularly during this crisis. Postal workers deliver mail and packages to over 159 million households and businesses each day, including over 1 billion prescriptions last year. Businesses rely on the Postal Service to carry their packages the last

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[2] See, for example, U.S. Postal Service, *How Can We Help?: USPS Coronavirus Updates for Residential Customers* (Mar. 24, 2020) (faq.usus.com/s/article/USPS-Coronavirus-Updates-for-Residential-Customers).

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mile, particularly in remote and rural areas, as the only carrier that delivers to every single address. Furthermore, the Postal Service is at the center of a $1.4 trillion mailing industry that employs more than 7.5 million people.[3]

Enacted on March 27, the CARES Act authorizes the Postal Service to borrow up to an additional $10 billion from the Department of the Treasury (Treasury) "if the Postal Service determines that, due to the COVID-19 emergency, it will not be able to fund operating expenses without borrowing money." The terms of this loan are to be "mutually agreed upon by the Secretary and the Postal Service."[4] In discussions with Senate authorizers regarding these provisions, you indicated that a loan would be made "at the Treasury rate." This compromise was made with the understanding that Treasury would act swiftly to provide immediate, necessary financial relief to the Postal Service with a loan under practical, commonsense financial terms.

We strongly urge you to make this loan to the Postal Service in a timely manner, under fair terms that comply with the intent of the CARES Act, and with respect to the proper authorities delegated to the Postal Service. Congress maintains the authority to set the policies by which the Postal Service operates, delegated by statute to the Postal Service Board of Governors and the Postmaster General. The Board of Governors has the exclusive authority to direct the exercise of "the power of the Postal Service,"[5] appoint or remove the Postmaster General, and "direct and control the expenditures and review the practices and policies of the Postal Service."[6] We expect the Treasury Department to fully comply with federal statutes and refrain from setting any conditions that would infringe on the Postal Service's statutory authorities. We cannot afford to compromise this lifeline for seniors, rural areas, and all Americans.

To ensure the terms and conditions that Treasury intends to negotiate with the Postal Service comply with federal statutes and vested authorities, we ask that you provide us with the following documents within one week after the Postal Service requests a loan under the CARES Act:

- The terms and conditions the Treasury will propose to the Postal Service for the exercise of this borrowing authority, as well as any terms and conditions provisionally agreed upon with the Postal Service, including information about any postal policy and/or operational provisions Treasury intends to improperly include as a condition of borrowing;

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[3] U.S. Postal Service, *Postal Facts: Sizing It Up* (facts.usps.com/size-and-scope) (accessed Mar. 30, 2020).

[4] Pub. L. 116-136 (2020).

[5] 39 U.S.C. § 202(a)(1).

[6] 39 U.S.C. § 202(c); 39 U.S.C. §205(a).

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- A statement of when Treasury will allow the Postal Service to exercise its borrowing authority; and
- For context regarding the current negotiations, all signed or proposed borrowing agreements (Note Purchase Agreements), as well as all "term sheets" and communications regarding these agreements, between the Postal Service and the Treasury Department since 2018. It is our understanding the last permanent agreement expired in September 2018, and an interim agreement expired in August 2019.

Thank you for your attention to this urgent matter.

Sincerely,

Gary C. Peters
Ranking Member
Senate Committee on Homeland Security and Governmental Affairs

Carolyn B. Maloney
Chairwoman
House Committee on Oversight and Reform

Tom Carper
Ranking Member
Senate Permanent Subcommittee on Investigations

Gerald E. Connolly
Chairman
House Subcommittee on Government Operations

AMERICAN OVERSIGHT

March 19, 2020

The President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

We, the undersigned organizations, applaud the Administration and Congress for their swift actions to mitigate the impact of the unfolding Coronavirus pandemic. As our nation deals with this unprecedented public health crisis, we would like to emphasize to you and our senior government leaders that the transportation and goods movement industry stands ready and able to play a pivotal role in promoting economic growth while assisting with pandemic healthcare relief.

Commercial transportation firms will be essential in our country's ability to restore economic health, vitality and a return to everyday life. As the federal, state and local governments take steps to limit the spread of the Coronavirus, it is crucial that such actions do not inadvertently encumber the vital role of package and mail delivery services. We therefore write to encourage you, the Vice President, and the Coronavirus Task Force to reaffirm that transportation and shipping service providers, to include air, ground and ocean networks, are critical industries that should not be hindered by unnecessary restrictions impeding our ability to deliver.

Transportation service providers and shipping/postal operators have already been recognized by the Department of Homeland Security and Presidential Policy Directives as Critical Infrastructure industries. All of these firms utilize sophisticated networks of transportation modes including aviation, rail, ocean and truck to provide final-mile delivery for consumer goods, food, medical supplies and devices, among other items. Given the current disruption to the daily life of many Americans, there is even greater demand, and reliance upon, our services. Our organizations have implemented increased measures to ensure the safety of our people, our customers, and the general public.

It is imperative that precautionary actions taken by federal, state or municipal governments do not impose unnecessary burdens or logistical complications on package and mail delivery services, or on the people that provide those services, including our pilots, couriers, hub operators and truck drivers. Such unintended negative consequences will hamper our ability to reach businesses and consumers that are relying upon timely and dependable delivery. Neither restrictive public policies that impede interstate commerce (i.e. – Article I, Section 8 of the U.S. Constitution) should be enacted, nor should new local government initiatives create a regulatory patchwork that hinders operational efficiency.

Mr. President, the spread of the Coronavirus in the U.S. is testing government institutions, challenging private industry, and placing inordinate demands on our fellow citizens. As our nation mobilizes to mitigate the impact of the pandemic, we ask that you and your Coronavirus Task Force reiterate the valuable role our firms play in this regard, and discourage states and localities from implementing public policies that restrict our ability to serve the American people.

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We stand ready and willing to continue this important service to our nation, and will continue to work with federal, state and local governments in a coordinated fashion to help our employees deliver for America in the safest possible manner while also keeping our employees and the customers they serve safe too.

Sincerely,

Chris Spear
President & CEO
American Trucking Associations

Frederick W. Smith
Chairman and CEO
FedEx

David Abney
Chairman and Chief Executive Officer
UPS

Megan J. Brennan
Postmaster General, CEO
United States Postal Service

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From: Marshall, Thomas J - Washington, DC
To: Kennedy, Dale E - Washington, DC; Ellis, David B - Washington, DC; Weidner, Keith E - Washington, DC
Cc: Monteith, Steven W - Washington, DC; Foti, Thomas J - Washington, DC; Krage Strako, Jakki - Washington, DC
Subject: RE: [EXTERNAL] MSP"s Being Forced to Shut Down
Date: Friday, March 20, 2020 3:18:26 PM
Attachments: image001.jpg

(b)(5) We will keep you posted.

Thomas J. Marshall
General Counsel and Executive Vice President
United States Postal Service

From: Kennedy, Dale E - Washington, DC
Sent: Friday, March 20, 2020 2:19 PM
To: Marshall, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Ellis, David B - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Weidner, Keith E - Washington, DC (b)(6), (b)(3), 410(c)(2)
Cc: Monteith, Steven W - Washington, DC (b)(6), (b)(3), 410(c)(2) >; Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Krage Strako, Jakki - Washington, DC (b)(6), (b)(3), 410(c)(2)
Subject: FW: [EXTERNAL] MSP's Being Forced to Shut Down

Tom, David and Keith,
(b)(5)
(b)(5)

Thanks,

Dale Kennedy
O: 202-268-6592
C: (b)(6), (b)

From: (b)(6)
Sent: Friday, March 20, 2020 2:15 PM
To: Monteith, Steven W - Washington, DC <(b)(6), (b)(3), 410(c)(2) >; Kennedy, Dale E - Washington, DC (b)(6), (b)(3), 410(c)(2) ; Foti, Thomas J - Washington, DC (b)(6), (b)(3), 410(c)(2) >>
Subject: [EXTERNAL] MSP's Being Forced to Shut Down

Steve, Tom, Dale,

(b)(5)

Best, Steve

Stephen Kearney
executive director
Alliance of Nonprofit Mailers
1211 Connecticut Ave, NW, Suite 610
Washington, DC 20036

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Tel: 202-462-5132
[cid:image001.jpg@01D5FECA.CBDA2DE0]
E nonprofitmailers.org<https://www.nonprofitmailers.org/> | T Follow<https://twitter.com/NonprofitMailer> | F Like<https://www.facebook.com/AllianceNM/> | I View <https://www.instagram.com/allianceofnonprofitmailers/> | in Connect<https://www.linkedin.com/company/alliance-of-nonprofit-mailers/?viewAsMember=true>

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